

Notice of Meeting and Agenda Scotland Excel Joint Committee

Date	Time	Venue
Friday, 17 June 2016	10:45	City Chambers, Glasgow City Council, 80 George Square, Glasgow, G2 1DU

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Ramsay Milne and Councillor Willie Young (Aberdeen City Council); Councillor William Howatson and Councillor Cryle Shand (Aberdeenshire Council); Councillor Ellen Morton (Argyll and Bute Council); Councillor Alasdair Rankin and Councillor Iain Whyte (City of Edinburgh Council); Councillor Archie Drummond (Clackmannanshire Council); Councillor Norman Macdonald (Comhairle Nan Eilean Siar); Councillor Gill Dykes (Dumfries and Galloway Council); Baillie Willie Sawers (Dundee City Council); Councillor Jim Roberts (East Ayrshire Council); Councillor Bill Hendry (East Dunbartonshire Council); Councillor John McMillan (East Lothian Council); Councillor Gordon Wallace (East Renfrewshire Council); Councillor Rosie Murray (Falkirk Council); Councillor Ian Chisholm and Councillor Altany Craik (Fife Council); Councillor Norman MacLeod and Councillor Martin McElroy (Glasgow City Council); Councillor Bill Fernie and Councillor Alister Mackinnon (Highland Council); Councillor Jim Clocherty (Inverclyde Council); Councillor Jim Bryant (Midlothian Council); Councillor Grace McLean (North Ayrshire Council); Councillor Pat O'Rourke and Councillor Andrew Spowart (North Lanarkshire Council); Councillor James Stockan (Orkney Islands); Councillor John Kellan (Perth and Kinross Council); Councillor John Mitchell (Scottish Borders Council); Councillor Amanda Westlake (Shetland Islands Council); Councillor Robin Reid (South Ayrshire Council); Provost Eileen Logan and Councillor Jim Wardhaugh (South Lanarkshire Council); Councillor Neil Benny (Stirling Council); Councillor Allan Wright (The Moray Council); Councillor Kath Ryall (West Dunbartonshire Council); Councillor Anne McMillan (West Lothian Council)

Councillor Michael Holmes (Renfrewshire Council) (Convener) and Councillor Paul Valentine (Angus Council) (Vice Convener)

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at www.renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx

For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to reception where they will be met and directed to the meeting.

Items of business

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

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| 1(b) | Minutes of Executive Sub-committee | 15 - 30 |
| | Minutes of meetings of the Executive Sub-committee held on 27 November 2015, 4 March and 13 May 2016. | |
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	Note that the next meeting of the Joint Committee will be held at 10.45 am on Friday 9 December 2016 in the City Chambers, Glasgow City Chambers.	



Minute of Meeting Scotland Excel Joint Committee

Date	Time	Venue
Friday, 27 November 2015	10:45	City Chambers, Glasgow City Council, 80 George Square, Glasgow, G2 1DU

PRESENT

Councillors Shand and Howatson (both Aberdeenshire Council); Valentine (Angus Council); Morton (Argyll and Bute Council); Rankin and Whyte (both City of Edinburgh Council); Macdonald (Comhairle Nan Eilean Siar Council); Roberts (East Ayrshire Council); McMillan (East Lothian Council); Murray (Falkirk Council); Craik (Fife Council); McElroy and MacLeod (both Glasgow City Council); Fernie (Highland Council); Clocherty (Inverclyde Council); Bryant (Midlothian Council); McLean (North Ayrshire Council); Holmes (Renfrewshire Council); Mitchell (Scottish Borders Council); Provost Logan (South Lanarkshire Council); and Councillors Wright (The Moray Council); Westlake (Shetland Islands Council) and McMillan (West Lothian Council).

CHAIR

Councillor Holmes, Convener, presided.

APOLOGIES

Councillors Drummond (Clackmannanshire Council); Dykes (Dumfries and Galloway Council); Bailie Sawers (Dundee City Council); and Councillors Hendry (East Dunbartonshire Council); Innes (East Lothian Council); Kelly (North Lanarkshire Council); Stockan (Orkney Council); Kellas (Perth and Kinross Council); Wardhaugh (South Lanarkshire Council) and Ryall (West Dunbartonshire Council).

IN ATTENDANCE

J Welsh, Director, H Carr, Head of Strategic Procurement, S Brannagan, Head of Customer & Business Services, A Richmond, Senior Procurement Specialist and L Jones, Personal Assistant to the Director (all Scotland Excel); and A Russell, Director of Finance & Resources, A MacArthur, Head of Corporate Finance, M Conaghan, Legal & Democratic Services Manager, D Forbes, Finance Manager, E Currie, Senior Committee Services Officer and K Druce, Assistant Democratic Services Officer (all Renfrewshire Council).

DECLARATIONS OF INTEREST

There were no declarations of interest intimated prior to the commencement of the meeting.

1 MINUTE OF JOINT COMMITTEE

There was submitted the Minute of the meeting of the Joint Committee held on 12 June 2015.

DECIDED: That the Minute be approved.

2 MINUTES OF EXECUTIVE SUB-COMMITTEE

There were submitted the Minutes of the meetings of the Executive Sub-committee held on 12 June, 28 August and 2 October 2015.

DECIDED: That the Minutes be approved.

3 REVENUE ESTIMATES 2016/17

The Director of Scotland Excel gave a presentation to members in relation to the revenue estimates 2016/17 and the work of Scotland Excel.

There was submitted a joint report by the Treasurer and the Director of Scotland Excel relative to the revenue estimates for Scotland Excel including the requisition for the constituent authorities for financial year 2016/17. The report intimated that Scotland Excel was formally launched on 1 April, 2008 and continued to review its operations to ensure it remained sustainable, 'fit for purpose' and was best structured to deliver its objectives.

The report intimated that the annual revenue estimates process for each year up to 2015/16 had included agreement to draw from retained reserves to fund a number of workstreams relating to the procurement improvement programme. The strategy to retain and utilise reserves in this manner had proved to be an effective financial planning mechanism and had lasted significantly longer than was originally anticipated and had assisted in maintaining core requisitions below the cost of service delivery to member councils.

The budget estimates outlined in the report presented the planned 2016/17 financial position for Scotland Excel taking into account the estimated costs of core operations, incorporating £0.300 million costs of ongoing procurement improvement activities previously funded from reserves; the non-recurring costs related to procurement reform activities due to come to an end during 2016/17, to be met from reserves; and the non-recurring costs related to upgrade investment in ICT provision, to be met from available reserves.

Appendix 1 to the report detailed the revenue estimates 2016/17 and Appendix 2 to the report detailed the member authority requisition levels.

Councillor Holmes, seconded by Councillor McElroy, moved that the Revenue Estimates of Scotland Excel for the financial year 2016/17, as detailed in Appendix 1 to the report, be agreed; that the utilisation of reserve funding to support procurement reform projects due to terminate during 2016/17 be agreed; that the utilisation of reserve funding to support the ICT development programme be agreed; and that the requisition from constituent authorities, as detailed in Appendix 2 to the report, be agreed.

Councillor Roberts, seconded by Councillor McMillan, moved as an amendment that the report be continued to allow options to be provided.

On a vote being taken, 6 members voted for the amendment and 17 members voted for the motion. The motion was accordingly declared carried.

Councillor Morton requested that the information contained in the presentation given by the Director of Scotland Excel earlier in the meeting in relation to the revenue estimates 2016/17 and the work of Scotland Excel be provided to members in bullet point format. It was agreed that this would be circulated with the minutes of the meeting and a copy forms the Appendix to this Minute.

DECIDED:

(a) That the revenue estimates of Scotland Excel for the financial year 2016/17, as detailed in Appendix 1 to the report, be agreed;

(b) That the utilisation of reserve funding to support procurement reform projects due to terminate during 2016/17 be agreed;

(c) That the utilisation of reserve funding to support the ICT development programme be agreed;

(d) That the requisition from constituent authorities, as detailed in Appendix 2 to the report, be agreed; and

(e) That the information contained in the presentation given by the Director of Scotland Excel earlier in the meeting in relation to the revenue estimates 2016/17 and the work of Scotland Excel be provided to members in bullet point format.

4 AUDITED ANNUAL ACCOUNTS 2014/15

There was submitted a joint report by the Treasurer and the Director of Scotland Excel relative to the audited annual accounts for 2014/15 for Scotland Excel which had been approved for signature at the meeting of the Scotland Excel Executive Sub-committee held on 28 August 2015.

The report intimated that the Audit Certificate issued by Audit Scotland provided an unqualified opinion that the abstract of the accounts presented a true and fair view of the financial position of the Joint Committee as at 31 March 2015, in accordance with the accounting policies detailed in the accounts. A report on the 2014/15 audit by Audit Scotland was also submitted for members information and indicated that there were no matters arising from the audit which required specific reporting to members.

Copies of both the audited annual accounts 2014/15 and Audit Scotland's report on the audit were available on the Scotland Excel website.

DECIDED: That the report be noted.

5 SOCIAL CARE UPDATE

There was submitted a report by the Director of Scotland Excel relative to Scotland Excel's expanding role in the provision of social care procurement services.

The report intimated that significant local authority resources had been invested in the purchase of social care services from the private and voluntary sectors to meet the increasingly complex needs of the most vulnerable members of our communities. In response to this investment Scotland Excel had established a portfolio of social care contracts on behalf of local authority members.

Scotland Excel's social care contracts covered some of the most complex, high value and high risk services procured by local authorities. The current contract portfolio consisted of seven contracts designed specifically for care in a Scottish context, encompassing the wide range of legislative and policy requirements prevalent across community care, children's services and adult services and these were detailed in the report together with the advertised annual value for each contract.

The National Care Home Contract arrangements had been in place since 2006 and were coordinated through COSLA. Scotland Excel had agreed to provide a suite of new procurement and contract management services for the care home services for older people to supplement existing contract monitoring services. Funding contributions for each of the 25 participating local authorities had been agreed to provide the necessary procurement, data analysis, financial accounting and legal skills required to deliver the planned activities.

A number of other areas of new work had been identified by local authorities as potential areas for further collaboration. These included two significant areas of local authority expenditure, adult supported living and care at home. Annual spend on adult supported living was approximately £400 million and a procurement exercise in this area could produce greater transparency and understanding on costs as well as provide clarity on terms and conditions and national oversight and monitoring of the financial stability and performance of key providers. Annual spend on care at home services was approximately £450 million and whilst this market was far less concentrated, there remained scope to improve understanding of trends and variations across Scotland and, as a result, enhance local commissioning responses. National work was needed to dissect costs of service provision, identify service gaps and deliver a more cohesive approach to procurement of these services across Scotland.

There were no other collaborative procurement organisations offering social care contracts covering critical services such as those provided by Scotland Excel. This role was challenging and had taken significant investment from Scotland Excel and local authorities to develop the market knowledge, contract expertise and stakeholder relationships to enable Scotland Excel to lead the way in the development of successful national social care arrangements. There were a number of areas of potential further involvement for Scotland Excel in the provision of social care procurement services, which would be driven by local authority demand.

DECIDED:

- (a) That the progress made to date in developing and managing social care contracts be noted; and
- (b) That Scotland Excel continue to explore new social care procurement opportunities with local authorities.

6 LIVING WAGE ACCREDITATION

There was submitted a report by the Director of Scotland Excel relative to the Living Wage Accreditation.

The report intimated that Scotland Excel had, through the tender process, encouraged employers to support paying the Living Wage to their staff employed in the delivery of goods and services across the whole contract portfolio. The next stage in promoting this key area of corporate social responsibility would be the pursuit of accreditation as a Living Wage Employer at a cost of £200 per year.

Some of the benefits of paying the Living Wage had been identified as those receiving it could afford a decent quality of life; for some it meant working fewer hours and having time to see their families, volunteer in their communities or look after their health. Independent research had identified that employers found paying the Living Wage had resulted in a 25% fall in absenteeism; 80% of employers believed it had enhanced the quality of the work of their staff; and 66% of employers reported a significant impact on recruitment and retention within their organisation.

DECIDED:

- (a) That the report be noted; and
- (b) That approval be given to Scotland Excel pursuing accreditation as a Living Wage Employer.

7 SCOTLAND EXCEL RISK REGISTER

There was submitted a report by the Director of Scotland Excel relative to a review of the risk register that had been maintained to assess threat or risks that could impact on delivery of Scotland Excel's organisational objectives and to identify actions that were being taken to mitigate such risks.

The report intimated that as there had been numerous changes in the local authority landscape, the Scotland Excel's Senior Management Team had, over recent weeks, reviewed the register and had compiled a new risk register, a copy of which formed the appendix to the report. The review of the risk register had identified the current risks which might impact upon the organisation and its stakeholders.

The risk register contained a matrix setting out all risks identified for the organisation and highlighted the top five risks, The risks would continue to be monitored and reviewed on a quarterly basis and reported to the Executive Sub-committee on a six-monthly basis.

It was proposed that the format of the risk register be amended to a traffic light style of reporting; that it contain the previous year's figures; mention customers and stakeholders and be reported to the Joint Committee on an annual basis. This was agreed.

DECIDED:

(a) That in future the risk register be in a traffic light style format of reporting and contain the previous year's figures and mention customers and stakeholders;

(b) That the risk register be reported to the Executive Sub-committee on a six-monthly basis; and

(c) That the risk register be reported to the Joint Committee on an annual basis.

SEDERUNT

Councillor Wright left the meeting prior to consideration to the following item of business.

8 CONTRACT DELIVERY PLAN

There was submitted a report by the Director of Scotland Excel relative to the progress against the 2015/16 contract delivery plan.

Appendix 1 to the report detailed the contracts to be renewed; Appendix 2 to the report detailed new contracts to be developed and delivered in 2015/16 and Appendix 3 to the report detailed contracts with extension options and contract management activity ongoing in 2015/16.

It was proposed that future reports on progress against contract delivery plans summarise where targets had not been reached. This was agreed.

A discussion took place relative to the number of vacancies within Scotland Excel and cost implications associated with these vacancies. The Director of Scotland Excel agreed to provide this information to members.

DECIDED:

(a) That the progress to date be noted;

(b) That future reports on progress against contract delivery plans summarise where targets had not been reached; and

(c) That the Director of Scotland Excel provide information to members relative to the number of vacancies within Scotland Excel and the cost implications associated with these vacancies.

SEDERUNT

Councillor Howatson left the meeting prior to consideration of the following item of business.

9 **SPEND ACTIVITY AND ESTIMATED FORECAST SAVINGS - QUARTER 1 2015/16**

There was submitted a report by the Director of Scotland Excel providing an overview of the spend activity and estimated savings achieved through the Scotland Excel collaborative contacts.

The report included additional spend data provided by suppliers for four quarters from 1 July 2014 to 30 June 2015. Appendix 1 to the report detailed the expenditure summary per council and Appendix 2 to the report detailed the expenditure summary by contract.

It was proposed that, in future, a further column be added to the appendices detailing the previous year's figures. This was agreed.

DECIDED:

(a) That the participation levels and associated benefits estimated be noted; and

(b) That, in future, a further column be added to the appendices detailing the previous year's figures.

SEDERUNT

Councillor Mitchell left the meeting prior to consideration of the following item of business.

10 **COURT PROCEEDINGS UPDATE**

There was submitted a report by the Clerk relative to an update on court proceedings raised by Street Lighting Supplies & Co Ltd against Scotland Excel and Renfrewshire Council.

The report intimated that Street Lighting Supplies & Co Ltd had initially raised court proceedings in Paisley Sheriff Court against Scotland Excel and Renfrewshire Council in an attempt to prevent a contract being made. Scotland Excel had successfully argued that the case should not be heard within the Sheriff Court and should be transferred to the Court of Session. At the Court of Session the pursuer continued to argue that no contract award should be made. Scotland Excel successfully resisted that argument and the Court declined to make an interim order in that regard. The pursuer then sought to amend their claim to one for damages only claiming £345,000 and a proof before answer had been fixed for 5 to 10 November 2015.

Prior to the hearing, the pursuer had agreed to abandon their action and make a significant payment in respect of Scotland Excel's legal expenses. This case was prior to the commencement of Scotland Excel's insurance cover in respect of such court actions. Any similar actions raised against Scotland Excel would now be dealt with under the terms of that insurance cover.

DECIDED: That the report be noted.

11 MEETINGS OF SCOTLAND EXCEL JOINT COMMITTEE 2016

There was submitted a report by the Clerk relative to proposed meeting dates for the Joint Committee during 2016.

DECIDED: That meetings of the Joint Committee be held at 10.45 am on 17 June and 9 December 2016 within the City Chambers, Glasgow City Council.

12 DATE OF NEXT MEETING

DECIDED: That it be noted that the next meeting of the Joint Committee would be held at 10.45 am on 17 June, 2016 within the City Chambers, Glasgow City Council.

Background to Scotland Excel funding

In addition to the papers provided, a number of key points were discussed on the background to the funding of Scotland Excel.

- When Scotland Excel was set up in 2008, it received a grant of £4.5m from the Scottish Government as initial setup funding. This funding has been used to fund procurement reform activity and learning and development services since that time until the end of this fiscal period.
- It is acknowledged that the setup funding has also been utilised to offset further additional costs such as insurance.
- It has been well documented that Scotland Excel's funding position would be unsustainable once this funding ran out. This has been discussed and documented at several previous committee meetings.
- The setup funding has lasted much longer than was envisaged, keeping council requisitions low and reducing them on a number of occasions

Delivering Value for member requisitions

A number of key points were highlighted and discussed regarding the value of Scotland Excel.

- Since its inception, Scotland Excel has delivered £85.2 million of savings to councils; this equates to £4 of savings for every £1 invested.
- Scotland Excel contracts and services has resulted in the PCA scores for councils increasing from an average out of 22% performance score in 2009, to 62% in 2014.
- Scotland Excel has delivered an award winning member focussed Learning and Development service with 3585 local authority delegates attending training courses.
- Direct support has been provided to numerous member organisations to drive further value for membership and to support their own organisational transformation projects.

Driving Efficiency

Since its inception, Scotland Excel has sought to drive continued efficiency within its organisation.

- During financial years 10/11, 11/12 & 12/13, Scotland Excel reduced requisitions to councils by a total of 6%.
- No increases were applied in 13/14, 14/15 or 15/16
- Scotland Excel has reduced its headcount from 78 to 54 over this period, despite increasing the contract portfolio from £100m per annum to £680m per annum.
- A full review of Scotland Excel's budget was undertaken to identify both staff and non staff efficiency opportunities.

Agreement and future steps

Members agreed the following

- As the Scottish Government set-up funding runs out next year, Scotland Excel requested a 9.4% increase to council requisitions in order to continue to provide these existing services. Members discussed at length the poor timing of this increase in difficult financial times.
- Members felt that on reflection the issue of longer term funding should have been dealt with earlier.
- At the request of several members, Scotland Excel will seek to identify further sources of income generation including through growth and development of associate members.



Minute of Meeting Scotland Excel Executive Sub-Committee

Date	Time	Venue
Friday, 27 November 2015	09:45	City Chambers, Glasgow City Council, 80 George Square, Glasgow, G2 1DU

PRESENT

Councillors C Shand (Aberdeenshire Council); P Valentine (Angus Council); I Whyte (City of Edinburgh Council); N Macdonald (Comhairle nan Eilean Siar); G McLean (North Ayrshire Council); M Holmes (Renfrewshire Council); A Westlake (Shetland Islands Council) and Provost E Logan (South Lanarkshire Council).

CHAIR

Councillor Holmes, Convener, presided.

IN ATTENDANCE

J Welsh, Director of Scotland Excel, H Carr, Head of Strategic Procurement, S Brannagan, Head of Customer & Business Services, A Richmond, Senior Procurement Specialist and L Jones, Personal Assistant to the Director (all Scotland Excel); and M Conaghan, Legal and Democratic Services Manager, E Currie, Senior Committee Services Officer and K Druce, Assistant Democratic Services Officer (all Renfrewshire Council).

APOLOGIES

Councillor G Dykes (Dumfries and Galloway Council).

DECLARATIONS OF INTEREST

There were no declarations of interest intimated prior to the commencement of the meeting.

1 **MINUTE**

There was submitted the Minute of the meeting of the Executive Sub-Committee held on 2 October, 2015.

DECIDED: That the Minute be approved.

2 **MEETINGS OF SCOTLAND EXCEL EXECUTIVE SUB-COMMITTEE 2016**

There was submitted a report by the Clerk relative to proposed dates and venues for meetings of the Executive Sub-committee in 2016.

DECIDED: That the dates and venues for meetings of the Executive Sub-committee in 2016, as detailed in the report, be approved.

3 **REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL - CORDIA (SERVICES) LLP**

There was submitted a report by the Director of Scotland Excel indicating that Cordia (Services) LLP, an arms length organisation of Glasgow City Council, had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by Cordia (Services) LLP to become an associate member of Scotland Excel, at no fee, subject to completion and signing of the agreement document, be approved.

4 **REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL - CITY BUILDING (GLASGOW) LLP**

There was submitted a report by the Director of Scotland Excel indicating that City Building (Glasgow) LLP, an arms length organisation of Glasgow City Council, had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by City Building (Glasgow) LLP to become an associate member of Scotland Excel, at no fee, subject to completion and signing of the agreement document, be approved.

5 **REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL - WHEATLEY GROUP**

There was submitted a report by the Director of Scotland Excel indicating that the Wheatley Group had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by the Wheatley Group to become an associate member of Scotland Excel, at an annual membership fee of £30,000 subject to completion and signing of the agreement document, be approved.

6 **DATE OF NEXT MEETING**

DECIDED: That it be noted that the next meeting of the Executive Sub-committee would be held at 10.45 am on 12 February, 2016 in Scotland Excel Meeting Room 1, Renfrewshire House, Paisley.

Minute of Meeting Scotland Excel Executive Sub-Committee

Date	Time	Venue
Friday, 04 March 2016	10:45	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

PRESENT

Councillors P Valentine (Angus Council); A Craik (Fife Council); M McElroy (Glasgow City Council); M Holmes (Renfrewshire Council); A Westlake (Shetland Islands Council) and Provost E Logan (South Lanarkshire Council).

CHAIR

Councillor Holmes, Convener, presided.

BY VIDEO CONFERENCING

Councillors C Shand (Aberdeenshire Council); B Fernie (Highland Council) and I Whyte (City of Edinburgh Council).

APOLOGIES

Councillors N Macdonald (Comhairle Nan Eilean Siar); G Dykes (Dumfries and Galloway Council) and G McLean (North Ayrshire Council).

IN ATTENDANCE

J Welsh, Director of Scotland Excel, S Brannagan, Head of Customer & Business Services, H Carr, Head of Strategic Procurement, N Burleigh, Senior Procurement Specialist, L Gordon, Senior Procurement Specialist, A Kowalska, Senior Procurement Specialist, E Martin, Senior Procurement Specialist and L Jones, Personal Assistant to the Director (all Scotland Excel); and D Forbes, Finance Manager, E Currie, Senior Committee Services Officer and K Brown, Committee Services Officer (all Renfrewshire Council).

DECLARATIONS OF INTEREST

There were no declarations of interest intimated prior to the commencement of the meeting.

1 REVENUE BUDGET MONITORING

There was submitted a joint revenue budget monitoring report by the Treasurer and the Director of Scotland Excel for the period 1 April 2015 to 5 February 2016.

DECIDED: That the report be noted.

2 CONTRACT FOR APPROVAL: SUPPLY AND DISTRIBUTION OF GROCERIES AND PROVISIONS

There was submitted a report by the Director of Scotland Excel relative to the proposed renewal framework for the supply and distribution of groceries and provisions which would operate from 1 May 2016 to 30 April 2020.

The report intimated that the framework would provide councils with a mechanism to procure a range of dairy and chilled products, dried goods, ambient goods, crisps, confectionery, soft drinks and water. A number of council services were likely to access the framework including schools, nurseries, leisure centres, community centres, social work, council buildings and civic centres. The renewal incorporated a number of enhancements to the current framework including the inclusion of locally sourced produce where possible, greater brand flexibility and an agreed product substitution list.

The framework had been split into three lots as detailed in table 1 in the report. This lotting structure recognised the current structure of the market place and had been designed to more closely align the requirements of councils and continued to maximise opportunities for small and medium-sized enterprises (SMEs) and the SME status for each bidder was detailed in Appendix 2 to the report.

Appendix 1 to the report detailed the participation, spend and savings summary of the 29 councils participating in the framework. It was noted that Tayside Contracts would also be participating in the framework. Orkney Islands and Stirling Councils would not be participating in the framework and discussions were currently ongoing with Glasgow City Council. It was noted that since publication of the report, updated information had been received and amendments had been made to the report and Appendix 1. The up-to-date report would be issued to members of the Sub-committee.

The framework had been advertised at £30 million per annum and seven tender responses had been received. Based on the criteria and scoring methodology set out in the tender document, a full evaluation of the compliant offers received had been completed and Appendix 3 to the report detailed the scores relative to each bidder.

Based on the evaluation undertaken and in line with the criteria and weightings detailed in the report it was recommended that a multi-supplier framework be awarded to six suppliers across the three lots as detailed in Appendix 3 to the report.

DECIDED:

(a) That the award of the framework agreement, as detailed in Appendix 3 to the report, be approved; and

(b) That the up-to-date report referred to be issued to members of the Sub-committee.

3 **CONTRACT FOR APPROVAL: SUPPLY AND DELIVERY OF WASTE DISPOSAL EQUIPMENT**

There was submitted a report by the Director of Scotland Excel relative to the proposed renewal framework for the supply and delivery of waste disposal equipment which would operate from 1 April 2016 to 31 March 2019, with an option to extend for up to 12 months until 31 March 2020.

The report intimated that the framework would assist councils and other participating bodies in achieving Scottish Government targets for recycling and provide a mechanism to produce a range of waste disposal equipment including skips, large containers, compactors, balers and roll packers. The key users of the contract would be the waste and environmental departments within councils. A key objective of the framework was to ensure councils had sufficient competition, flexibility and choice of suppliers and products. The renewal incorporated a number of enhancements to the current framework including the inclusion of additional lots and products, a list of additional options and variations to skips and containers in order to streamline product customisation and increase competition within the framework.

The framework had been split into five lots as detailed in table 1 in the report. This lotting structure recognised the current structure of the supply market and had been designed to more closely align with requirements of councils and continued to maximise opportunities for small and medium-sized enterprises (SMEs) and the SME status for each bidder was detailed in Appendix 2 to the report.

Appendix 1 to the report detailed the participation, spend and savings summaries of the 29 councils participating in the framework. It was noted that the NHS, the Scottish Prison Service, Advanced Procurement for Universities and Colleges and Tayside Contracts would also be participating in the framework. Aberdeen City, East Ayrshire and East Renfrewshire Councils would not be participating. It was noted that since publication of the report, updated information had been received and amendments had been made to the report and Appendix 1. The up-to-date report would be issued to members of the Sub-committee.

The framework had been advertised at a value of £5 million over the four year period, £1.25 million per annum and 13 tender responses had been received. Based on the criteria and scoring methodology set out within the tender document, a full evaluation of the offers received had been completed and Appendix 3 to the report detailed the scores relative to each bidder.

Based on the evaluation undertaken and in line with the criteria and weightings detailed in the report it was recommended that a multi-supplier framework be awarded to six suppliers across the three lots as detailed in Appendix 3 to the report.

DECIDED:

(a) That the award of the framework agreement, as detailed in Appendix 3 to the report, be approved; and

(b) That the up-to-date report referred to be issued to members of the Sub-committee.

4 **CONTRACT FOR APPROVAL: SUPPLY AND DELIVERY OF ELECTRICAL MATERIALS**

There was submitted a report by the Director of Scotland Excel relative to the proposed renewal framework for the supply and delivery of electrical materials which would operate from 1 April 2016 to 31 March 2018, with an option to extend for up to two 12 month periods until 31 March 2020.

The report intimated that the framework would provide councils and other participating bodies with a mechanism to procure a range of electrical materials in support of construction projects, maintenance programmes and ad-hoc repairs. A key objective of the framework was to ensure councils had sufficient competition and flexibility to effectively manage their requirements across a range of diverse building types and housing stock.

The framework had been split into eight lots as detailed in table 1 in the report. This lotting structure had been designed to more closely align with requirements of councils whilst also recognising the current structure of the market place and continued to maximise opportunities for small and medium-sized enterprises (SMEs) and the SME status for each bidder was detailed in Appendix 2 to the report.

Appendix 1 to the report detailed the participation, spend and savings summaries of the 28 councils participating in the framework. It was noted that the NHS, the Scottish Prison Service and the Scottish Government would also be participating in the framework. East Ayrshire, Fife, Glasgow City and Stirling Councils would not be participating.

The framework had been advertised at a value of £56 million for the full term of the framework and 10 tender responses had been received. Based on the criteria and scoring methodology set out within the tender document, a full evaluation of the offers received had been completed and Appendix 3 to the report detailed the scores relative to each bidder.

Based on the evaluation undertaken and in line with the criteria and weightings detailed in the report it was recommended that a multi-supplier framework be awarded to eight suppliers across the eight lots as detailed in Appendix 3 to the report.

DECIDED: That the award of the framework agreement, as detailed in Appendix 3 to the report, be approved.

5 **DEMOLITION CONTRACT UPDATE**

The Head of Strategic Procurement gave a verbal update on the Demolition Services contract which had been agreed at the meeting of the Executive Sub-committee held on 2 October 2015. He advised that following the meeting intelligence had been received from Police Scotland and that during the standstill period of the contract, two of the partially successful bidders had challenged the award.

In view of this, it was determined that the contract be not awarded and that the contract be re-tendered. A report on the award of this contract would be submitted to the next meeting of the Executive Sub-committee to be held on 22 April 2016.

DECIDED: That the position be noted.

6 BIENNIAL REPORTING - COMMUNITY BENEFITS

There was submitted a report by the Director of Scotland Excel relative to the development and implementation of a process to collect community benefits delivered from contracts and a summary of the benefits received.

The report intimated that at the meeting of the Scotland Excel Joint Committee held on 5 December 2014 an outline was provided of the planned development activity to allow the capture and recording of delivered benefits on a routine basis. A process had now been implemented whereby Scotland Excel collated and reported on information received from the supply base twice a year. The report detailed the results for the period April to September 2015 and Appendix 1 to the report detailed the community benefits by category for each council.

DECIDED:

(a) That the progress made to date be noted; and

(b) That the measures proposed to monitor and develop community benefits in order to continue to deliver benefits beyond traditional cost savings be agreed.

7 EMPLOYEE ABSENCE MANAGEMENT REPORT

There was submitted a report by the Director of Scotland Excel relative to employee absence statistics for Scotland Excel. The report advised of the absence levels for the period October to December 2015 and provided information relating to the absence statistics and reasons.

DECIDED: That the report be noted.

8(a) REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL - CULTURE PERTH & KINROSS

There was submitted a report by the Director of Scotland Excel indicating that Culture Perth & Kinross, an arms length organisation of Perth & Kinross Council had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by Culture Perth & Kinross to become an associate member of Scotland Excel, at no fee, subject to completion and signing of the agreement document, be approved.

8(b) REQUEST FOR NEW ASSOCIATE MEMBERSHIP - DYSPRAXIA SCOTLAND

There was submitted a report by the Director of Scotland Excel indicating that Dyspraxia Scotland had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by Dyspraxia Scotland to become an associate member of Scotland Excel, at an annual membership fee of £500, subject to completion and signing of the agreement document, be approved.

EXCLUSION OF PRESS AND PUBLIC

The Sub-committee resolved that the press and public be excluded from the meeting during consideration of the following items of business as it was likely, in view of the nature of the business to be transacted, that if members of the press and public were present, that there would be disclosure to them of exempt information as defined in paragraphs 6 and 8 of Part I of Schedule 7A of the Local Government (Scotland) Act 1973.

DECLARATION OF INTEREST

Prior to consideration of the following item of business, Councillor McElroy (Glasgow City Council) declared an interest and indicated his intention to leave the meeting during consideration of the item and not to take part in any discussion or voting thereon.

9 SECURE CARE FEE NEGOTIATIONS

There was submitted a report by the Director of Scotland Excel relative to the national contracts for secure care beds. The contracts allowed for an annual application for fee reviews. In accordance with the terms of the contract agreed with the providers, all four providers had requested fee increases to apply from 1 April 2016. All fees agreed would remain fixed to 31 March 2017.

DECIDED: That the increase of weekly fees, as detailed in Appendix 1 to the report, which were in accordance with the contract terms agreed with the named providers, be approved.

SEDERUNT

Councillor McElroy (Glasgow City Council) returned to the meeting prior to consideration of the following item.

10 DATE OF NEXT MEETING

DECIDED: That it be noted that the next meeting of the Executive Sub-committee would be held at 10.45 am on 22 April 2016 in Scotland Excel Meeting Room 1, Renfrewshire House, Paisley.

Minute of Meeting Scotland Excel Executive Sub-Committee

Date	Time	Venue
Friday, 13 May 2016	10:45	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

PRESENT

Councillors A Craik (Fife Council); B Fernie (Highland Council); M Holmes (Renfrewshire Council); A Westlake (Shetland Islands Council); and Provost E Logan (South Lanarkshire Council).

CHAIR

Councillor Holmes, Convener, presided.

VIDEO LINK

Councillors C Shand (Aberdeenshire Council) and I Whyte (City of Edinburgh Council).

APOLOGIES

Councillors P Valentine (Angus Council); N Macdonald (Comhairle Nan Eilean Siar); M McElroy (Glasgow City Council) and G McLean (North Ayrshire Council).

IN ATTENDANCE

J Welsh, Director of Scotland Excel, S Brannagan, Head of Customer & Business Services, H Carr, Head of Strategic Procurement, A Richmond, Strategic Procurement Manager, J McKerrall, Category Manager and Z Brown, Graduate Trainee and L Jones, Personal Assistant to the Director (all Scotland Excel); and D Forbes, Finance Manager, E Currie, Senior Committee Services Officer and K Brown, Committee Services Officer (all Renfrewshire Council).

DECLARATIONS OF INTEREST

There were no declarations of interest intimated prior to the commencement of the meeting.

1 REVENUE BUDGET MONITORING REPORT

There was submitted a joint revenue budget monitoring report by the Treasurer and the Director of Scotland Excel for the period 1 April 2015 to 4 March 2016.

DECIDED: That the report be noted.

2 ASSOCIATE MEMBERS UPDATE REPORT

There was submitted a report by the Director of Scotland Excel relative to the work undertaken to support and develop associate membership of Scotland Excel.

The report intimated that a review of the associate member fee structure had been undertaken with a move towards new fee levels based upon the spend on contracts made by member organisations.

The report provided information in relation to the first stage of the associate membership project to review the existing membership base and mitigate the potential negative impact of the fee structure changes; the sector focused approach taken by Scotland Excel with Scottish housing associations being identified as the first sector; and the production of an associate membership strategy covering the approach Scotland Excel would undertake to promote the benefits of associate membership to appropriate groups, to raise awareness of potential savings, share best practice and generate income from membership fees.

DECIDED: That the report be noted.

3 OPERATING PLAN UPDATE 2015/16 AND OPERATING PLAN 2016/17

There was submitted a report by the Director of Scotland Excel relative to the projects and activities undertaken by the organisation in 2015/16 and the draft 2016/17 operating plan.

The report intimated that the rolling operating plan recorded the high level activities and commitments that would be delivered to achieve the organisations four strategic goals and would be used to set annual priorities and detailed performance objectives for the organisation and employees. A review of progress would be undertaken in April each year and the plan updated to ensure it remained closely aligned with the goals of the three year strategy and respond to any changes in the external environment. The operating plan 2015/16 year-end report formed Appendix 1 to the report.

The draft operating plan 2016/17, which formed Appendix 2 to the report, outlined the high level of activities and commitments for the second year of the strategy delivery. Scotland Excel's Performance Review and Development (PRD) programme for staff was underway to assess their performance against assigned objectives in 2015/16 and cascade new objectives for delivering the priorities identified for 2016/17. Members were requested to provide any comments on the draft operating plan 2016/17 to the Director of Scotland Excel.

It was noted that, from April 2016, reports on progress against the activities in the operating plan would be produced at the end of each quarter and submitted to the Executive Sub-committee at the next scheduled meeting.

The Director of Scotland Excel undertook to provide information to members in relation to the shared services strategy aligned to customer requirements when available.

DECIDED:

- (a) That the approach taken by Scotland Excel to update the operating plan and the progress made by Scotland Excel in delivering its corporate strategy be noted;
- (b) That members provide any comments on the draft operating plan 2016/17 to the Director of Scotland Excel; and
- (c) That the Director of Scotland Excel provide information to members in relation to the shared services strategy aligned to customer requirements when available.

4 RISK REGISTER UPDATE

Under reference to item 7 of the Minute of the meeting of the Joint Committee held on 27 November 2015 there was submitted a report by the Director of Scotland Excel providing an update on the risk register maintained to assess threats and risks that could impact on the delivery of Scotland Excel's organisational objectives and the actions identified to mitigate such risks.

DECIDED:

- (a) That members provide any feedback on the risk register and actions identified to manage risks to the Director of Scotland Excel; and
- (b) That the report be noted.

5 CONTRACT FOR APPROVAL - CUSTOMER SERVICE PLATFORM

There was submitted a report by the Director of Scotland Excel relative to a new collaborative framework for the provision of a Customer Service Platform solution for councils which would operate from 1 June 2016 to 31 May 2019, with an option to extend for up to 12 months until 31 May 2020.

The report intimated that the framework would provide councils with a software solution that staff could use to input and process customer service requests, along with an online portal that allowed customers to input these service requests personally, without the need to interact with staff. Scotland's councils delivered a diverse range of customer services and a key goal for all councils was to ensure each citizen had a positive customer experience. Delivering services to customers was vital to ensure councils fulfilled their duty of care to the public.

The framework had been split into two lots as detailed in table 1 in the report. This lotting structure recognised the current structure of the supply market and had been designed to more closely align with requirements of councils and continued to maximise opportunities for small and medium-sized enterprises (SMEs) and the SME status for each bidder was detailed in Appendix 1 to the report. Sixteen councils had expressed an interest in actively participating in the framework to date. Several councils had contracts in place for this year and therefore did not currently intend to utilise the framework until these arrangements expired. Highland, Scottish Borders, Edinburgh and Argyll and Bute Councils had all recently tendered or awarded a contract for similar software packages and therefore did not intend to utilise the framework. The NHS boards and NHS National Shared Services were named in the contract advert so might use the framework at a later date.

The framework had been advertised at a value of £15 million over the four year period, £3.75 million per annum and 10 tender responses had been received. Based on the criteria and scoring methodology set out within the tender document, a full evaluation of the offers received had been completed and Appendix 2 to the report detailed the scores relative to each bidder.

Based on the evaluation undertaken and in line with the criteria and weightings detailed in the report it was recommended that a multi-supplier framework be awarded to two suppliers in Lot 1 and three suppliers in Lot 2 as detailed in Appendix 2 to the report.

DECIDED: That the award of the framework agreement, as detailed in Appendix 2 to the report, be approved.

6 CARE HOME SERVICES FOR OLDER PEOPLE

Under reference to item 6 of the Minute of the meeting of this Executive Sub-committee held on 28 August 2015 there was submitted a report by the Director of Scotland Excel providing an update on the project considering the future procurement of care home services for older people.

The report intimated that since the meeting on 28 August 2015, 24 councils had provided funding to take forward the contract management service and develop the procurement strategy; three forums had been held with nominated lead contacts from the 24 councils to refine the contract management service to better align with local requirements and to start shaping the procurement strategy; and Scotland Excel had maintained regular dialogue with CoSLA, Scottish Local Government Partnership, providers and other key stakeholders.

In parallel to this work, CoSLA had completed fee negotiations with providers for 2016/17. CoSLA and providers had established a group to consider reforming the National Care Home Contract (NCHC). The remit of the group would be to consider whether the current NCHC was fit for purpose in light of policy, demographic and financial drivers as outlined in the Future of Residential Care for Older People in Scotland report published in March 2014.

The report provided information in relation to market intelligence; a procurement strategy; the NCHC fee negotiations and the reform of the NCHC project.

It was noted that continued significant stakeholder involvement was required in order to ensure that the procurement strategy was successfully delivered and to ensure that this Scotland Excel led activity was both recognised and made a significant contribution to the work of the NCHC Project Group. Without building on existing support there was a significant risk that the market would not engage with any recommended procurement option and/or the recommended option would not be politically acceptable. The report detailed a programme of activity to develop the procurement strategy which would be discussed and agreed with stakeholders and regular update reports would be submitted to the Executive Sub-committee.

DECIDED:

(a) That the progress made in developing and implementing Scotland Excel's new contract management service role be noted;

(b) That the procurement strategy development work undertaken be noted;

(c) That the outcome from the National Care Home Contract (NCHC) fee negotiations for 2016/17 be noted; and

(d) That the establishment of the project group to consider NCHC reform be noted.

7 LOCAL AUTHORITY LIVING WAGE COMMITMENT - BRIEFING PAPER

There was submitted a briefing paper providing an overview of the new local authority living wage commitment agreed in the local government settlement for 2016/17 and highlighting the impact of this commitment for Scotland Excel contracts.

The briefing paper intimated that payment of a living wage and other fair work practices were widely regarded as important tools to help improve the quality of social care services. The 2016/17 local government settlement included a requirement for local authorities to pay the living wage of £8.25 per hour to all care workers in adult social care from 1 October 2016. This requirement extended to purchased care services as well as in-house provision impacting care homes, care at home and housing support services.

The briefing paper provided information in relation to the practical procurement issues in terms of both existing and new contracts; matters concerning the award of unlawful state aid to providers being raised with the Scottish Government State Aid Policy Team; the financial impact of this requirement; the guidance document being produced by CoSLA in collaboration with the Scottish Government and others; and the impact on Scotland Excel contracts in the areas of care home services for older people, social and care agency workers and care homes for adults with learning disabilities.

It was noted that Scotland Excel would produce a strategy to review and manage necessary changes to the framework for care homes with adults with learning difficulties.

DECIDED: That the update provided be noted and that the development of a Scotland Excel strategy to support applicable existing arrangements be supported.

8(a) **REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL BY LIVE BORDERS**

There was submitted a report by the Director of Scotland Excel indicating that Live Borders had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by Live Borders to become an associate member of Scotland Excel, at no fee, subject to completion and signing of the agreement document, be approved.

8(b) **REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL BY LOCHALSH AND SKYE HOUSING ASSOCIATION**

There was submitted a report by the Director of Scotland Excel indicating that Lochalsh & Skye Housing Association had submitted an application to become an associate member of Scotland Excel.

DECIDED: That the application by Lochalsh & Skye Housing Association to become an associate member of Scotland Excel, at a fee of £500, subject to completion and signing of the agreement document, be approved.

8(c) **REQUEST FOR ASSOCIATE MEMBERSHIP BY ANGUS ALIVE**

There was submitted a report by the Director of Scotland Excel indicating that Angus Alive had submitted an application to become an associate member of Scotland Excel.Â
DECIDED:Â Â Â That the application by Angus Alive to become an associate member of Scotland Excel, at no fee, subject to completion and signing of the agreement document, be approved.

9 **DATE OF NEXT MEETING**

DECIDED: That it be noted that the next meeting of the Executive Sub-committee would be held at 9.45 am on Friday 17 June 2016 in the City Chambers, Glasgow City Council.

Scotland Excel

To: Joint Committee

On: 17 June 2016

**Report by
Director Scotland Excel**




Operating Plan Update 2015-16

1. Purpose of the report

In June 2015, Scotland Excel's Joint Committee approved a new three year strategy and rolling annual operating plan. This report presents our approach to performance reporting and provides an update on the progress that has been made against operating plan activities and commitments during 2015-16.

2. Reporting methodology

From April 2016, quarterly reports are being produced to track Scotland Excel's performance against operating plan activities. The reports summarise the progress made against the priorities identified each year, and use a 'traffic light' symbol to provide a quick guide to the status of each action:

	Project or activity is currently stalled or significantly behind schedule
	Project or activity is progressing at a slower pace than anticipated and/or results have been weaker than expected
	Project or activity has been completed and/or is progressing in line with expected/agreed timelines and targets

The report in Appendix 1 employs this methodology to provide an update on progress made during the full year to 31 March 2016. Future reports will also contain updates on ten key performance indicators (KPIs) which are included within the 2016-17 operating plan.

3. Reporting schedule

Progress reports will be produced at the end of each quarter and submitted to the Executive Sub-Committee at their next scheduled meeting. Half yearly and annual reports will also be submitted to Joint Committee meetings.

4. Recommendation

The members of the Joint Committee are invited to note the reporting methodology and schedule, and the progress made by Scotland Excel in delivering its corporate strategy during 2015-16.





Operating Plan


2015 – 2016

Year End Report

Goa1 1: Supporting the delivery of better and more effective public services

Strategic objectives	
1.1	Deliver a range of collaborative procurement and supplier development services which support customers at a strategic and operational level
1.2	Deliver a range of shared services which support customers in the development of their professional, organisational and commercial capability
1.3	Deliver a range of new shared services which support the effectiveness and efficiency of customer operations

Activity	Year 1 Priorities	RAG status	Progress summary
(a) Develop and implement a contract plan aligned to the strategic priorities of member authorities	<ul style="list-style-type: none"> Update rolling contract delivery plan for joint committee approval Develop a flexible workforce model to resource the contract delivery plan Hold biannual Commercial ULGs and interim steering group meetings Develop category strategies for all key category areas 		<ul style="list-style-type: none"> An updated contract delivery plan which extends to March 2017 was presented to the joint committee in November. Alternative delivery options to enable further expansion of the portfolio are being explored; these include contract rationalisation, new funding models and cross sector partnership working. A flexible workforce model has been developed to resource the current contract delivery plan. A resource planner is updated monthly to reallocated resources where required. Commercial ULGs were held for all councils in June and December to review the contract delivery plan. The smaller steering group of members also met in April, August, October, November and January to provide ongoing input to plans. Category strategies have been completed for all key category areas to set the direction for future contract development and management.
(b) Develop and implement a strategy and plan for the delivery of contract and supplier management	<ul style="list-style-type: none"> Review CSM strategy, methodology and systems Produce regular reports on contract performance 		<ul style="list-style-type: none"> A project was initiated in November to review all aspects of the existing CSM programme. The project team has been evaluating a performance management module (eSPM) which is available as part of national collaborative eCommerce tools. A pilot is being planned for 2016-17. Annual contract management reports analysing a range of market and business data are produced for all contracts. These are discussed with managers/peers to agree opportunities for continuous improvement.

(c) Develop and implement a strategy and plan for improving supplier performance	<ul style="list-style-type: none"> Launch Supplier Excellence Award programme 		<ul style="list-style-type: none"> The Supplier Excellence Awards were held in Glasgow in June, with awards presented to 11 suppliers across 7 categories. The ceremony formed part of a high profile event organised in partnership with the Supplier Development Programme (SDP), and attended by 39 public sector exhibitors and 700 suppliers. Plans will be developed during 2016-17 for the future direction and frequency of the awards programme.
(d) Manage the rollout of a new national procurement capability assessment to the local government sector	<ul style="list-style-type: none"> Identify and train PCIP assessors Develop and implement PCIP workshops and training for councils Agree assessment schedule and complete assessments in line with the schedule 		<ul style="list-style-type: none"> Four members of staff have been trained to undertake Procurement Capability Improvement Programme (PCIP) assessments. Assessors have been selected from teams across the organisation to create a mix of procurement, stakeholder and change management experience. Six workshops took place throughout Scotland between August and October to help local authorities prepare for the new assessments. Seven local authorities took part in mock assessments during November. The findings from this exercise have been shared with all councils. Following consultation with councils, it was agreed that PCIP assessments would be delayed until May – October 2016 to allow further time for preparation. However, some councils have elected not to participate in the assessments this year due to other business priorities.
(e) Develop and implement a programme to lead and support the development of procurement and commercial capability	<ul style="list-style-type: none"> Secure funding to support the continued delivery of capability and change services Develop and deliver a programme of capability and change services agreed with councils 		<ul style="list-style-type: none"> Scotland Excel secured additional funding to continue the delivery of reform activity in 2016-17 at the joint committee in November. A number of ad hoc services were delivered during 2015-16 including support for local transformation programmes, assessments to identify additional savings opportunity, and 'critical friend' workshops. A Procurement Improvement Programme (PIP) steering group has been re-established to plan priorities for this programme. The group met in February to agree priorities and will meet again in May to finalise proposals for a new programme.
(f) Develop and implement a 'procurement academy' to support professional capability and encourage new entrants to public procurement	<ul style="list-style-type: none"> Develop a model for the future delivery of learning and development services in line with council requirements Develop a strategy for implementing eLearning capability 		<ul style="list-style-type: none"> Initial 'procurement academy' proposals centred on a Masters qualification were ruled out by councils due to cost. Further research took place in March to identify requirements. eLearning was confirmed as a key priority, and a model has been developed around resources available from professional organisations. This will be piloted during Q1 of 2016-17 and the findings used to inform plans for roll out to the sector. Requirements for a professional development qualification and modern apprenticeship support will be explored during this second phase.

(g) Develop and implement a shared service offering for councils which meets their requirements in a changing public sector landscape



- Develop a shared services strategy aligned to customer requirements




- Consultation with stakeholders as part of funding proposals identified limited appetite for additional shared services at the present time. This will be revisited as part of Year 2-3 plans with a view to helping local authorities create efficiencies and progress their shared service goals.

Goal 1 2: Being sustainable in everything we do

Strategic objectives	
2.1	Work with stakeholders to develop procurement strategies which support the delivery of national and local policy priorities
2.2	Deliver positive and measurable social, economic and environmental impact to local communities
2.3	Lead and support customers in the development and implementation of best practice in sustainable procurement



Activity	Year 1 Priorities	RAG status	Progress summary
(a) Develop and implement strategies for responding to procurement and/or public sector legislation	<ul style="list-style-type: none"> Develop and implement an action plan for complying with legislative changes Assess the procurement impact of the community empowerment bill Develop an action plan to support health and social care integration (HSCI) Develop a waste category strategy which continues to support compliance with environmental legislation 		<ul style="list-style-type: none"> Scotland Excel supported the Scottish Government with developing statutory guidance on sustainable procurement through the Public Procurement Policy Forum. All staff have been trained on new legislative obligations and a plan to ensure compliance is being implemented. Assessment of the Community Empowerment (Scotland) Act suggests it is unlikely to have an immediate impact on Scotland Excel, although there may be implications for procurement at local level. A watching brief will be maintained in 2016-17, and support provided to councils as required. Scotland Excel held a successful HSCI stakeholder event with NSS National Procurement in June. An action plan has been created in partnership with NSS and an engagement plan for IJBs is in development. The waste category strategy has been completed and Scotland Excel is continuing to manage contracts which support councils with their waste management obligations. A category forum will take place with stakeholders in June.
(b) Ensure Scotland Excel's collaborative frameworks support local and national government policy priorities	<ul style="list-style-type: none"> Develop a strategy for incorporating workforce matters in contracts Develop monitoring and reporting capability for suppliers' workforce policies Achieve Living Wage accreditation Develop a social care 		<ul style="list-style-type: none"> Scotland Excel supported the Scottish Government with developing statutory guidance material on workforce matters, and has considered within all tenders since the requirement came into effect in November. Supplier policies on payment of the Living Wage are reported within contract award recommendations and monitored alongside community benefit commitments. Scotland Excel achieved Living Wage accreditation in December in support of national policy. The social care category strategy has been completed. The care homes




	category strategy which continues to support outcomes focused delivery		for adults with learning disabilities framework awarded in June was developed around the national Keys to Life policy. Enhanced contract management services are now being provided to a number of councils to support the National Care Home Contract.
	<ul style="list-style-type: none"> Roll out sector deliverables from the National Construction review 		<ul style="list-style-type: none"> Scotland Excel is continuing to participate in the Construction Review Delivery Group and communicate outcomes to the sector. Workshops are being considered to support roll out to the sector in 2016-17.
(c) Ensure Scotland Excel's collaborative frameworks support positive local economic outcomes	<ul style="list-style-type: none"> Implement measures to review and monitor local impact within strategy development and ongoing contract management Embed data collection and reporting processes for community benefits Pilot a local project to encourage SME participation in national contracts 	G	<ul style="list-style-type: none"> Local impact is considered as part of all contract strategy development. Recent initiatives have included the development of opportunities for local producers in food contracts, and for third sector and supported businesses in furniture contracts. Scotland Excel is continuing to incorporate community benefits into all relevant contracts, and data is collected and reported on a six monthly basis. Enhancements to data collection and reporting processes will be considered in 2016-17. Scotland Excel's customer account managers provide quarterly reports to councils on local suppliers and community benefits. A pilot project with Comhairle nan Eilean Siar modelled an approach for working directly with councils to support SMEs, and consideration will be given to extending this to other councils in 2016-17.
(d) Ensure Scotland Excel's collaborative frameworks support local government environmental duties and policies	<ul style="list-style-type: none"> Continue to support local authority compliance with climate change targets and efforts to recover value from waste 	G	<ul style="list-style-type: none"> Scotland Excel is continuing to support the Scottish Government and Zero Waste Scotland with plans to create a National Brokerage to recover greater value from waste across the public sector.

<p>(e) Champion the development and dissemination of best practice in sustainable procurement</p>	<ul style="list-style-type: none"> • Develop a sustainable procurement strategy to guide practice across the sector • Continue to work with partners to develop, deliver and promote sustainable procurement tools • Develop an action plan to support stakeholders in meeting obligations from new procurement legislation 		<ul style="list-style-type: none"> • Scotland Excel's focus during 2015-16 has been supporting the development of statutory guidance on sustainable procurement. A strategy will be developed during 2016-17 to provide practical guidance on all aspects of sustainable procurement. • Scotland Excel is continuing to participate in Scottish Government's policy and best practice working groups, and has supported updates to the Sustainability Prioritisation Tool and Flexible Framework to reflect legislative changes. • Scotland Excel supported the sector roll out of national training and e-learning tools for legislative changes, and will assess further support required by the sector in 2016-17.
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Goa1 3: Placing customers at the heart of our business



Strategic objectives			
3.1	Work with customers to develop and implement bespoke plans for maximising the value of our services		
3.2	Develop robust communications strategies which support customer engagement and position Scotland Excel and its customers as leaders in public procurement / shared services		
3.3	Represent the views and needs of customers in the wider stakeholder environment		




Activity	Year 1 Priorities	RAG status	Progress summary
(a) Develop and implement a portfolio of account management services that meet the collective and individual needs of local authority customers	<ul style="list-style-type: none"> Develop account management plans for each council and deliver services in line with plans Develop a programme of events in line with customer expectations Develop and deliver a suite of business information reports in line with customer needs 		<ul style="list-style-type: none"> An account planning methodology has been agreed under the guidance of a new Customer Development Manager appointed in February. Plans are being drafted for each council and will take effect from 2016-17. A number of seminars and workshops for procurement stakeholders have taken place during 2015-16, with themes including workforce matters, community benefits, health and social care integration and the European Single Procurement Document (ESPD). A programme of events for 2016-17 is being developed in consultation with customers. Ongoing improvements have been made to the content of quarterly account management reports as a result of customer feedback, and will continue into 2016-17.
(b) Develop and implement a stakeholder engagement strategy that support the delivery of first class customer experience across all of our services	<ul style="list-style-type: none"> Complete stakeholder mapping and report Develop a stakeholder engagement strategy Deliver a project to improve all aspects of stakeholder engagement and customer experience 		<ul style="list-style-type: none"> Stakeholder mapping has been completed across the organisation to benchmark the strength of relationships, understand how teams engage with their stakeholders, and develop value propositions. The findings have informed the stakeholder engagement project and a report will be produced by July 2016. A stakeholder engagement strategy encompassing all relationships and customer service activities will be completed by July 2016 The stakeholder engagement project is progressing well. Due to the size and complexity of the project, the work has been split into eight sub-projects looking at customer principles, senior stakeholders, stakeholder landscape, event management, web refresh, account management, CRM and collaborative tools.




<p>(c) Develop and implement a corporate communications strategy that enhances and protects Scotland Excel's corporate reputation</p>	<ul style="list-style-type: none"> • Develop a marketing and communications strategy and plan • Complete and launch a refreshed Scotland Excel's web presence • Monitor and manage all communications risks arising from Scotland Excel contracts/ activities 		<ul style="list-style-type: none"> • A marketing and communications strategy and rolling plan has been developed, incorporating an increased focus on raising corporate profile through media relations and public affairs. A specialist media and communications officer will join the team in May 2016. • Development of the Scotland Excel website will be completed by the end of May and will be re-launched in early June. Initial timescales for redevelopment were extended into 2016-17 to incorporate a number of additional enhancements in response to customer feedback. • Scotland Excel is continuing to mitigate communication risks through meticulous handling of media enquiries in line with policy.
<p>(d) Develop and implement a model for associate members which delivers clear business and financial benefits to Scotland Excel and the membership base</p>	<ul style="list-style-type: none"> • Review and segment the associate member customer base to develop a tiered membership offering • Develop a strategy to support recruitment and retention of associate members 		<ul style="list-style-type: none"> • A segmented charging model for associate members has been developed based on contract usage. Entry level fees now begin at £500 and rise in line with the value obtained by members. All contract information is now accessible through the Scotland Excel website and the national Catalogue Content Management (CCM) system. • Pilot initiatives to support recruitment have included a mailing campaign, attendance at the Chartered Institute of Housing Scotland Conference in Edinburgh on 1-2 March, and seven procurement capability assessments funded by the Scottish Government. There is stiff competition in this sector from other procurement organisations including Procurement for Housing and Scottish Procurement Alliance. However, Scotland Excel has secured the country's largest social landlord, the Wheatley Group, as an associate member. A strategy is in development to support further recruitment efforts in 2016-17.
<p>(e) Develop and implement a programme for engaging with the wider public sector to ensure Scotland Excel has the right partnerships in place to support the needs of its customers</p>	<ul style="list-style-type: none"> • Establish forums to gather sector views and share information • Represent sector views within the national public procurement programme • Map the wider stakeholder landscape and develop engagement plans 		<ul style="list-style-type: none"> • Scotland Excel hosts steering group meetings with council procurement representatives for contract delivery, procurement reform and learning and development. Executive Team members rotate attendance at the Scottish Local Government Procurement Forum (SLGPF). Regular stakeholder workshops take place to discuss key procurement issues. • Scotland Excel continues to represent the sector in all key national procurement forums. Regular meetings take place with Centre of Expertise partners to explore opportunities for cross-sector working. • The wider stakeholder landscape has been mapped and responsibility for developing engagement plans and managing relationships with key organisations has been assigned. All plans will be completed by May and reviewed quarterly by the Senior Management Team.

Goa1 4: Becoming the partner of choice for delivering shared services

Strategic objectives	
4.1	Implement organisational development policies which support a highly skilled, motivated and engaged workforce
4.2	Implement best practice processes and technology which support the efficient and effective delivery of services to customers
4.3	Implement robust strategies, governance, risk management and funding models which demonstrate a measurable return on investment and secure Scotland Excel's future

Activity	Year 1 Priorities	RAG status	Progress summary
(a) Develop and implement a strategy to support staff recruitment, retention, development, performance and engagement	<ul style="list-style-type: none"> Develop a rolling resource plan to support all business areas and activities Develop a recruitment strategy including a review of the careers microsite 		<ul style="list-style-type: none"> A rolling resource plan is in place for the strategic procurement function. The model will be adapted for other areas of the organisation during 2016-17. A recruitment strategy is in development and Scotland Excel's careers microsite will be refreshed following the launch of the new corporate website.
(b) Develop and implement programmes to support the continuous improvement of business performance, systems and processes	<ul style="list-style-type: none"> Deliver Scotland Excel's transformation programme in line with agreed plans Develop an ICT strategy and implement plans for key development priorities Develop proposals for the future of Scotland Excel's ICT infrastructure 		<ul style="list-style-type: none"> Progress has been made across the six projects within Scotland Excel's transformation programme. A review is being undertaken to determine the shape and priorities for the programme in Year 2. The ICT strategy was completed in December. Key development priorities were agreed as being the website and spend data management and reporting tools. The website is scheduled for completion by the end of May, and a requirements specification for data management is in progress. Technology company SCC have been engaged to develop infrastructure proposals based on an analysis of ICT requirements across the organisation. Their report is expected in April and will include estimated migration and operational costs.

<p>(c) Ensure that Scotland Excel delivers its plans through effective governance, risk management and policies</p>	<ul style="list-style-type: none"> • Review Scotland Excel's governance arrangements • Implement and embed new risk management methodology • Develop a rolling plan for reviewing policies and processes • Agree a methodology for quarterly performance reporting 		<ul style="list-style-type: none"> • Scotland Excel is reviewing governance arrangements with legal colleagues from Renfrewshire Council. Terms of reference for the Chief Executive Officers Management Group (CEOMG) are being updated and action is being taken to revitalise membership of this group. • Risks are being monitored, managed and reported in line with the new methodology. At the request of joint committee members, reports will now show variance in risk assessments due to mitigations put in place by Scotland Excel. • A full review of contract policies, procedures and documentation has been completed as part of the governance project within the transformation programme. A review of key policies for absence management and flexitime has been completed and a plan for reviewing other corporate/HR policies has been developed. • A quarterly performance reporting methodology and template has been developed and will take full effect from April 2016.
<p>(d) Develop and implement a strategy for gathering, analysing and distributing business intelligence within Scotland Excel and across the sector</p>	<ul style="list-style-type: none"> • Review existing resources and develop a plan and systems requirements for managing data, information and intelligence • Develop an enhanced MI strategy to support the expansion of the contract portfolio 		<ul style="list-style-type: none"> • A review of data, information and intelligence resources has been completed as part of the business intelligence project within the transformation programme. Systems requirements for data management and reporting tools are being developed as an ICT priority project. • An agreement with Keynote has been established to provide participating councils with access to market reports. The opportunity to provide more extensive business intelligence services for councils will be investigated in 2016-17.
<p>(e) Develop and implement a clear, transparent and sustainable funding and delivery model for Scotland Excel</p>	<ul style="list-style-type: none"> • Develop a sustainable funding model for Scotland Excel 		<ul style="list-style-type: none"> • Additional funding was agreed by the Joint Committee for the delivery of Reform and Learning and Development services • Further work is required to develop a funding model which supports long term sustainability including investigation of chargeable services, rebates, supplier levies and/or expansion of the associate member base.

Report Key	
	Project or activity is currently stalled or significantly behind schedule
	Project or activity is progressing at a slower pace than anticipated and/or results have been weaker than expected
	Project or activity has been completed and/or is progressing in line with expected/agreed timelines and targets

To: Joint Committee

On: 17 June 2016

**Report by
Director Scotland Excel**

Operating Plan 2016-17

1. Purpose of the report

In June 2015, Scotland Excel's Joint Committee approved a new three year strategy and rolling annual operating plan. The plan is reviewed and updated each year to ensure that it remains closely aligned with strategy, and to respond to any changes in the external environment. This report presents the updated operating plan which will guide the projects and activities undertaken by the organisation in 2016-17.

2. Planning methodology

The rolling annual operating plan records the high level activities and commitments that will be delivered to achieve our four strategic goals:



The operating plan is used to set annual priorities from which detailed performance objectives are cascaded to the all staff through Scotland Excel's Performance Review and Development (PRD) programme.

3. Monitoring and reporting

A set of ten key performance indicators (KPIs) will be monitored during 2016-17 to assess our performance in delivering the outcomes supported by our corporate strategy.

- No. & value of contracts delivered v plan
- Percentage & value of savings v target
- No. of PCIP assessments completed v schedule

- No. of Scottish suppliers & percentage SMEs
- No. of Community Benefits realised
- Customer satisfaction statistics & trends
- Website usage statistics & trends
- Media coverage v target
- Income from associate members v target
- Staff turnover v headcount

KPI figures will be updated quarterly and included within reports summarising the progress made against operating plan priorities. These reports will be produced at the end of each quarter and submitted to the Executive Sub-Committee at the next scheduled meeting. Half yearly and annual reports will also be submitted to Joint Committee meetings.

4. Recommendation

The members of the Joint Committee are invited to note and approve the updated operating plan for 2016-17.



Operating Plan

01 April 2016 – 31 March 2017

Introduction

Scotland Excel is the Centre of Procurement Expertise for the local government sector. Established in 2008, we deliver shared services for collaborative procurement, and lead initiatives to increase procurement capability across the sector through learning and development, consultancy and the development of methodologies, tools and guidance to support good practice.

Our contracts and services aim to increase efficiency and ensure money is saved to protect front line public services. Our strategic approach to procurement has supported innovation in service delivery, helped to deliver national and local policies, and brought wider economic, environmental and social benefits to communities through sustainable procurement and supplier development.

In 2015, we published a new three year corporate strategy to underpin the next phase of growth for our organisation, and ensure our long term sustainability as a successful local government shared service. The strategy has been designed to meet current and future requirements of local authorities identified through extensive stakeholder engagement, consultation and research.

Our vision is to be the shared service partner of choice for the local government sector by ensuring that everything we do delivers value to our customers and their communities. The strategy map on page 3 provides an overview of our business goals and strategic objectives, and the full strategy document is available to download from our website.

To support the strategy, we have developed a rolling annual operating plan to record the high level activities and commitments we will deliver to achieve our business goals. The plan is used to set annual priorities and develop detailed action plans for the organisation which are cascaded as annual performance objectives for employees.

This is second iteration of the plan which reflects the progress that has been made over the past year and responds to changes in our external environment. Our annual progress report for 2015-16 provides information on the activities undertaken to date, and can be used to track the evolution of the operating plan.

The operating plan will continue to be reviewed and updated annually to reflect further progress and ensure our strategy remains on track. We will also use these annual reviews to assess what we have achieved in relation to the eight outcomes identified in the strategy map. An assessment for 2015-16 can be found on page 4.

Strategy Map

Vision

To be the shared service partner of choice for the Local Government sector

Mission

To deliver **effective** and **customer-orientated** shared services which support **collaborative, innovative** and **sustainable** public services, add **measurable value** for our customers, and bring **tangible benefits** for local communities and service users.

Values

Professional • Courageous • Respectful • Integrity

Outcomes

Our services support the effective and efficient delivery of public services	Our services support the implementation of national and local policy priorities	Our customers receive relevant communication and support	Our people, policies, processes and technology optimise our value
Our expertise supports continuous improvement in our sector's procurement performance	Our services help to deliver positive and sustainable outcomes for communities and service users	Our reputation demonstrates the value of collaboration	Our customers are satisfied with our services and achieve a measurable return on their investment

Goals

<p>1: Supporting the delivery of better and more effective public services</p> <p>Strategic objectives:</p> <p>1.1 Deliver a range of collaborative procurement and supplier development services which support customers at a strategic and operational level</p> <p>1.2 Deliver a range of shared services which support customers in the development of their professional, organisational and commercial capability</p> <p>1.3 Deliver a range of new shared services which support the effectiveness and efficiency of customer operations</p>	<p>2: Being sustainable in everything we do</p> <p>Strategic objectives:</p> <p>2.1 Work with stakeholders to develop procurement strategies which support the delivery of national and local policy priorities</p> <p>2.2 Deliver positive and measurable social, economic and environmental impact to local communities</p> <p>2.3 Lead and support customers in the development and implementation of best practice in sustainable procurement</p>	<p>3: Placing customers at the heart of our business</p> <p>Strategic objectives:</p> <p>3.1 Work with customers to develop and implement bespoke plans for maximising the value of our services</p> <p>3.2 Develop robust communications strategies which support customer engagement and position Scotland Excel and its customers as leaders in public procurement /shared services</p> <p>3.3 Represent the views and needs of customers in the wider stakeholder environment</p>	<p>4: Becoming the partner of choice for delivering shared services</p> <p>Strategic objectives:</p> <p>4.1 Implement organisational development policies which support a highly skilled, motivated and engaged workforce</p> <p>4.2 Implement best practice processes and technology which support the efficient and effective delivery of services to customers</p> <p>4.3 Implement robust strategies, governance, risk management and funding models which demonstrate a measurable return on investment to customers and secure Scotland Excel's future</p>
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Progress against outcomes

During 2015-16, our activities achieved the following outcomes. A more detailed report on our progress during 2015-16 is published on our website, along with case studies outlining the impact of our work.

<p>Our services support the effective and efficient delivery of public services</p> <ul style="list-style-type: none"> • New contracts delivered for care homes for adults with learning difficulties and buildings related engineering consultancy • Health and social care event held to explore opportunities to provide procurement support to Integrated Joint Boards (IJBs) • Enhanced procurement and contract management provided for the National Care Home Contract 	<p>Our expertise supports continuous improvement in procurement performance</p> <ul style="list-style-type: none"> • 42 training courses delivered to 526 delegates as part of the Enhancing Procurement Capabilities programme • Practitioner workshops held on workforce matters, community benefits, and the European Single Procurement Document • Support provided for local authority procurement transformation programmes
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<p>Our services support the implementation of national and local policy priorities</p> <ul style="list-style-type: none"> • Care home for adults contract developed in line with the national 'Keys to Life' policy • Groceries tender included local produce options to support Scottish SMEs and the national Dairy Action Plan • All suppliers encouraged to pay the Living Wage, and workforce matters scored in tenders where appropriate 	<p>Our services help to deliver positive and sustainable outcomes for communities and service users</p> <ul style="list-style-type: none"> • Community benefits delivered 32 apprenticeships, 12 jobs and 7,515 hours of work experience • £400m spend with Scottish-based suppliers, of which 65% is with SMEs • Community meals contact supports independent living and involved service users in the evaluation
<p>Our customers receive relevant communication and support</p> <ul style="list-style-type: none"> • Scotland Excel News launched to provide regular updates to all stakeholders • Category newsletters re-launched to provide contract updates for procurement and technical stakeholders • Website refresh includes an enhanced contract directory in response to customer feedback 	<p>Our reputation demonstrates the value of collaboration</p> <ul style="list-style-type: none"> • 22 print and online news stories generated by press releases • Scotland Excel staff invited to speak at 11 events and conferences • Winner of 3 categories at the GO Awards (Scotland), and of the National GO Award for Initiative or Innovation of the Year
<p>Our people, policies, processes and technology optimise our value</p> <ul style="list-style-type: none"> • Transformation programme initiated to support improvement in six key business areas • Contract and supplier management programme reviewed to increase efficiency and improve reporting • ICT infrastructure review initiated to ensure optimum technology platform for business efficiency 	<p>Our customers are satisfied with our services and achieve a measurable return on their investment</p> <ul style="list-style-type: none"> • Estimated savings of £15.5m achieved in 2015, representing a return of £5 for every £1 invested in Scotland Excel • Pilot opportunity assessments with 7 councils have identified up to £6m additional savings potential • Review of account management services and reports initiated to improve value to councils

Priorities for 2016-17

Summary of the key activities and commitments we have identified for this year:

<p>Goal 1: Supporting the delivery of better and more effective public services</p> <ul style="list-style-type: none"> • Continue to implement the contract delivery plan to March 2017 and pursue options for extending the plan beyond this date • Pilot and roll out a new approach to Contract and Supplier Management (CSM) • Deliver an integrated programme of supplier development activity including future plans for the Supplier Excellence Awards • Complete the first cycle of national Procurement and Commercial Improvement Programme (PCIP) assessments • Implement a refreshed procurement capability programme aligned to council development needs • Deliver a new learning and development strategy including the roll out of eLearning capability • Develop a strategy for encouraging and supporting new entrants to procurement • Investigate new shared service offerings which provide further efficiencies for members 	<p>Goal 2: Being sustainable in everything we do</p> <ul style="list-style-type: none"> • Continue to implement plans to provide procurement support for Integrated Joint Boards (health and social care) • Continue to provide participating councils with procurement and contract management support for the National Care Home Contract • Develop plans to support the delivery of frameworks for adult supported living and care at home • Continue to support national and local policy initiatives through procurement • Develop a strategy for engaging with supported businesses • Develop enhanced monitoring and reporting for community benefits and local economic impact • Continue to support local government environmental duties and policies • Develop a sustainable procurement strategy and continue to support councils with sustainable procurement practice
<p>Goal 3: Placing customers at the heart of our business</p> <ul style="list-style-type: none"> • Continue to implement a refreshed portfolio of personalised account management services for local authorities • Complete and embed the stakeholder engagement strategy to ensure customers are at the centre of all business activity • Launch and manage the refreshed Scotland Excel website as the organisation's key source of corporate and contract information • Increase the profile of Scotland Excel and our stakeholders through a programme of marketing and communications activity • Develop and implement a strategy for the recruitment and retention of associate members • Continue to develop and strengthen relationships with external stakeholders to represent and champion the views of our sector 	<p>Goal 4: Becoming the partner of choice for delivering shared services</p> <ul style="list-style-type: none"> • Develop and deliver an organisational development strategy to support staff recruitment, retention, performance and engagement • Continue to manage Scotland Excel's transformation programme to support the delivery of corporate strategy and plans • Finalise a rolling plan for reviewing and evaluating key business processes and policies • Continue ICT and systems development to support the delivery of corporate strategy • Continue to review governance arrangements to create a robust framework for delivering the organisation's activities • Continue to implement plans for improving data management and business intelligence • Continue to develop a sustainable funding and delivery model for Scotland Excel

Goal 1: Supporting the delivery of better and more effective public services

Strategic objectives	
1.1	Deliver a range of collaborative procurement and supplier development services which support customers at a strategic and operational level
1.2	Deliver a range of shared services which support customers in the development of their professional, organisational and commercial capability
1.3	Deliver a range of new shared services which support the effectiveness and efficiency of customer operations

Activity	Commitment
(a) Develop and implement a contract plan aligned to the strategic priorities of member authorities	<ul style="list-style-type: none"> • Deliver a rolling schedule of new contract opportunities identified and agreed with local authority stakeholders • Ensure renewed contracts continue to focus on current strategic priorities • Explore new approaches to funding and resourcing emerging procurement opportunities including chargeable services, partnership working and portfolio restructuring • Continue to operate a flexible workforce model that allows the pursuit of emerging opportunities to expand the contract portfolio
(b) Develop and implement a strategy and plan for the delivery of contract and supplier management	<ul style="list-style-type: none"> • Implement a new approach to Scotland Excel's contract and supplier management (CSM) programme ensuring that the methodology, process and system provide detailed intelligence on contract and supplier performance • Continue to produce annual contract management reports for all contracts to support continuous improvement
(c) Develop and implement a strategy and plan for improving supplier performance	<ul style="list-style-type: none"> • Deliver an integrated programme of supplier development activity as part of Scotland Excel's CSM model • Develop plans to support the long term future of Scotland Excel's Supplier Excellence Awards • Identify and work with key suppliers within each category to explore the potential for developing long term partnerships which add value to the solutions they provide to councils
(d) Manage the rollout of a new national procurement capability assessment to the local government sector	<ul style="list-style-type: none"> • Complete Procurement and Commercial Capability (PCIP) assessments for participating local authorities by October 2016 • Review outputs and work with national procurement partners to agree future plans for capability assessments

<p>(e) Develop and implement a programme to lead and support the development of procurement and commercial capability</p>	<ul style="list-style-type: none"> • Continue to monitor funding and resourcing to support the sustainable delivery of procurement capability and change services to the sector • Develop and deliver a programme of procurement capability and change services, providing customers with a clear menu of inclusive and chargeable services • Deliver an annual conference which supports change and capability within the sector
<p>(f) Develop and implement a 'procurement academy' to support professional capability and encourage new entrants to public procurement</p>	<ul style="list-style-type: none"> • Develop and implement a strategy and model for the delivery of sector training needs, partnering with educational and professional institutes to deliver training, qualifications and continuing professional development (CPD) • Develop and implement a strategy to encourage and support new entrants to public procurement, including graduate trainees and modern apprentices • Continue to develop and implement eLearning capability for the delivery of training, considering the use of external partners where appropriate
<p>(g) Develop and implement a shared service offering for councils which meets their requirements in a changing public sector landscape</p>	<ul style="list-style-type: none"> • Develop and implement a strategy for delivering additional shared services, aligned to customer needs, ensuring that each new service has a clear value proposition and can be delivered effectively and sustainably by Scotland Excel • Develop plans for reinvesting new streams of funding arising from the development of additional services to support the continuous growth of the organisation and infrastructure

Goal 2: Being sustainable in everything we do

Strategic objectives	
2.1	Work with stakeholders to develop procurement strategies which support the delivery of national and local policy priorities
2.2	Deliver positive and measurable social, economic and environmental impact to local communities
2.3	Lead and support customers in the development and implementation of best practice in sustainable procurement

Activity	Commitment
(a) Develop and implement strategies for responding to procurement and/or public sector legislation	<ul style="list-style-type: none"> Continue to support our sector in meeting duties arising from the introduction of the new procurement legislation Monitor risks and/or opportunities arising from the local planning aspects of the Community Empowerment Bill Continue to develop plans to engage with Integrated Joint Boards (IJBs) to secure social care procurement opportunities arising from the Public Bodies (Joint Working) Act Continue to support councils with meeting their duties arising from the Waste (Scotland) Regulations through the development and delivery of waste services frameworks
(b) Ensure Scotland Excel's collaborative frameworks support local and national government policy priorities	<ul style="list-style-type: none"> Continue to consider workforce matters in collaborative tenders, monitoring and reporting on supplier Living Wage commitments Continue to consider other policy areas that can be supported through collaborative tenders, (e.g. fairly traded products, health and nutrition, organic and local produce) Continue to develop social care frameworks around national outcomes, (e.g. GIRFEC, Keys to Life) Continue to support the roll out of recommendations arising from the Construction Review
(c) Ensure Scotland Excel's collaborative frameworks support positive local economic outcomes	<ul style="list-style-type: none"> Develop and implement a plan to support participation by local companies in collaborative tenders, providing regular reports to councils on the economic impact delivered for their area Continue to incorporate community benefits in collaborative tenders to support employment, training and social inclusion at a local level Continue to develop Scotland Excel's community benefits tracking system and provide regular reports to local authorities on the impact in their local area Develop a strategy for engaging with supported businesses to increase opportunities for contract participation and/or working with local authorities

<p>(d) Ensure Scotland Excel's collaborative frameworks support local government environmental duties and policies</p>	<ul style="list-style-type: none"> • Continue to implement Scotland Excel's waste category strategy to support local authority compliance with climate change targets and efforts to recover value from waste • Continue to assess and mitigate the environmental impact of collaborative contracts
<p>(e) Champion the development and dissemination of best practice in sustainable procurement</p>	<ul style="list-style-type: none"> • Develop a sustainable procurement strategy to guide and support all aspects of sustainable procurement • Continue to support local authorities with meeting their sustainability duties arising from the introduction of new procurement legislation • Continue to work with partners to develop, deliver and promote tools and guidance which support sustainable procurement practices, (e.g. Flexible Framework) • Continue to monitor, review and report on macro-environmental factors affecting public procurement, sharing intelligence and guidance with local authorities

Goal 3: Placing customers at the heart of our business

Strategic objectives	
3.1	Work with customers to develop and implement bespoke plans for maximising the value of our services
3.2	Develop robust communications strategies which support customer engagement and position Scotland Excel and its customers as leaders in public procurement / shared services
3.3	Represent the views and needs of customers in the wider stakeholder environment

Activity	Commitment
(a) Develop and implement a portfolio of account management services that meet the collective and individual needs of local authority customers	<ul style="list-style-type: none"> Continue to deliver a rolling programme of account management meetings, information and services in line with plans agreed and reviewed annually with each local authority Identify, initiate and support engagement opportunities within local authorities to facilitate awareness, understanding and uptake of Scotland Excel services across council departments Gather, analyse and report on customer intelligence to support Scotland Excel's business decisions and ensure services remain in line with customer requirements
(b) Develop and implement a stakeholder engagement strategy that support the delivery of first class customer experience across all of our services	<ul style="list-style-type: none"> Develop and implement customer service principles for all aspects of our services, ensuring that they are embodied by all Scotland Excel staff Specify and deliver a system/process for managing customer information/preferences, ensuring that all stakeholders receive relevant and timely communication/contact appropriate to their needs Develop a strategy for future web development including an online platform for managing collaboration with customers, facilitating interaction and enabling self-service Implement a customer survey to benchmark satisfaction, identify and respond to opportunities for improvement, and develop a methodology for ongoing monitoring of satisfaction levels. Monitor and manage customer complaints, including regular analysis of data to identify common issues and eliminate root causes of dissatisfaction
(c) Develop and implement a corporate communications strategy that enhances and protects Scotland Excel's corporate reputation	<ul style="list-style-type: none"> Continue to deliver a rolling programme of campaigns, events and activities which market Scotland Excel's services and promote the impact of our work to a wide range of stakeholders Launch Scotland Excel's refreshed website and maintain as the primary source of accurate and up-to-date corporate news and information Continue to identify, monitor and manage all communications risks arising from Scotland Excel's collaborative contracts and/or other business activities

<p>(d) Develop and implement a model for associate members which delivers clear business and financial benefits to Scotland Excel and the membership base</p>	<ul style="list-style-type: none"> • Continue to develop and market a segmented membership offering for existing associate members, with clear costs, benefits and transparency around contract usage • Develop and implement a strategy to identify and secure new associate members to increase contract spend, achieve better pricing/benefits for all members, and generate funding for reinvestment in Scotland Excel
<p>(e) Develop and implement a programme for engaging with the wider public sector to ensure Scotland Excel has the right partnerships in place to support the needs of its customers</p>	<ul style="list-style-type: none"> • Continue to host and/or attend local authority forums to share information, reach consensus on sector views and secure a mandate to lead/influence on behalf of the sector where appropriate • Continue to represent and champion the views and requirements of the sector within the Public Procurement Reform Programme, and strengthen positive working partnerships with other Centres of Procurement Expertise • Continue to develop and maintain relationships with key national/local bodies or groups that can influence public policy, (e.g. COSLA, Improvement Service, Scottish Care, CCPS, FSB, Chambers of Commerce) • Continue to develop relationships and build influence with key partners and representative bodies for public service areas supported by collaborative procurement, (e.g. SFT, SCOTS, Social Work Scotland, Zero Waste Scotland)

Goal 4: Becoming the partner of choice for delivering shared services

Strategic objectives	
4.1	Implement organisational development policies which support a highly skilled, motivated and engaged workforce
4.2	Implement best practice processes and technology which support the efficient and effective delivery of services to customers
4.3	Implement robust strategies, governance, risk management and funding models which demonstrate a measurable return on investment and secure Scotland Excel's future

Activity	Commitment
(a) Develop and implement a strategy to support staff recruitment, retention, development, performance and engagement	<ul style="list-style-type: none"> Continue to implement rolling workforce forecasts and plans to ensure that Scotland Excel always has the right mix of people and skills to deliver its corporate strategy and operational plans Continue to develop and implement a recruitment management strategy, including the implementation of a new careers microsite and effective candidate management processes Develop and implement an employee performance management policy and process which ensures that all job descriptions, competencies and behaviours are clearly aligned with Scotland Excel's vision, mission, values and plans Continue to implement employee development plans which are clearly aligned to identified corporate and personal training needs, offer a route to career progression, support staff retention and ensure effective succession planning Develop and implement an employee engagement and reward strategy to support staff motivation, retention, communication and wellbeing
(b) Develop and implement programmes to support the continuous improvement of business performance, systems and processes	<ul style="list-style-type: none"> Review and manage Scotland Excel's transformation programme to ensure it continues to support the delivery of the 2015-18 corporate strategy and operational plans Continue to develop and implement a programme of ICT and systems development to support the delivery of business activities identified in the 2015-18 corporate strategy, operational plans and the transformation programme Continue to establish an information ICT infrastructure to support organisational flexibility and growth, and provide efficient and effective support for all technologies utilised Create a quality assurance forum and develop a rolling plan for reviewing and evaluating key business processes Continue to build relationships with academic, business and professional partners which support the development and sharing of innovation and best practice Retain Investors in People (IIP) and Chartered Institute of Procurement and Supply (CIPS) accreditation, and seek accreditation for other areas of the business as appropriate

<p>(c) Ensure that Scotland Excel delivers its plans through effective governance, risk management and policies</p>	<ul style="list-style-type: none"> • Continue to review and update Scotland Excel's governance model to ensure that it provides the optimum level of oversight of the organisation's performance and business activities • Continue to review and report on identified corporate and contract risks in line with Scotland Excel's risk management methodology and plan • Continue to develop and implement a rolling plan for reviewing Scotland Excel's corporate policies to ensure they provide an appropriate and supportive framework for business activities and performance • Implement performance monitoring and reporting procedures to facilitate the provision of regular reports on all aspects of business performance
<p>(d) Develop and implement a strategy for gathering, analysing and distributing business intelligence within Scotland Excel and across the sector</p>	<ul style="list-style-type: none"> • Continue to manage data, information and intelligence across the organisation, ensuring that all staff have access to the knowledge they require to deliver their goals • Continue to investigate opportunities for extending business intelligence services to local authority customers, ensuring a clear value proposition that can be delivered effectively and sustainably by Scotland Excel
<p>(e) Develop and implement a clear, transparent and sustainable funding and delivery model for Scotland Excel</p>	<ul style="list-style-type: none"> • Continue to develop and implement a transparent funding model, based around core and chargeable services, to finance the organisation between 2015 and 2018 • Continue to review Scotland Excel's business delivery model, ensuring that all fixed and operational costs return optimal efficiency and value for money • Continue to explore opportunities for securing and managing rebates and/or supplier levies from collaborative contracts on behalf of councils to support reinvestment in Scotland Excel's future growth • Complete ongoing reviews of the funding and business delivery models, incorporating costs and revenues from the launch of new shared services as appropriate

Measuring performance

A set of ten key performance indicators (KPIs) will be monitored during 2016-17 to assess our performance in delivering against the outcomes supported by our corporate strategy. These are listed below, aligned to the most relevant outcome, and updates will be reported quarterly. Actions identified from our operating plan which do not have a quantifiable KPI measure will also be reported on a quarterly basis.

Key performance indicators	Link to outcomes
No. & value of contracts delivered v plan	<ul style="list-style-type: none"> Our services support the effective and efficient delivery of public services
Percentage & value of savings v target ¹	<ul style="list-style-type: none"> Our customers are satisfied with our services and achieve a measurable return on their investment
No. of PCIP assessments completed v schedule	<ul style="list-style-type: none"> Our expertise supports continuous improvement in procurement performance
No. of Scottish suppliers & percentage SMEs	<ul style="list-style-type: none"> Our services help to deliver positive and sustainable outcomes for communities and service users
No. of Community Benefits	<ul style="list-style-type: none"> Our services support the implementation of national and local policy priorities
Customer satisfaction statistics & trends ²	<ul style="list-style-type: none"> Our customers are satisfied with our services and achieve a measurable return on their investment
Website usage statistics & trends	<ul style="list-style-type: none"> Our customers receive relevant communication and support
Media coverage v target	<ul style="list-style-type: none"> Our reputation demonstrates the value of collaboration
Income from associate members v target	<ul style="list-style-type: none"> Our reputation demonstrates the value of collaboration
Staff turnover v headcount	<ul style="list-style-type: none"> Our people, policies, processes and technology optimise our value

¹ Excluding social care

² Benchmark will be set in 2016-17 and monitored thereafter

Scotland Excel

To: Joint Committee

On: 17th June 2016

**Report
by
The Treasurer, Scotland Excel**

Annual Audit Plan 2015-16

1. Summary

- 1.1 The Annual Audit Plan 2015-16 for the Joint Committee is submitted for Members' information. The Plan outlines Audit Scotland's planned activities in their audit of the 2015-16 financial year.
- 1.2 The Annual Audit Plan 2015-16 includes a section on Audit Issues and Risks. Within this section Audit Scotland have identified a risk of "Management override of controls". This risk is being included in the audit plans of all bodies which Audit Scotland are working with in light of updated international standards on auditing. The inclusion of this risk is not a reflection of increased risk within Scotland Excel. Audit Scotland have confirmed that they have not found any issues on this in previous years.

2 Recommendations

- 2.1 The Joint Committee is asked to note the Annual Audit Plan 2015-16 by Audit Scotland.



Scotland Excel

Annual Audit Plan 2015/16

Prepared for Scotland Excel Joint Committee

June 2016



Key contacts

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac/). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

The Accounts Commission has appointed Anne McGregor as the external auditor of Scotland Excel Joint Committee for the period 2011/12 to 2015/16.

This report has been prepared for the use of Scotland Excel Joint Committee and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This information In this report may be used for the Accounts Commission’s annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in Scotland Excel Joint Committee's (Scotland Excel) financial statements.
2. This report summarises the key challenges and risks facing Scotland Excel and sets out the audit work that we propose to undertake in 2015/16. Our plan reflects:
 - the risks and priorities facing Scotland Excel
 - current national risks that are relevant to local circumstances
 - the impact of changing international auditing and accounting standards
 - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
 - issues brought forward from previous audit reports.

Summary of planned audit activity

3. Our planned work in 2015/16 includes:
 - an audit of the financial statements and provision of an opinion on whether:

- they give a true and fair view of the state of affairs of Scotland Excel as at 31 March 2016 and its income and expenditure for the year then ended
- the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
- a review and assessment of Scotland Excel's governance and performance arrangements and financial position.

Responsibilities

4. The audit of the financial statements does not relieve management or Scotland Excel, as the body charged with governance, of their responsibilities.

- preparing financial statements which give a true and fair view of the state of affairs of Scotland Excel as at 31 March 2016 and its expenditure and income for the year then ended.

Responsibility of the appointed auditor

5. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
6. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Treasurer

7. It is the responsibility of the Treasurer, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
 - maintaining proper accounting records

Format of the accounts

8. The financial statements should be prepared in accordance with the Code, which constitutes proper accounting practice.

Audit Approach

Our approach

9. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of Scotland Excel. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:

- understanding the business of Scotland Excel and the risk exposure which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Scotland Excel will include these in the financial statements
- assessing and addressing the risk of material misstatement in the financial statements
- determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.

10. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on

systems of internal control. Planned management action being relied on for 2015/16 includes:

- comprehensive closedown procedures for Scotland Excel's financial statements accompanied by a timetable issued to all relevant staff
- clear responsibilities for preparation of financial statements and the provision of supporting working papers
- delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
- completion of the internal audit programme for 2015/16.

11. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit services are provided by the Internal Audit section of the council. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an early assessment of the internal audit function to determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

12. Overall we concluded that the Council's internal audit service operates in accordance with PSIAS and has sound documentation standards and reporting procedures in place. In respect of our wider governance and performance audit work we plan to review the findings of internal audit work on Review of contract monitoring arrangements.

Materiality

13. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, the failure to achieve a statutory requirement or, an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

14. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements both individually and collectively.

15. Based on our knowledge and understanding of Scotland Excel we have set our planning materiality at £32,000 (1% of gross budgeted expenditure).

16. We set a lower level, known as performance materiality, when defining our audit procedures. This is to ensure that uncorrected and undetected audit differences do not exceed our planning materiality. This level depends on professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
- nature and extent of prior year misstatements
- extent of audit testing coverage.

17. For 2015/16 performance materiality has been set at £24,000. We will report, to those charged with governance, all misstatements identified which are greater than £1,000.

Reporting arrangements

18. The Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations) require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The authority (or a committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting by 31 August.

19. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.

20. The 2014 regulations require Scotland Excel Joint Committee (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and

issue of an independent auditor's report (opinion) by 30 September each year.

21. Due to the timetable of committee meetings for 2016 the approval of the accounts will be delegated to the Executive sub-committee.
22. Scotland Excel is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The annual audit report is required to be published on the website by 31 December.
23. A proposed timetable for the audit of the 2015/16 financial statements is included at Exhibit 1 below.

Exhibit 1: Financial statements audit timetable

Key stage	Date (All 2016)
Consideration of unaudited financial statements by those charged with governance	17 June
Latest submission date of unaudited financial statements with complete working papers package	27 June
Progress meetings with lead officers on emerging issues	As and when required during audit process
Latest date for final clearance meeting with Treasurer	31 August

Key stage	Date (All 2016)
Agreement of audited unsigned financial statements and issue of draft Annual Audit Report, which includes the ISA 260 report to those charged with governance	7 September
Executive Sub-Committee Date to approve accounts for signing	16 September
Independent auditor's report signed	19 September
Issue final annual report on the audit	19 September

24. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to all relevant officers to confirm factual accuracy. A copy of all final agreed reports will be sent to the Director, Treasurer, Internal Audit and Audit Scotland's Performance Audit and Best Value Group.
25. We will provide an independent auditor's report to Scotland Excel and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. The combined ISA 260 and Annual Audit Report will be issued by 30 September.
26. All annual audit reports produced are published on Audit Scotland's website: www.audit-scotland.gov.uk.
27. Planned outputs for 2015/16 are summarised at [Appendix 1](#).

Quality control

28. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established as part of financial audit procedures. This is to provide reasonable assurance that those professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).
29. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Anne McGregor.

Independence and objectivity

30. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional

standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

31. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Scotland Excel.

Audit issues and risks

Audit issues and risks

32. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Scotland Excel. We have categorised these risks into financial risks and wider dimension risks. The financial statements issues and risks, which require specific audit testing, are summarised below and detail contained in [Appendix 2](#).

Financial statement issues and risks

33. **Management override of controls:** Internal Standards on Auditing 240, *The Auditor's responsibilities relating to fraud in an audit of financial statements* states that audit procedures should be responsive to risks related to management override of controls. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus an audit risk. We have not identified any audit issues on this in the past but each year have to address the risk. We will design and perform audit procedures to address these risks at Scotland Excel.

Wider dimension issues and risks

34. **Financial sustainability:** In previous years we reported that the funds available for procurement improvement activity were being gradually utilised and new models were needed to resource this type of work. In 2014, Audit Scotland published its report on how well councils in Scotland manage procurement. This reiterated the need for Scotland Excel to work with councils to review and formalise arrangements to fund procurement improvement activity beyond 2016.
35. In 2015 Scotland Excel published a new corporate strategy for 2015-18 and the business plans include an objective to review funding and business delivery models. The 2016/17 budget was approved by Scotland Excel Joint Committee at the budget meeting on 27 November 2015. This included a 9.4% increase to fund the improvement/reform activity
36. However longer term financial plans still require to be developed; and as the financial outlook continues to remain poor, there is a risk that longer-term support from member authorities reduces.
37. **Governance arrangements:** The Chief Officers' group is part of the governance arrangements for Scotland Excel. Its remit includes monitoring Scotland Excel's performance against its business plan and objectives but it has not convened since 23 March 2015; monitoring has been carried out by the Executive sub-committee. There is a risk there are unclear lines of accountability and lack of chief officer input into Scotland Excel.

The Director has been reviewing Scotland Excel's governance model as part of the Operating Plan 2015/16.

National performance audit studies

38. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process, we will carry out work to collect relevant financial and performance information to inform Audit Scotland's national reports.

Fees and resources

Audit fee

39. Over the past four years, Audit Scotland has reduced audit fees by 24% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to maintain audit fees for 2015/16 at the same level as last year. This represents an additional real term fee reduction of 1.6%.
40. In determining the audit fee we have taken account of the risk exposure of Scotland Excel, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 20 June 2016.
41. The proposed audit fee for the 2015/16 audit of Scotland Excel is £5,720. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees
 - your organisations allocation of the cost of national performance studies and statutory reports by the Auditor General for Scotland
 - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the

National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

42. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

43. Anne McGregor, Senior Audit Manager, Audit Services is your appointed auditor. The local audit team will be led by Andrew Kerr who will be responsible for day to day management of the

audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The core team will call on other specialist and support staff as necessary.

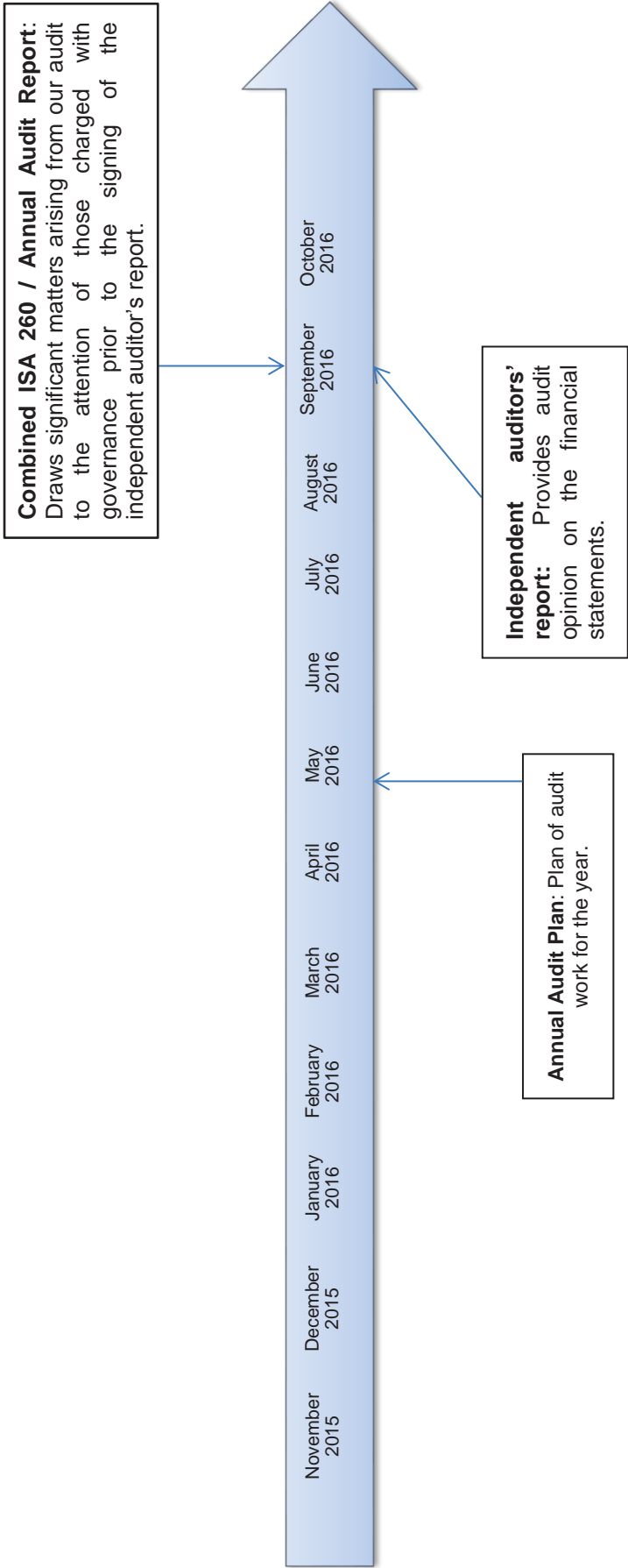
Exhibit 2: Audit team

Experience	
Anne McGregor, CA Senor Audit Manager (and certifying auditor)	Anne has over 16 years experience of public sector audit after working in the private sector for 8 years. Her public sector audit experience includes central and local government and she has been involved in a number of business improvement projects within Audit Scotland
Kenny McFall, CPFA Senior Auditor	Kenny has 14 years experience of public sector audit with Audit Scotland, covering local government, central government and health sectors.

Name	Experience
Andrew Kerr Professional Trainee	Andrew joined Audit Scotland in October 2013 and has been involved in local government and central government audits. He is currently studying towards his ICAS qualification.

Appendix 1: Planned audit outputs

The diagram below shows the key outputs planned for Scotland Excel in 2015/16.



Appendix 2: Significant audit risks

The table below sets out the key audit risks, the related sources of assurance received and the audit work we propose to undertake to address the risks during our audit work.

#	Audit Risk	Source of assurance	Audit assurance procedure
Financial statement issues and risks			
1	Management Override of Controls As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Detailed testing of journal entries Review of accounting estimates for bias Evaluating significant transactions that are outside the normal course of business.
Wider dimension issues and risks			
2	Financial sustainability : In previous years we reported that the funds available for procurement improvement activity were being gradually utilised and new models were needed to resource this type of work The 2016/17 budget has been approved and included a 9.4% increase to fund the improvement/reform activity. However, the longer-term financial models and planning	<ul style="list-style-type: none"> Risk included in risk register and 2016/17 operating plan with actions to identify new opportunities to provide additional chargeable services based on customer demand and to develop and implement transparent budget management procedures. All councils have agreed to pay the 	<ul style="list-style-type: none"> Review final outturn position against budget and assess reserves position Enquire about, and consider arrangements for, financial planning for 2017/18 onwards and provide update in annual report on the audit.

#	Audit Risk	Source of assurance	Audit assurance procedure
	still need to be developed and, as the tight financial climate continues, Scotland Excels risks not getting the long-term financial support from member authorities.	<ul style="list-style-type: none"> requisitions for 2016/17. Councils are provided with information showing how they can benefit, and have benefited, from using framework agreements put in place by Scotland Excel. The Director regularly visits chief executives, directors of finance and senior procurement staff across councils to promote the work of Scotland Excel 	
3	Governance arrangements: The Chief Officers' group is part of the governance arrangements for Scotland Excel but it has not convened since 23 March 2015; the monitoring role has been carried out by the Executive sub-committee. There is a risk there are unclear lines of accountability, and therefore a lack of proper oversight and chief officer input into Scotland Excel.	<ul style="list-style-type: none"> Proposed revisions to the Scotland Excel governance (including CEOMG) are on the agenda for approval at the joint committee on 17 June 2016. SOLACE are considering a request for five chief executives to join the chief Executive of Renfrewshire Council (Chair) in a newly launched CEOMG. Three chief executives have expressed an interest. 	<ul style="list-style-type: none"> Discuss plans with Director; assess and report update in annual report on the audit.

Appendix 3: Progress on Annual Audit Report Actions

The table below sets out the current position of the action plan points agreed in our 2014/15 annual audit report.

#	Issue/Risk/Recommendation	Management Action/ Response	Current Position
1	<p>Financial planning</p> <p>The balance of ring-fenced reform funding is likely to be fully utilised in 2016 and there are no agreed plans in place to fund future reform work from 2016 onwards.</p> <p>Risk</p> <p>There is a risk Scotland Excel cannot fund its plans under its new corporate strategy 2015-18.</p> <p>Recommendation</p> <p>Options are prepared and recommendations made to members as part of the budget-setting process for 2016/17.</p>	<ul style="list-style-type: none"> The 2015-16 Operating plan includes commitment to develop and implement a transparent funding model based around core and chargeable services. 	<ul style="list-style-type: none"> The 2016/17 budget was approved by Scotland Excel Joint Committee at the budget meeting on 27 November 2015. This included a 9.4% increase to fund the improvement/reform activity.
2	<p>Register of interests</p> <p>The Audit Scotland April 2014 report on <i>Procurement in Councils</i> recommended that council staff involved in procurement should complete a register of interest</p>	<ul style="list-style-type: none"> A new template is now in place and will be completed by senior managers and contract owners by 2 October. The registers will be reviewed annually thereafter. 	<ul style="list-style-type: none"> A pro-forma register has been prepared and has been completed by all staff. A new Scotland Excel website will be launched by 30 June and content is under consideration.

#	Issue/Risk/Recommendation	Management Action/ Response	Current Position
	<p>statement and we consider this principle should apply to staff involved in negotiating contracts at Scotland Excel.</p> <p>Risk</p> <p>A register of interests can improve the transparency around the awarding of contracts and is an appropriate arrangement for prevention and detection of corruption.</p> <p>Recommendation</p> <p>A register of interests is put in place for all senior staff and all staff involved in negotiating contracts. This should be available on Scotland Excel's website once complete.</p>		<p>Scotland Excel will take advice from audit on what should be included.</p>
3	<p>Audit Scotland National Reports</p> <p>There is no formal process in place to review Audit Scotland national reports pertinent to Scotland Excel.</p> <p>Risk</p> <p>There is a risk that Scotland Excel misses out on lessons learned from other audits across local government.</p> <p>Recommendation</p>	<ul style="list-style-type: none"> As part of the procurement development role, reports will be reviewed bi-annually to identify key issues on commissioning or on specific councils. 	<ul style="list-style-type: none"> As part of the procurement development role, reports will be reviewed bi-annually by Head of Strategic Procurement to identify key issues on commissioning or on specific councils. The first report to be reviewed will be Audit Scotland's Local Government Overview report published in March 2016.

#	Issue/Risk/Recommendation	Management Action/ Response	Current Position
	Audit Scotland reports are reviewed by officers and summary information or lessons learned disseminated to members, as appropriate.		

SCOTLAND EXCEL

To: SCOTLAND EXCEL JOINT COMMITTEE

Date: 17 June 2016

**Report by
Chief Auditor**

INTERNAL AUDIT ANNUAL REPORT 2015/16

1. SUMMARY

- 1.1 The Public Sector Internal Audit Standards require the Chief Auditor to prepare a report, at least annually, to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.
- 1.2 The annual report must also provide an annual audit opinion on the overall adequacy and effectiveness of Scotland Excel's internal control environment.
- 1.3 The Annual Report for Scotland Excel is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the Internal Audit Team, the main findings from the internal audit work undertaken in 2015/16, and contains an audit assurance statement.

2. RECOMMENDATIONS

- 2.1 Members are invited to consider and note the contents of the Annual Report.
-

Scotland Excel Internal Audit Annual Report 2015-2016

**Finance & Resources
Internal Audit**

June 2016

Scotland Excel

Internal Audit Annual Report 2015/2016

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Scotland Excel

Internal Audit Annual Report

1 April 2015 – 31 March 2016

1. Introduction

- 1.1 As host Authority, Renfrewshire Council provides an internal audit service to Scotland Excel. This includes:
- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Director;
 - Delivery of the planned audit assignments;
 - Follow up of previous audit recommendations;
 - Provision of any ongoing advice and support on audit and risk management related matters;
 - Provision of an Annual Report and Assurance Statement, and presentation to elected members of Scotland Excel.
- 1.2 The Service operates in accordance with the Public Sector Internal Audit Standards which defines Internal Audit's role as:
- “.....an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 1.3 In line with the Standards, the purpose of this Annual Report is to report on:
- The outcome of the planned Internal Audit reviews 2015/16 relating to Scotland Excel;
 - The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
 - Internal audit performance;
 - Planned audit work for 2016/17;
 - The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that for the areas under their control there is an adequate and effective system of internal control which

facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.

- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

3. Internal Audit Activity during 2015/2016

- 3.1 The Annual Report for 2015/2016 was submitted to the Authority on 12 June 2015.
- 3.2 The following work was undertaken in relation to 2015/16 in line with the audit plan:
- Review of the contract monitoring arrangements, focusing on the tender management stage of the procurement journey;
 - Follow up of previous audit work.
- 3.3 The findings arising from Internal Audit reviews are communicated to the Chief Officer's Management Group and the Executive Sub-Committee. A summary of the main findings are detailed in table 1 below.

Table 1

Audit Area	Conclusion
Contract Management Arrangements	<ul style="list-style-type: none">• Satisfactory Level of Assurance• The systems in place for the management of contracts during the tender management stage of the procurement journey are satisfactory and no key risks were identified.

- 3.4 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2015/16, 5 recommendations relating to Scotland Excel's activities were followed up. All 5 (100%) have been fully implemented.
- 3.5 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support Scotland Excel's activity. The main findings in relation to these are summarised in table 2 below and

Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

Table 2

Audit Area	Conclusion
Payroll	<ul style="list-style-type: none"> • Satisfactory Level of Assurance • No key risks were identified. A few good practice recommendations were made, which once implemented, will strengthen the overall effectiveness of internal control.
Corporate Governance (Review of adequacy and effectiveness)	<ul style="list-style-type: none"> • Satisfactory Level of Assurance • Internal Audit have reviewed the adequacy and effectiveness of the Code and confirmed that the Council complies with the requirements of the Local Code of Corporate Governance. In addition, it is evident that the Local Code has been subject to review and updating in line with national guidance and developments in best practice.
Insurance	<ul style="list-style-type: none"> • Reasonable Level of Assurance • Key risks related to closer monitoring arrangements with the external claims handlers and formalisation of the roles and responsibilities in relation to potential fraud.
Procurement & Creditors (Corporate Purchase Cards)	<ul style="list-style-type: none"> • Reasonable Level of Assurance • The key risks relate to record keeping and roles and responsibilities in relation to some areas require to be clarified. It has been recommended that a working group is established to review procedures.
Authorised Signatories	<ul style="list-style-type: none"> • Reasonable Level of Assurance • The majority of transactions tested were appropriately authorised. Recommendations were made to

	ensure that the database is brought up to date in relation to changes in service personnel and to restrict authorisations to appropriate levels of staff that have sufficient knowledge both of the operational requirement for the provision of the goods/services concerned and of the need for proper certification and control.
Corporate Governance (Employee Code of Conduct)	<ul style="list-style-type: none"> • Reasonable Level of Assurance • The employee code of conduct is currently being revised. Recommendations were made in relation to ensuring all employees sign for the revised code and there is a process to ensure on-going awareness.

4. Review of Internal Audit Performance

4.1 Internal Audit produces regular reports on its performance during the year against a range of measures set annually by the Director of Finance and Resources. These are set out in the following table.

Table 3

Internal Audit Performance 2015/16		
Performance measure	Target 2015/16	Actual 2015/16
% of audit assignments completed by target date	95%	96.9%
% of audit assignments completed within time budget	95%	97.7%
% of audit reports issued within three weeks of completion of audit field work	95%	99.3%
% completion of audit plan for the year*	95%	95.1%

* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

The figures in table 2 show that all targets have been achieved.

4.2 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit including conformance with the standards. The Chief Auditor is currently undertaking a self assessment exercise in preparation for the planned external quality assessment due to commence in May 2016.

4.3 External Audit

External Audit's review of the internal audit service concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

4.4 Customer Service

Internal Audit issues customer satisfaction surveys at the conclusion of assignments. These measure the level of satisfaction with the way in which the audit was conducted and with the audit report's findings and recommendations. A total of 14 surveys had been issued during the 2015/16 year, and 8 were returned. Returned survey forms showed that 100% of auditees were satisfied with the service provided against a target of 100%.

4.5 Risk Management

The responsibility for co-ordinating risk management activity across the council and its associated bodies lies with internal audit. Risk management performance is detailed in Renfrewshire Council's risk management annual report.

5. Planned Audit Work for 2016/17

5.1 Following a risk based assessment of the activities of Scotland Excel and consultation with the Director, the following internal audit work has been agreed for 2015/16:

- A review of governance arrangements,
- Follow up of previous audit work;
- Ad-hoc internal audit and risk management advice.

5.2 An annual report for 2015/2016 will also be provided to the Joint Committee.

6. Audit Assurance Statement

6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed has been reported to the Director, and to the Joint Committee in this annual report. Where areas for

improvement in internal control have been identified appropriate recommendations have been made, and accepted for action by management.

- 6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to exercise very close scrutiny over revenue spending, and this will continue to receive due internal audit attention.
- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 In this context, it is considered that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Scotland Excel's internal control, risk management and governance arrangements, as evidenced by:-
- The results of the audit work in 2015/16 in relation to the corporate systems which supported Scotland Excel's activities, and to specific work carried out in relation to those activities.
 - Management action in response to audit recommendations.
 - The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the CIPFA/SOLACE framework for corporate governance requirements, and of the corporate governance arrangements within Scotland Excel.

Signed.

Chief Auditor

Date

17 June 2016

Scotland Excel

To: Joint Committee

On: 17th June 2016

**Report
by**

The Treasurer, Scotland Excel

Scotland Excel Unaudited Annual Accounts 2015-16

1. Summary

- 1.1. The attached Annual Accounts for the year ended 31 March 2016 have been completed and forwarded to Audit Scotland for audit.
- 1.2. The Accounts show a deficit for the year of £250,631 against a budgeted deficit of £505,500. Further comments on the Accounts are shown on Pages 5 to 6 of the report.
- 1.3. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, the unaudited accounts have only been signed by the Treasurer as proper officer. The audited accounts will be signed by the Convener and Director, as well as the Treasurer, in accordance with the regulations.

2. Recommendations

- 2.1. The Joint Committee is asked to note the Accounts and that, once the audit has been completed, the audited Accounts will be further presented to the Executive Sub Committee.



Scotland Excel

Annual Financial Statements 2015/16

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Management Commentary

Introduction

Scotland Excel is the Centre of Procurement Expertise for the local government sector. Established in 2008, we are a leading non-profit shared service funded by Scotland's 32 local authorities.

At Scotland Excel we are leaders of change. Over the past seven years, we have helped to raise the profile of procurement in local authorities by championing its potential to shape markets, support policy priorities and, ultimately, ensure the sustainable delivery of the services that every community needs.

Our services are designed to help councils meet the twin challenges of reducing budgets at a time of growing demand. Shared procurement services increase efficiency and ensure money is saved to protect front line services. By working together through Scotland Excel, councils can realise a host of social, economic and environmental benefits from their procurement spend.

Our c. £700m contract portfolio supports the delivery of social care, construction, roads, transport, environment, corporate, education and ICT services. Our contracts achieve annual savings of c. £17m, and encourage innovation, facilitate policy, support local economies and generate social value for communities.

Scotland Excel offers award-winning training and provides assessment, consultancy and improvement services to help councils transform their procurement capability. We represent the sector at a national level on all matters relating to public procurement, and provide support for national sector initiatives.

Structure

Scotland Excel is governed by three groups of stakeholders from our member organisations:

The Joint Committee is made up of one or more Elected Members (Councillors) from each of Scotland's local authorities. It meets twice a year and is responsible for the strategic direction of the organisation and for approving the annual budget and business plan.

The Executive Sub-Committee is a sub-group of Elected Members from the Joint Committee who meet regularly to approve contract awards and other business decisions.

The Chief Executive Officers' Management Group consists of six local authority Chief Executives responsible for monitoring Scotland Excel's performance against its business plan and objectives.

Strategic Aims

Scotland Excel has established a 3 year Strategy and Operating Plan that states the goals, value, vision and mission that the organisation will work to.

Goal 1: Supporting the delivery of better and more effective public services

Deliver a range of collaborative procurement and supplier development services which support customers at a strategic and operational level

Deliver a range of shared services which support customers in the development of their professional, organisational and commercial capability

Deliver a range of new shared services which support the effectiveness and efficiency of customer operations

Goal 2: Being sustainable in everything we do

Work with stakeholders to develop procurement strategies which support the delivery of national and local policy priorities

Deliver positive and measurable social, economic and environmental impact to local communities

Lead and support customers in the development and implementation of best practice in sustainable procurement

Goal 3: Placing customers at the heart of our business

Work with customers to develop and implement bespoke plans for maximising the value of our services

Develop robust communications strategies which support customer engagement and position Scotland Excel and its customers as leaders in public procurement /shared services

Represent the views and needs of customers in the wider stakeholder environment

Goal 4: Becoming the partner of choice for delivering shared services

Implement organisational development policies which support a highly skilled, motivated and engaged workforce

Implement best practice processes and technology which support the efficient and effective delivery of services to customers

Implement robust strategies, governance, risk management and funding models which demonstrate a measurable return on investment to customers and secure Scotland Excel's future

Values

The following principles, which were developed by staff from across the organisation, guide our approach to our work.

Professional: We establish goals and objectives to achieve excellence and demonstrate leadership in everything we do.

Courageous: We listen with an open mind and respond honestly and constructively.

Respectful: We achieve the best possible outcomes through our determination, resilience and innovation.

Integrity: We are transparent and fair in all our actions securing trust and building confidence.

Vision

To be the shared service partner of choice for the Local Government sector.

Mission

To deliver effective and customer-orientated shared services which support collaborative, innovative and sustainable public services, add measurable value for our customers, and bring tangible benefits for local communities and service users.

A copy of the current three year business plan can be found at the address below.

<http://www.scotland-excel.org.uk/home/AboutUs/StrategyAndGovernance/Vision.aspx>

**Scotland Excel
Annual Accounts 2015/16**

Financial Performance

Revenue

The Comprehensive Income and Expenditure Account on page 18 summarises the total costs of providing services and the income available to fund those services.

Excluding accounting adjustments relating to pensions and short term accumulating absences, the Joint Committee has returned a deficit of £250,631 for the financial year 2015/16, compared to a budgeted deficit of £505,500; returning an underspend of £254,869. In line with the agreed business plan, the deficit incurred was funded from reserves.

The difference between the employee costs in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension costs (£200,000) and accrued employee benefits, £2,750.

The difference between other income in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension interest costs (£114,000).

	Budget £	Actual £	Variance £
Employee Costs	2,762,803	2,810,156	(47,353)
Property Costs	176,500	178,250	(1,750)
Supplies and Services	169,900	139,516	30,384
Contractors & Others	265,000	113,796	151,204
Administrative Costs	323,514	340,661	(17,147)
Payments to Other Bodies	22,000	68,264	(46,264)
Total Expenditure	3,719,717	3,650,643	69,074
Requisition Income	(3,184,217)	(3,184,217)	-
Other Income	(30,000)	(215,795)	185,795
Total Income	(3,214,217)	(3,400,012)	185,795
(Surplus)/Deficit for Year	505,500	250,631	254,869

The overspend in Employee Costs is primarily related to costs associated with the delivery of the National Care Home Contract and is fully offset by additional income.

Scotland Excel initiated a project to investigate ICT development opportunities to deliver both efficiencies and improvements in its ICT infrastructure. It was anticipated that this project would be completed by the end of the financial year but the project will now be completed in 2016/17. This has resulted in the underspend in Supplies and Services

The underspend in Contractors is due to a reduction in the use of consultants to assist Scotland Excel develop tenders for future contracts. As part of the long term aim of achieving a sustainable budget, in line with member's requirements and expectations, Scotland Excel is reducing the requirement for external consultants over employed staff members.

The overspend in Administrative Costs is a result of the costs associated with the Scotland Excel Supplier Awards and the Annual Event.

As part of its planned activities, Scotland Excel delivers a range of training courses which are recharged back to delegates. This results in the reported overspend within Payments to Other Bodies, which is offset by an over recovery of income against budget.

Scotland Excel Annual Accounts 2015/16

The over recovery of Other Income relates to the Training Costs discussed above. In addition, income in relation to the National Care Home Contract, covering the period September 2015 to March 2016, has been received. This initiative was planned and agreed with member's during 2015/16.

Capital and Reserves

The Joint Committee does not have the legal powers necessary to hold assets and as such the organisation has no capital spend. Cash balances held by the Joint Committee are matched by creditor balances. The largest creditor balance relates to the revenue reserve balance of £482,936.

The balance on revenue reserves is made up as follows:

General Revenue Reserve	£465,411
National Care Home Ring-fenced Reserve *	£17,525
Balance at 31 March 2016	<u>£482,936</u>

* The ring-fenced reserve in relation to the National Care Home contract has resulted from underspends specifically related to this contract and is distributable to those Authorities participating in the contract.

Provisions, Contingencies and Write-offs

The Joint Committee is not aware of any eventualities which may have a material effect on the financial position and has made no provisions for such eventualities.

In general, any contingent liabilities known to the Joint Committee are covered by insurance arrangements.

There were no debt write-offs during the year.

Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15. The appointed actuaries have confirmed a net deficit position of £2.195 million, an improvement of £1.265 million in their assessment of the position of the pension fund. The net deficit position of the pension reserve impacts on the net asset position of Scotland Excel as a whole, however the funding of these future liabilities will be met from future requisitions from members and as such the going concern assumption is valid.

The appointed actuaries remain of the view that the asset holdings of the Strathclyde Pension Fund and the contributions from employees and employers together with planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities.

Service changes and Future Developments

The overall strategic aim of Scotland Excel is to deliver best value for local authorities through the development and management of collaborative contracts; and to stimulate, facilitate and deliver advanced procurement across local government. Given the financial challenges facing local authorities and the wider public sector however, it is important that Scotland Excel reflects council priorities and ensures the organisation supports and complements the drive for efficiencies and cost reduction.

Events after the Balance Sheet Date

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration

**Scotland Excel
Annual Accounts 2015/16**

Impact of Economic Climate

It is recognised that over the medium term Local Government in Scotland is potentially facing a contraction in available resources relating predominantly to the provision of revenue grant from the Scottish Government and that this will have a consequential impact on the level of requisition funding available to Scotland Excel. The 2016/17 revenue estimates were developed to ensure that core operations were fully funded from requisition income on a flat cash basis, with any increase being related to the costs of transitioning Procurement Improvement Program activities, which were previously funded from reserves, into the core service provision.

Conclusion

We would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record our thanks to all the staff involved for their continued hard work and support. Further information on the Annual Accounts can be obtained from Scotland Excel, Renfrewshire House, Cotton Street, Paisley, PA1 1AR; or by telephone on 0300 300 1200.

Statement of Responsibilities for the Annual Accounts

The Joint Committee's Responsibilities

The Joint Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Joint Committee has the responsibility for the administration of those affairs. (section 95 of the Local Government (Scotland) Act 1973). The Director of Finance and Resources at Renfrewshire Council is the designated Officer and operates as the Treasurer for Scotland Excel;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- Approve the Annual Accounts for signature.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Joint Committee's Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates which were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Joint Committee at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2016.

Alan Russell CPFA

Treasurer
10 June 2016

Governance Statement

Scope of Responsibility

Scotland Excel's Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Joint Committee also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Joint Committee's elected members and senior officers are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Joint Committee's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Joint Committee is directed and controlled. It also describes the way it engages with, and accounts to its stakeholders.

The Joint Committee has also put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Committee's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised below:

- Clearly defined Procedural Standing Orders, Scheme of Delegation, Financial Regulations and Standing Orders Relating to Contracts,
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives,
- Application of the Chartered Institute of Purchasing and Supply, Code of Professional Ethics,
- Regular performance reporting to the Executive Sub Committee and public performance reporting through the Annual Report,
- A range of policies to regulate employee related matters, including the employee code of conduct, and disciplinary procedures,
- Arrangements to manage risk, including the risk management strategy and Corporate Risk Register and business continuity plans,
- Clear customer complaints procedures,
- Comprehensive policies and procedures for information security,
- An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected. The system is based on a framework of management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. The system includes:

- Financial management is supported by comprehensive financial regulations and codes,
- Comprehensive budgeting systems, and detailed guidance for budget holders,
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts,
- Setting targets to measure financial and other performance,
- The preparation of regular financial reports that indicate actual expenditure against the forecasts,

With Renfrewshire Council being the lead authority, all financial transactions of the Joint Committee are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of Renfrewshire Council. This includes regular reviews by the Chief Auditor of Renfrewshire Council.

Review of Effectiveness

Members and officers of the Joint Committee are committed to the concept of sound governance and the effective delivery of services and take into account comments made by internal and external auditors.

The effectiveness of the governance framework is reviewed annually by the Director, including the use of a self-assessment tool involving completion of a 30 point checklist covering four key areas of governance.

- Service Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity

This self-assessment indicated that the governance framework is being complied with in all material respects.

The Joint Committee's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process. The Chief Auditor provides an annual report to the Joint Committee and an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Auditor's annual assurance statement concluded that a satisfactory level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal control systems.

Statement on the Role of the Chief Financial Officer

CIPFA published this statement in 2010 and under the Code, the Joint Committee is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Joint Committee complies with the principles set out in CIPFA's Role of the Chief Financial Officer.

Continuous Improvement

The annual review of corporate governance arrangements and their effectiveness has identified the following areas for improvement to be progressed during 2016/17.

Scotland Excel will, through the Senior Management Team and the Executive Sub Committee, carry out a review of the management and reporting of risk in the organisation. The resultant risk register will reflect the new business and operating plans for the organisation and new areas of contract development as appropriate.

Assurance

In conclusion, it is our opinion that the annual review of governance together with the work of internal and external auditors and certification of assurance from the Director provide sufficient evidence that the principles of good governance operated effectively and the Joint Committee complies with its governance arrangements in all material respects. Systems are in place to continually review and improve the governance and internal control environment. Future actions will be taken as necessary to maintain and further enhance the Joint Committee's governance arrangements.

Remuneration report

All information disclosed in sections two to five in this Remuneration Report will be audited by the council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. Remuneration policy for elected members

The Joint Committee makes no remuneration payment to any elected member, nor does it pay any expenses, fees or allowances to elected members. Further, no recharges have been made by member authorities in relation to elected member remuneration.

2. Remuneration policy for senior employees

From 1 September 2014, the date of the appointment of the new Director, the Director's salary was revised to match the Renfrewshire Council Chief Officer pay scale CO21.

2014/15	Senior Employees		2015/16		
Total	Name	Post Held	Salary, fees and allowances (i)	Expenses allowance chargeable to UK income tax	Total
£			£	£	£
54,253	Julie Welsh	Director (from 01/09/14)	96,589	-	96,589
73,459	Hugh Carr	Head of Strategic Procurement	74,765	-	74,765
-	Stephen Brannigan	Head of Customer & Business Services (from 25/05/15)	61,178	-	61,178
127,712	Total		232,532	-	232,532

(i) includes any other payments made to or receivable by the person in connection with the termination of their employment, or, in the case of a councillor, the total of any payment made to that person in connection with their ceasing to hold office before the end of a fixed term appointment;

The above tables show the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2016, whether or not those amounts were actually paid to, or received by, those persons within that period.

3. Pension rights

Pension benefits for Joint Committee employees are provided through the Local Government Pension Scheme (LGPS).

From 1st April 2015 benefits are based on career average pay. Pension benefits are based on the pay received for each year in the scheme increased by the increase in the cost of living, as measured by the appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

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2014/15	Member contribution rates on earnings in the bands below	2015/16
Up to £20,335	5.5%	Up to £20,500
£20,336 to £24,853	7.25%	£20,501 to £25,000
£24,854 to £34,096	8.5%	£25,001 to £34,400
£34,097 to £45,393	9.5%	£34,401 to £45,800
Over £45,394	12%	Over £45,801

If a person works part-time their contribution rate will be based on their part time pay.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of the pensionable pay for each year of membership, adjusted in line with the cost of living. (Prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government employment, not just that relating to their current post.

Senior Employees		Accrued Pension benefits as at 31 March 2016		Change in accrued pension benefits since 31 March 2015		Pension contributions made by Scotland Excel during 2015-2016
Name	Post Held	Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	(i) £
Julie Welsh	Director (from 01/09/14)	0.012	0.002	+0.004	+0.001	18,943
Hugh Carr	Head of Strategic Procurement	0.007	0.000	+0.003	+0.000	14,430
Stephen Brannigan	Head of Customer & Business Services (from 25/05/15)	0.001	0.000	+0.001	+0.000	11,807
Total		0.020	0.002	+0.008	+0.001	45,180

**Scotland Excel
Annual Accounts 2015/16**

4. Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2015/16, in bands of £5,000.

2014/15	Remuneration Band	2015/16
Number of employees		Number of employees
2	£50,000 - £54,999	-
-	£55,000 - 59,999	-
-	£60,000 - £64,999	1
-	£65,000 - 69,999	-
1	£70,000 - £74,999	1
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
1	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	1
<hr/>		<hr/>
4		3

5. Exit packages

Scotland Excel had no exit packages in 2015-16.

Independent Auditors Report

Annual Accounts 2015-16

Under audit arrangements approved by the Accounts Commission, the auditor with responsibility for the audit of the accounts for Scotland Excel for the year ended 31 March 2016 is:

Anne McGregor CA
Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Statement

The Audit of the accounts is not yet complete ie the figures are subject to audit. The certified accounts will be presented to the Joint Committee for approval after the audit is complete.

Movement in Reserves Statement for the year ended 31 March 2016

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into usable reserves (that is, those reserves that can be applied to fund expenditure) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the **comprehensive income and expenditure statement**.

	Note	Usable reserves		Unusable reserves	
		Revenue Reserve	Pension Reserve	Employee Statutory Adjustment Account	Total Reserves
		£	£	£	£
Balance at 31 March 2014 carried forward		-	(1,662,000)	(58,120)	(1,720,120)
<i>Movement in reserves during 2014-15</i>					
Surplus or (deficit) on the provision of services		(599,639)			(599,639)
Other comprehensive income and expenditure	15a		(1,605,000)		(1,605,000)
Total comprehensive income and expenditure		(599,639)	(1,605,000)	-	(2,204,639)
Adjustments between accounting basis and funding basis under regulations	6a & 6b	198,100	(193,000)	(5,100)	-
Transfer from Creditors	6a	1,135,106			1,135,106
Net increase or (decrease) before transfers to other statutory reserves		733,567	(1,798,000)	(5,100)	(1,069,533)
Transfers to or (from) other statutory reserves		-	-	-	-
Transfer to creditors	12	(733,567)	-	-	(733,567)
Increase or (decrease) in 2014-15		-	(1,798,000)	(5,100)	(1,803,100)
Balance at 31 March 2015 carried forward		-	(3,460,000)	(63,220)	(3,523,220)
<i>Movement in reserves during 2015-16</i>					
Surplus or (deficit) on the provision of services		(561,881)			(561,881)
Other comprehensive income and expenditure	15a		1,579,000		1,579,000
Total comprehensive income and expenditure		(561,881)	1,579,000	-	1,017,119
Adjustments between accounting basis and funding basis under regulations	6a & 6b	311,250	(314,000)	2,750	-
Transfer from Creditors	6a	733,567			733,567
Net increase or (decrease) before transfers to other statutory reserves		482,936	1,265,000	2,750	1,750,686
Transfers to or (from) other statutory reserves					-
Transfer to creditors	12	(482,936)			(482,936)
Increase or (decrease) in 2015-16		-	1,265,000	2,750	1,267,750
Balance at 31 March 2016 carried forward		-	(2,195,000)	(60,470)	(2,255,470)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

This statement shows the accounting cost of providing services and managing the Joint Committee during the year. It includes, on an accruals basis, all of the Joint Committee's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year and the real projected value of retirement benefits earned by employees during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that local authorities need to take into account. The required adjustments between accounting basis and funding basis under regulations are shown in the **movement in reserves statement**.

2014/15			2015/16	
£		Note	£	
2,919,787	Employee Costs		3,007,406	
177,476	Property Costs		178,250	
119,258	Supplies & Services		139,516	
254,008	Contractors		113,796	
353,045	Administration Costs		340,661	
122,151	Payments to Other Bodies		68,264	
3,945,725	Cost of Services		3,847,893	
(226,270)	Sales, Fees & Charges		(209,958)	
64,401	Financing & Investment Income and Expenditure	8	108,163	
(3,184,217)	Requisitions from Members Authorities	13	(3,184,217)	
599,639	(Surplus) or deficit on the provision of services		561,881	
1,605,000	Actuarial (Gains) or losses on pension assets and liabilities	15a	(1,579,000)	
1,605,000	Other Comprehensive Income & Expenditure		(1,579,000)	
2,204,639	Total Comprehensive Income & Expenditure		(1,017,119)	

Balance Sheet as at 31 March 2016

The **balance sheet** shows the value as at 31 March 2016 of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Committee is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

31st March 2015 £		Note	31st March 2016 £
	<u>Current Assets</u>		
958,439	Funds held by Renfrewshire Council		658,283
34,700	Debtors and Prepayments	10	21,887
150	Cash in Hand		150
<hr/> 993,289			<hr/> 680,320
	<u>less Current Liabilities</u>		
(1,056,509)	Creditors And Accruals	11	(740,790)
<hr/> (63,220)	Net Assets Excluding Pension (Liability)/Asset		<hr/> (60,470)
	<u>Long Term Liabilities</u>		
(3,460,000)	Pension (liability)/Asset	15c	(2,195,000)
<hr/> (3,523,220)	Net (Liabilities)/Asset Including Pension		<hr/> (2,255,470)
	<u>Represented by:</u>		
	Usable Reserves - Revenue		
733,567	Balance due to Scottish Government and related parties		482,936
(733,567)	Transfer to Creditors	12	(482,936)
	Unusable Reserves		
(63,220)	Employee Statutory Adjustment Account	6c	(60,470)
(3,460,000)	Pension Reserve	6b	(2,195,000)
<hr/> (3,523,220)			<hr/> (2,255,470)

The unaudited accounts were issued on the 10 June 2016. Balance Sheet signed by:

Alan Russell CPFA
Treasurer
10 June 2016

Cash flow Statement for the year ended 31 March 2016

This statement shows the changes in cash and cash equivalents during the year. It shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded by way of requisition income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Joint Committee.

2014/15		2015/16
£		£
	Operating Activities	
	Cash Inflows	
(3,435,027)	Sale of goods and rendering of services	(3,401,539)
(9,599)	Interest received	(5,837)
(3,444,626)	Cash inflows generated from operating activities	(3,407,376)
	Cash Outflows	
2,342,746	Cash paid to and on behalf of employees	2,444,429
1,013,720	Cash paid to suppliers of goods and services	848,190
362,992	Other payments for operating activities	414,913
3,719,458	Cash outflows generated from operating activities	3,707,532
274,832	Net (increase)/decrease in cash and cash equivalents	300,156
1,233,421	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council	958,589
958,589	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council	658,433
274,832	Net cash outflow in cash and cash equivalents in year	300,156

Note 1 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2016 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Best Value Accounting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Joint Committee and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

Accruals basis - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received.

Going concern - the going concern concept assumes that the Joint Committee will continue in existence for the foreseeable future.

Understandability – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government.

Relevance – the information in the financial statements is useful for assessing Joint Committee's stewardship of public funds and for making economic decisions.

Materiality - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information.

Reliability – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.

Primacy of legislative requirements - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The accounts have been prepared under the historic cost convention. The following accounting policies used in the preparation of the statements have been reviewed in line with changes made to the Accounting Code following the introduction of International Financial Reporting Standards.

Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- i. Revenue from the sale of goods is recognised when the Joint Committee transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- ii. Revenue from the provision of services is recognised when the Joint Committee can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Committee.
- iii. Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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- iv. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- v. Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received by the Balance Sheet date.

Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

Employee Benefits

Benefits payable during employment

All salaries and wages earned up to the Balance Sheet date are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday and flexi-leave entitlements earned by employees but not taken before the year end; and which employees may carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Joint Committee to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance. They are charged on an accruals basis to the Employee Costs line in the Comprehensive Income and Expenditure Statement when the Joint Committee is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary severance. The Joint Committee is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal; and agreement to the termination has been granted by the Executive Sub-Committee.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Revenue balances to be charged with the amount payable by the Joint Committee to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post employment benefits

The Joint Committee participates in the Local Government Pension Scheme which is administered by Strathclyde Pension Fund. The Local Government Pension Scheme is accounted for as a defined benefit scheme, and in accordance with International Accounting Standard 19 (IAS19,) the Joint Committee has disclosed certain information concerning the assets, liabilities, income and expenditure relating to the pension scheme. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future.

This involves the recognition in the Balance Sheet of the Joint Committee's share of the net pension asset or liability in Strathclyde Pension Fund and a pension reserve. The Comprehensive Income and Expenditure Statement also recognises changes during the year in the pension asset or liability.

Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The liabilities of the Strathclyde Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the Strathclyde Pension Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

Note 15 to the Core Financial Statements provides further information.

Events after the Balance Sheet date

Events after the balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statements are authorised for issue. There are two types of events:

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statements. Note 5 provides further information.

Prior Period Adjustments

Where there has been a change in accounting policy, that change will be applied retrospectively, that is, prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimate, that change will be applied prospectively, that is, prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

Government Grants and other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Joint Committee when there is reasonable assurance that:

- the Joint Committee will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Joint Committee are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Joint Committee is not party to any finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease). The risks and rewards of ownership remain with the lessors along with the title of the property.

Property, Plant and Equipment

Scotland Excel is a Joint Committee as constituted under s106(1) of the Local Government (Scotland) Act 1973. The Joint Committee has no legal power to hold assets. Any cash assets held are matched by an equivalent creditor balance.

Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Scotland Excel becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Committee settles the obligation.

Reserves

The Joint Committee has three reserve funds. The Revenue Reserve contains any balance of requisition income from members of the Joint Committee together with the balance of members' contributions in relation to the National Care Home contract.

The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Joint Committee share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Joint Committee's share of the Pension Fund net liability chargeable to the Income and Expenditure Account.

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the Revenue Reserve from accruing for short term accumulating absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements require that the impact of such accrued expenditure on the Revenue Reserve is neutralised by transfers to or from the Employee Statutory Adjustment Account.

VAT

Income and Expenditure excludes any amount relating to Value Added Tax (VAT), as all VAT is payable to HM Revenue & Customs and all VAT is recoverable from them.

Note 2 Accounting Standards Issued not Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/2017 code:

- Amendment to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiatives)
- Changes to the format of the Comprehensive Income and Expenditure Statement

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/2016 financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Joint Committee has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below.

Government Grant	The Joint Committee received Scottish Government grant support to fund set-up costs in 2007. The grant has been used according to the grant conditions.
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Note 4 Assumptions made about the future

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Results differ from Assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an decrease in the pension liability of £1.721 million. However, the assumptions interact in complex ways. During 2015/16, the appointed actuaries advised that the net pension liability had decreased by £1.579 million as a result of estimates being corrected.

Note 5 Events after the balance sheet date

Events taking place after the authorised issue date per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non adjusting events.

Note 6 Details of Movement in Reserves

a. Revenue Reserve

2014/15		2015/16
£		£
(1,135,106)	Balance as at 1 April	(733,567)
(193,000)	Transfer to pension reserve	(314,000)
(5,100)	Transfer to employee statutory adjustment account	2,750
599,639	(Surplus) or Deficit on the provision of services (from the Comprehensive Income & Expenditure Account)	561,881
<u>(733,567)</u>	Balance as at 31 March	<u>(482,936)</u>

This represents the excess of member authority requisitions over expenditure in any one year, together with the balance of members contributions in relation to the National Care Home contract, and is shown as payable to the member authorities.

b. Pension Reserve

2014/15		2015/16
£		£
(1,662,000)	Balance as at 1 April	(3,460,000)
(1,605,000)	Actuarial Gains and Losses (see note 15)	1,579,000
(193,000)	Net additional amount required by statute and non-statutory proper practices to be taken into account when determining the surplus or deficit on the revenue reserves for the year	(314,000)
<u>(3,460,000)</u>	Balance as at 31 March	<u>(2,195,000)</u>

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Joint Committee accounts for post-employment benefits in the **comprehensive income and expenditure statement** as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds. The credit balance on the Pension Reserve shows a surplus in the benefits earned by past and current employees and the Joint Committee's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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c. Employee Statutory Adjustment Account

2014/15		2015/16
£		£
58,120	Balance as at 1 April	63,220
(58,120)	Reversal of prior year accrual for short-term accumulating compensated absences	(63,220)
63,220	Recognition of the accrual for short-term accumulating compensating absences at 31 March	60,470
63,220	Balance as at 31 March	60,470

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on revenue balances from accruing for short-term accumulating compensated absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements [or regulations] require that the impact of such accrued expenditure on revenue balances is neutralised by transfers to or from the Employee Statutory Adjustment Account.

Note 7 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement

The deficit for the year on the Revenue Reserves was £311,250 less than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Joint Committee's Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Committee to debit and credit the Revenue Reserve Balance.

2014/15		2015/16
£		£
	Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement	
(535,000)	Net charges made for retirement benefits in accordance with IAS19	(700,000)
(5,100)	Net charges for employment short-term accumulating absences	2,750
(540,100)		(697,250)
	Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining Movement in Reserves Statement	
342,000	Employers contributions payable to the Strathclyde Pension Fund	386,000
(198,100)	Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	(311,250)

Note 8 Financing & Investment Income

2014/15		2015/16
£		£
(9,599)	Interest on Balances	(5,837)
74,000	Pension Interest Cost	114,000
64,401	Total Financing and Investment (Income)/Cost	108,163

Note 9 Operating Leases

Scotland Excel acquired an operating lease for accommodation at Renfrewshire House effective from February 2013 until February 2018. The annual rental charge is £87,320. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £87,320 (2014/15 £87,320).

2014/15		2015/16
£		£
	Future Minimum Lease Payments	
87,320	- not later than one year	87,320
163,396	- later than one year and not later than five years	76,076
-	- later than five years	-
250,716	Total	163,396

Note 10 Debtors

31st March 2015		31st March 2016
£		£
-	Central government bodies	-
-	Other local authorities	-
34,700	Other Entities and Individuals	21,887
34,700	Total short term debtors	21,887

Note 11 Creditors

31st March 2015		31st March 2016
£		£
288,091	Central government bodies	3,168
464,780	Other local authorities	493,136
63,220	Short Term Accumulating Absences	60,470
140,945	Accrued Payrolls	168,799
99,473	Other entities and individuals	15,217
1,056,509	Total short term creditors	740,790

Note 12 Transfer to Creditors

2014/15		2015/16
£		£
<u>733,567</u>	In terms of Section 58 of the Local Government (Scotland) Act 1973, Joint Committees have no specific powers to retain reserves to meet future funding requirements and the amount due to funding bodies has been transferred to creditors.	<u>482,936</u>

Note 13 Related parties

The Joint Committee's related parties are those bodies or individuals that have the potential to control or significantly influence the Joint Committee, or to be controlled or significantly influenced by the Joint Committee. The Joint Committee is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

The member authorities of the Joint Committee have contributed requisitions in the following proportions to enable the Joint Committee to carry out its objectives. In accordance with Scotland Excel's Terms and Conditions, member authority requisitions are adjusted to reflect changes in the size of the populations within member authority areas.

The Joint Committee in turn pays Renfrewshire Council for support services. The amount paid in respect of these services for the year ended 31 March 2016 was £185,000 (2014/15 £185,000).

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2014/15			2015/16
£	Council	Percentage	£
124,108	Aberdeen City	4.0%	128,501
135,624	Aberdeenshire	4.5%	143,137
73,910	Angus	2.4%	75,480
65,691	Argyll & Bute	1.9%	62,001
43,592	Clackmannshire	1.4%	44,420
94,018	Dumfries & Galloway	2.9%	91,751
91,930	Dundee City	2.8%	90,747
79,994	East Ayrshire	2.5%	78,444
73,631	East Dunbartonshire	2.2%	70,517
65,585	East Lothian	2.1%	68,365
64,871	East Renfrewshire	2.0%	63,651
246,599	Edinburgh (City of)	7.9%	252,995
32,658	Eilean Siar	1.0%	33,002
93,365	Falkirk	3.0%	95,036
197,793	Fife	6.1%	195,335
311,813	Glasgow City	9.6%	305,136
125,364	Highland	4.1%	131,284
61,512	Inverclyde	1.8%	58,300
59,820	Midlothian	1.9%	60,399
63,746	Moray	2.0%	65,013
88,354	North Ayrshire	2.7%	85,368
182,483	North Lanarkshire	5.7%	181,383
29,218	Orkney	0.9%	30,214
88,333	Perth & Kinross	2.8%	90,546
106,061	Renfrewshire	3.2%	103,049
74,295	Scottish Borders	2.3%	74,347
30,515	Shetlands Council	1.0%	30,994
75,966	South Ayrshire	2.3%	73,859
172,952	South Lanarkshire	5.4%	170,443
63,194	Stirling	2.0%	63,536
66,208	West Dunbartonshire	2.0%	62,843
101,014	West Lothian	3.3%	104,121
3,184,217	Total	100%	3,184,217

Note 14 External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2015/16 were £5,720 (£5,720 in 2014/15). There were no fees paid to Audit Scotland in respect of any other services.

Note 15 Retirement Benefits

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The scheme for employees is Strathclyde Pension Fund which is administered by Glasgow City Council. This is a "funded" defined benefit final salary scheme meaning that the Joint Committee and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

15a. Transactions relating to retirement benefits

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Joint Committee in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions. The following transactions have been made in the accounting statements in 2015/16:

2014/15		Note	2015/16
£			£
	Comprehensive Income & Expenditure Statement		
	Cost of Services		
461,000	Current service cost	(i)	586,000
-	Past service cost/(gain)	(ii)	-
-	Settlements & curtailments	(iii)	-
<u>461,000</u>			<u>586,000</u>
	Financing & Investment Income & Expenditure		
<u>74,000</u>	Net Interest	(iv)	<u>114,000</u>
535,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services		700,000
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
(792,000)	Return on assets excluding amounts included in net interest		62,000
2,397,000	Actuarial (gains) and losses arising on changes in financial assumptions		<u>(1,641,000)</u>
1,605,000	Total Actuarial (gains) and losses		(1,579,000)
2,140,000	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		(879,000)
	Movement in Reserves Statement	(v)	
	Reversal of net charges made to the Surplus or Deficit for the		
(1,798,000)	Provision of Services for post employment benefits according with the Code		1,265,000
<u>342,000</u>	Employers Contributions paid to Strathclyde Pension Fund		<u>386,000</u>

Notes

- i. Current service cost is the cost of future entitlements to pension payments to current employees
- ii. Past service cost is the cost of discretionary pension benefits to former employees who retired on the grounds of efficiency etc or savings made for commuting part of the pension for additional cash.
- iii. Curtailments are the pension costs to employees retired under redundancy terms.
- iv. The Interest Cost is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of Strathclyde Pension Fund's liabilities because they are one year closer to settlement.

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- v. The Movement on Pension Reserve represents the net change in the pension liability recognised in the Movement in Reserves Statement for pension payments made by the Joint Committee to the Strathclyde Pension Fund during the year (£314,000).

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2015/16 these amounted to £19,652 (2014/15 £17,648).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £1.579 million are included in the Movement in Reserves Statement (2014/15 £1.605 million loss). The cumulative amount of actuarial losses is £(2.433) million (2014/15 £ (4.012) million).

15b. Assets and liabilities in relation to retirement benefits

A reconciliation of the Joint Committee's share of the **present value** of Strathclyde Pension Fund's **liabilities** is as follows:

2014/15		2015/16
£000		£000
10,210	Opening present value	13,549
461	Current service cost	586
449	Interest Cost	444
124	Employee Contributions	136
	Remeasurement (gains)/losses:	
2,397	Actuarial (gains)/losses arising from changes in financial assumptions	(1,641)
(92)	Benefits Paid	(94)
13,549	Balance as at 31 March	12,980

A reconciliation of the Joint Committee's share of the **fair** value of Strathclyde Pension Fund's **assets** is as follows:

2014/15		2015/16
£000		£000
8,548	Opening Fair Value	10,089
375	Interest Income	330
	Remeasurement gain/(loss):	
792	Return on assets excluding amounts included in net interest	(62)
342	Contributions from employer	386
124	Contributions from employee	136
(92)	Benefits Paid	(94)
10,089	Closing fair value of scheme assets	10,785

**Scotland Excel
Annual Accounts 2015/16**

15c. Fund history

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Present Value of Liabilities	(6,881)	(8,873)	(10,210)	(13,549)	(12,980)
Fair value of assets	6,243	7,647	8,548	10,089	10,785
Surplus/(deficit) in the Fund	(638)	(1,226)	(1,662)	(3,460)	(2,195)

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy.

The total liability of £2.195 million has a significant impact on the net worth of the Joint Committee as recorded in the Balance Sheet. However, any deficit on Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

15d. Basis for estimating assets and liabilities

The Joint Committee's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2014.

The principal assumptions used by the actuary have been:

31st March 2015	Year Ended:	31st March 2016
Mortality assumptions		
	Longevity at 65 for current pensioners	
22.1 years	• Men	22.1 years
23.6 years	• Women	23.6 years
	Longevity at 65 for Future pensioners	
24.8 years	• Men	24.8 years
26.2 years	• Women	26.2 years
4.3%	Rate of increase in salaries*	4.2%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
	Take-up of option to convert annual pension into retirement lump sum:	
50.0%	Pre April 2009 service	50.0%
75.0%	Post April 2009 service	75.0%

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

**Scotland Excel
Annual Accounts 2015/16**

31st March 2015 £000		Percentage	31st March 2016 £000
	Equity Securities		
953	Consumer	9.4%	1,011
761	Manufacturing	7.5%	808
300	Energy and Utilities	2.9%	318
701	Financial Institutions	6.9%	744
410	Health and Care	4.0%	435
580	Information Technology	5.7%	616
3,705	Total Equity	36.5%	3,932
	Private Equity		
982	All	9.7%	1,049
982	Total Private Equity	9.7%	1,049
	Real Estate		
922	UK Property	10.7%	1,159
-	Overseas Property	0.0%	-
922	Total Real Estate	10.7%	1,159
	Investment Funds & Unit Trusts		
2,895	Equities	26.0%	2,799
1,278	Bonds	12.2%	1,316
4	Commodities	0.0%	4
34	Infrastructure	0.0%	0
18	Other	1.4%	151
4,229	Total Investment Funds & Unit Trusts	39.6%	4,270
	Derivatives		
3	Other	0.0%	3
3	Total Derivatives	0.0%	3
	Cash & Cash Equivalents		
248	All	3.4%	372
248	Total Cash & Cash Equivalents	3.4%	372
10,089	Total	100%	10,785

15e. Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2015-16 to 2017-18.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2017 is £0.386 million.

Note 16 Contingent Liabilities and Assets

As at the Balance Sheet date the Joint Board had no material contingent assets or liabilities.

Scotland Excel

To: Joint Committee

On: 17 June 2016

Report
by
Director Scotland Excel

Accounts Commission Report – Procurement in Councils

1. Introduction

The purpose of this report is to bring to members' attention the report published by the Accounts Commission in February 2016 titled "***Procurement in Councils – Impact Report***". This report describes the impact made by the Accounts Commission's performance audit report on '***Procurement in councils***' published on 24 April 2014 and to highlight the references in the report to Scotland Excel.

2. Background

The Accounts Commission is the statutory body responsible for monitoring and scrutinising spending by local government in Scotland and holds councils and joint committees such as Scotland Excel to account and helps them to improve performance.

The Impact report¹, attached at appendix 1 for information, sets out the findings of and progress on the initial audit carried out to assess whether councils were efficiently and effectively procuring goods and services. The specific objectives were to determine:

- How much did councils spend on goods and services, and what savings and other benefits councils identified through better procurement?
- Did councils manage procurement well and have good governance for it in line with good practice?
- How well was Scotland Excel helping councils to improve procurement and achieve procurement savings?

The key messages from the April 2014 report were as follows:

- Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector procurement spend in Scotland. This

¹ Procurement in councils – Impact report. http://www.audit-scotland.gov.uk/uploads/docs/report/2016/ir_160208_procurement_councils_impact.pdf

spending is extremely diverse, although more than half is on social care and construction. Since 2006, initiatives by the Scottish Government and Scotland Excel have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils are buying more goods and services collaboratively. New legislation and EU directives will bring about further change.

- Councils can use procurement to improve service quality and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development.
- Councils have recently begun to make community benefits such as apprenticeships and environmental improvements an integral part of contracts.
- Councils' spending through collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of their total procurement spend. This percentage is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts. The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts and replace paper-based systems with 'purchase to pay' compliant ICT systems.
- Councils and Scotland Excel have used the Procurement Capability Assessment (PCA) process to improve procurement practice. All councils have improved their procurement capability since 2009. However, the average assessment score has only reached 56 per cent. The rate of improvement varies among councils and some need to improve more quickly. Councils that invest in qualified improvement staff and improved systems can both improve service quality and achieve financial savings.

A number of specific recommendations for Scottish Government, Scotland Excel and councils were made and are detailed within the original Audit Scotland report.

3. Impact Report

The **2016 Procurement in councils – Impact** report details the progress that has been made in implementing the recommendations detailed in the original report. It shows good progress made in a number of areas and highlights where further progress should be made. Additionally, the impact report highlights a number of challenges that face Scotland Excel and the sector:

Scotland Excel faces financial challenges

When Scotland Excel was established in 2008, the Scottish Government granted it £4.5 million to fund its set-up costs and procurement reform activities. At March 2013, £1.2 million remained. In the annual audit report on 2014/15, the external auditor reported that the ring-fenced funding for reform, £0.3m as at 31 March 2015, is likely to be fully utilised in 2016, with no plans in place to fund reform work from 2016 onwards. The auditor recommended that the organisation should prepare options as part of its budget-setting process for 2016/17. Scotland Excel developed funding proposals for its Joint Committee on 27 November 2015, which approved that the requisition for each council increase by 9.4 per cent for 2016/17 as a means of beginning to fund all of Scotland Excel's ongoing procurement activity sustainably.

In October 2015, Scotland Excel advised Audit Scotland that resolving the organisation's financial stability after 2016/17 will be challenging. A significant portion of its income derives from the sale of training and support to councils, and Scotland Excel has indicated that the financial climate is impinging on councils' ability to pay for it. If Scotland Excel is compelled to scale back its support for councils, this could compromise the maintenance of the PCIP framework and periodic assessments of councils.

Councils continue to face staffing challenges

In 2014, the Procurement in councils report noted that 'councils and Scotland Excel believe shortages of skilled purchasing staff remain, and that there is a limited pool of experienced purchasing staff in the public sector from which to draw. As the economy improves, there is a risk that councils will lose qualified staff to other public sector organisations and the private sector, where salaries are higher.' Scotland Excel reiterated to Audit Scotland in October 2015 that these challenges remain and that some councils risk having an insufficient number of suitably qualified staff to properly plan and manage procurement.

There is scope for a procurement-related audit about three years from now

With the roll-out of the PCIP to councils happening 2016, it is likely to be 2018 before the second PCIP cycle occurs and like-for-like comparisons become possible. PCIP will shortly be rolled out in the NHS. So in a few years' time, it should also be possible to map the changing performance of NHS procurement between 2016 and 2018. There is also some potential to consider thematic aspects of procurement across the public sector.

4. Recommendation

The Joint Committee is invited to note the Audit Commission report and the actions relating to Scotland Excel.

Procurement in councils

Impact report

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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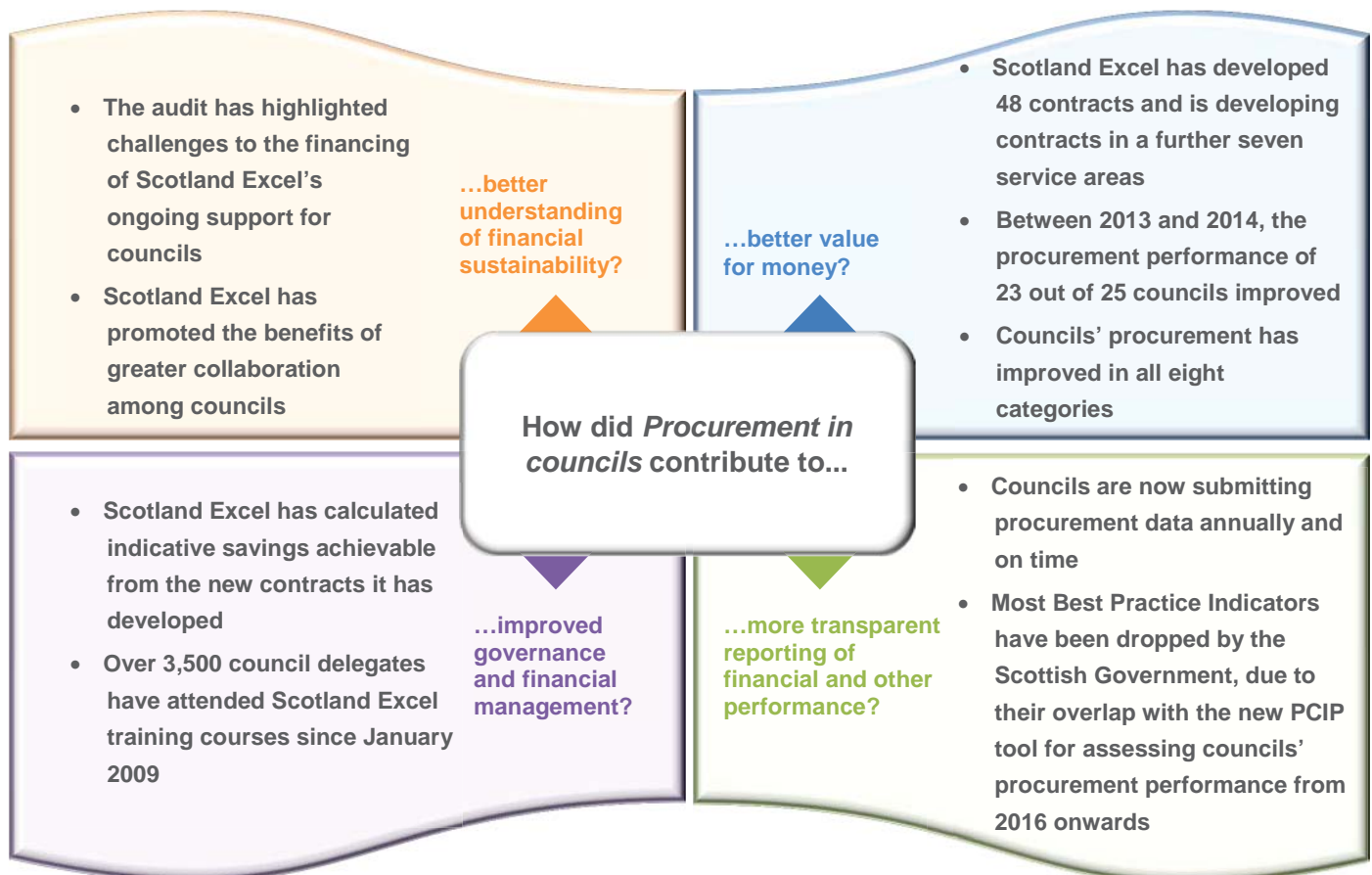
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Summary of overall progress

Contribution to key aspects of public sector audit



Introduction

1. This report describes the impact made by the Accounts Commission's performance audit report on '[Procurement in councils](#)', published on 24 April 2014. The Accounts Commission sponsors for the audit were Colin Peebles and Sandy Cumming.

Audit aim and objectives

2. The audit aimed to assess whether councils were efficiently and effectively managing how they procured goods and services. The specific objectives were to determine:
 - How much did councils spend on goods and services, and what savings and other benefits councils identified through better procurement?
 - Did councils manage procurement well and have good governance for it in line with good practice?
 - How well was Scotland Excel helping councils to improve procurement and achieve savings in spending on goods and services?

Key messages

3. The key messages from the April 2014 report were as follows:
 - Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector procurement spend in Scotland. This spending is extremely diverse, although more than half is on social care and construction. Since 2006, initiatives by the Scottish Government and Scotland Excel have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils are buying more goods and services collaboratively. New legislation and EU directives will bring about further change.
 - Councils can use procurement to improve service quality and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development. Councils have recently begun to make community benefits such as apprenticeships and environmental improvements an integral part of contracts.
 - Councils' spending through collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of their total procurement spend. This percentage is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts. The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts and replace paper-based systems with 'purchase to pay' compliant ICT systems.

-
- Councils and Scotland Excel have used the Procurement Capability Assessment (PCA) process to improve procurement practice. All councils have improved their procurement capability since 2009. However, the average assessment score has only reached 56 per cent. The rate of improvement varies among councils and some need to improve more quickly. Councils that invest in qualified improvement staff and improved systems can both improve service quality and achieve financial savings.

Key recommendations

4. The report's key recommendations were:

The Scottish Government should work with councils to:

- review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils.

Scotland Excel should:

- maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies
- set realistic timescales and savings targets for contracts, particularly in new areas of contracting.

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Council staff involved in procurement should:

- submit accurate and complete information to the Procurement Hub (the Hub) on a regular and timely basis (ideally quarterly, and as a minimum within three months of the end of the financial year)
- examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions¹
- make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress
- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis

¹ ALEOs = arm's-length external organisations.

- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements
- aim to achieve the 'superior performance' level in the PCA, particularly in relation to:
 - spend covered by agreed commodity/project strategies
 - participation in Scotland Excel contracts
 - automation of procurement and payment processes
 - spend captured in the council's contract register.

Councils' corporate management teams should:

- benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- raise staff awareness of accountability and controls by:
 - implementing a written code of ethics
 - requiring staff involved in procurement to complete a register of interest statement
 - require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis
 - encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.
5. We anticipated that the report would add value in a number of areas by identifying lessons learned and highlighting good practice. To help with this, we also published a self-assessment checklist for councillors in April 2014. It set out issues that councillors may wish to consider in relation to procurement in their own council. It allowed councillors to assess themselves against each good practice statement; identify what actions need to be taken forward; and to apply the checklist annually to review a council's progress.

Raising awareness and communication of key messages

Media coverage

6. The Scotsman, Dundee Courier, Evening Times, STV Online and Public Finance all picked up on the report. Coverage was accurate, reflected the report's key messages and was largely based around a piece by the Press Association. A local radio station highlighted the performances of Aberdeen City Council and Aberdeenshire Council.² Comhairle nan Eilean Siar (Western Isles Council) issued a release based on its procurement practice.³ Also, Renfrewshire Council's work was highlighted by the Paisley Daily Express.⁴

Politics

7. COSLA President David O'Neill said: *"As today's report recognises, councils have made good progress in terms of procurement. We have established Scotland Excel and use of collaborative contracts has increased by 80% over the last three years... It is also worth noting that councils use procurement spending to support local economic development and some have begun to use it to deliver other local benefits such as apprenticeships and environmental improvements."*⁵
8. Scottish Labour's local government spokeswoman Sarah Boyack commented: *"Any area where local authorities can make much needed savings is welcome and cutting back on the cost of procurement has long been needed. Councils are under increasing financial strain from additional service requirements to cope with an ageing population and the cost implications of maintaining or replacing infrastructure that is no longer fit for purpose."*⁶
9. Scottish Liberal Democrats' leader Willie Rennie pointed to savings through the use of an electronic system for procurement: *"By bringing payments into the 21st Century councils could save the taxpayer £28 per invoice, amounting to £9m in total. It is in the taxpayers' interests for ministers to work with local authorities in order to enable this change to happen."*⁷
10. Scottish Green MSP Alison Johnstone said council spending should be more geared towards supporting local economies or sustainability.⁸

Downloads

11. Between publication of *Procurement in councils* in April 2014 and the end of September 2015, there were:
 - 4,216 downloads of the main national report, with 160 downloads in September 2015
 - 154 downloads of the self-assessment checklist for use by councillors
 - 128 downloads of the podcast.

² Original 106, www.originalfm.com

³ Press release, [Comhairle Commended For Procurement Procedures](#), Comhairle nan Eilean Siar, 24 April 2015.

⁴ Like other titles taken over by Trinity Mirror, the Paisley Daily Express has lost its own archive.

⁵ As reported by [STV news, 24 April 2014](#). COSLA = Convention of Scottish Local Authorities.

⁶ [Press statement](#), Scottish Labour, 24 April 2014.

⁷ As reported by [STV news, 24 April 2014](#).

⁸ As reported by [STV news, 24 April 2014](#).

Presentations

12. The Chair of the Accounts Commission gave the keynote presentation at the Capita conference about 'procurement in public services in Scotland', in May 2014. In June 2014, the audit team gave presentations to the Scottish Councils' Heads of Procurement meeting and to Scotland Excel. The audit team also made a presentation to South Ayrshire Council. All presentations were well received.

Parliamentary consideration

13. The Scottish Parliament Infrastructure and Capital Investment (ICI) Committee took evidence from the Scottish Futures Trust (SFT) on 5 November 2014, concerning the committee's scrutiny of the Scottish Government's draft budget 2015/16. The SFT said it would seek a corporate commitment from the bodies accountable for procurement, and increase focus on getting the '*right project and right deal*' by involving experienced individuals in planning.⁹

Local consideration of the report

Scotland Excel

14. Scotland Excel is the centre of procurement expertise for the local government sector, and a non-profit making organisation funded by participating local authorities. Through collaboration with councils and suppliers, it aims to raise procurement standards, secure best value, and improve the efficiency and effectiveness of public sector procurement.¹⁰
15. In response to the publication of *Procurement in councils*, the Director of Scotland Excel said "*Scotland Excel welcomes the findings of Audit Scotland's report and is pleased that it recognises the progress that has been achieved. Scotland Excel remains committed to supporting local authorities as they transform procurement within their organisations, and we are confident that ongoing improvements in sector performance will deliver additional benefits in future.*"¹¹
16. Scotland Excel has since conducted a consultation exercise in which councils' procurement activity was discussed with their procurement teams and senior management; and the support available from Scotland Excel was considered. Scotland Excel has said that *Procurement in councils* has helpfully provided a credible, independent assessment of council procurement and remains valuable in shaping the agenda for discussions with councils.¹²
17. Scotland Excel produced an updated corporate strategy in June 2015 for the period 2015-18. Supporting the implementation of the strategy is a performance management framework in which four corporate goals cascade to a set of strategic objectives and these in turn map to objectives for teams and individuals.
18. Since *Procurement in councils* was published, Scotland Excel has developed a wider range of standardised contracts for services typically procured by councils. Developed in consultation with service managers and service clients, standardised contracts have the potential to save a

⁹ Page 37, [Papers for the Finance Committee meeting on 5 November 2014](#), Scottish Parliament.

¹⁰ [Scotland Excel FAQs](#), Scotland Excel website as at 10 November 2015.

¹¹ News release: [Audit Scotland report on local authority procurement published](#), Scotland Excel, website at 12 November 2015.

¹² Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

council a considerable investment in developing its own contracts; reduce risk by providing assurance that the contract has been informed by good practice; and potentially generate savings. Further information on the contacts is contained in [Appendix 1](#).

Councils

19. It is difficult to identify how much of the improvement in councils' procurement performance can be attributed to *Procurement in councils*; to Scotland Excel's ongoing support for councils; and to councils' own improvement work.
20. Audit Scotland has taken stock of changes in councils' procurement performance, using data supplied by Scotland Excel. Between 2009 and 2014, councils' procurement performance was assessed annually by Scotland Excel using the Procurement Capability Assessment (PCA) tool. The PCA tool used 52 questions across eight sections, resulting in a score for each section and an overall percentage score for a council. For *Procurement in councils*, Audit Scotland examined the PCA tool and concluded that it effectively assessed a council's procurement arrangements.¹³ The audit was therefore able to place reliance on PCA results, and the audit report used PCA data for 2013 to analyse all councils' procurement capability. For the purposes of this impact report, we have updated the analysis to include the most recent PCA results, for 2014.
21. *Procurement in councils* noted that between 2009 and 2013, the average overall PCA score for all councils rose from 22 per cent to 56 per cent ([Exhibit 1](#), overleaf). In 2013, the average score was below 50 per cent for two of the eight PCA sections – contract & supplier management; and key purchasing processes & systems.
22. A total of 25 councils chose to participate in the 2014 PCA. Of the other seven, some chose not to participate because the PCA was about to be phased out and some councils would have liked to participate but were unable to due to limited staffing resources.¹⁴
23. Between 2013 and 2014, councils' overall PCA scores improved further – from 56 per cent to 62 per cent on average.¹⁵ Councils improved in all eight PCA sections:
 - Two sections improved to 'superior performance' (75 percent or over) – procurement strategy & objectives; people).
 - A further two sections, although improving, remained below 50 per cent – contract & supplier management; and key purchasing processes & systems. However, both these sections improved steadily from 2009 to 2014.
 - The section on contract & supplier management made the largest improvement (seven per cent).
 - For the third consecutive year, no section was in the 'non-compliance' category.

¹³ Paras 65-67 of the main report, *Procurement in councils*, Accounts Commission, April 2014.

¹⁴ The seven councils were Angus, Dundee City, East Renfrewshire, Clackmannanshire, Perth & Kinross, Stirling and West Lothian.

¹⁵ For the seven councils that did not have a 2014 PCA, their 2013 scores are applied to 2014 to enable 32-council comparisons.

Exhibit 1

Overall changes in Procurement Capability Assessment scores, 2009-2014

Overall, councils improved in all areas between 2009 and 2013, and from 2013 to 2014.

0-24 per cent	25-49 per cent	50-74 per cent	75 per cent or over
Non-compliance	Compliance	Improved performance	Superior performance

PCA section	Councils' average score (per cent)					
	2009	2010	2011	2012	2013	2014
Procurement leadership & governance	25	38	48	58	63	66
Procurement strategy & objectives	31	43	58	64	73	77
Defining the supply need	13	23	30	45	54	60
Commodity/project strategies & collaborative procurement	25	32	40	53	61	67
Contract & supplier management	14	18	24	33	39	46
Key purchasing processes & systems	26	37	39	38	40	44
People	25	39	49	58	71	76
Performance measurement	22	22	34	39	50	55
Overall score	22	32	40	48	56	62

Note: the seven councils without a 2014 PCA have had their 2013 scores applied to 2014 to allow 32-council comparisons.

Source: Scotland Excel, November 2015

24. Among the 25 councils that participated in the 2014 PCAs:

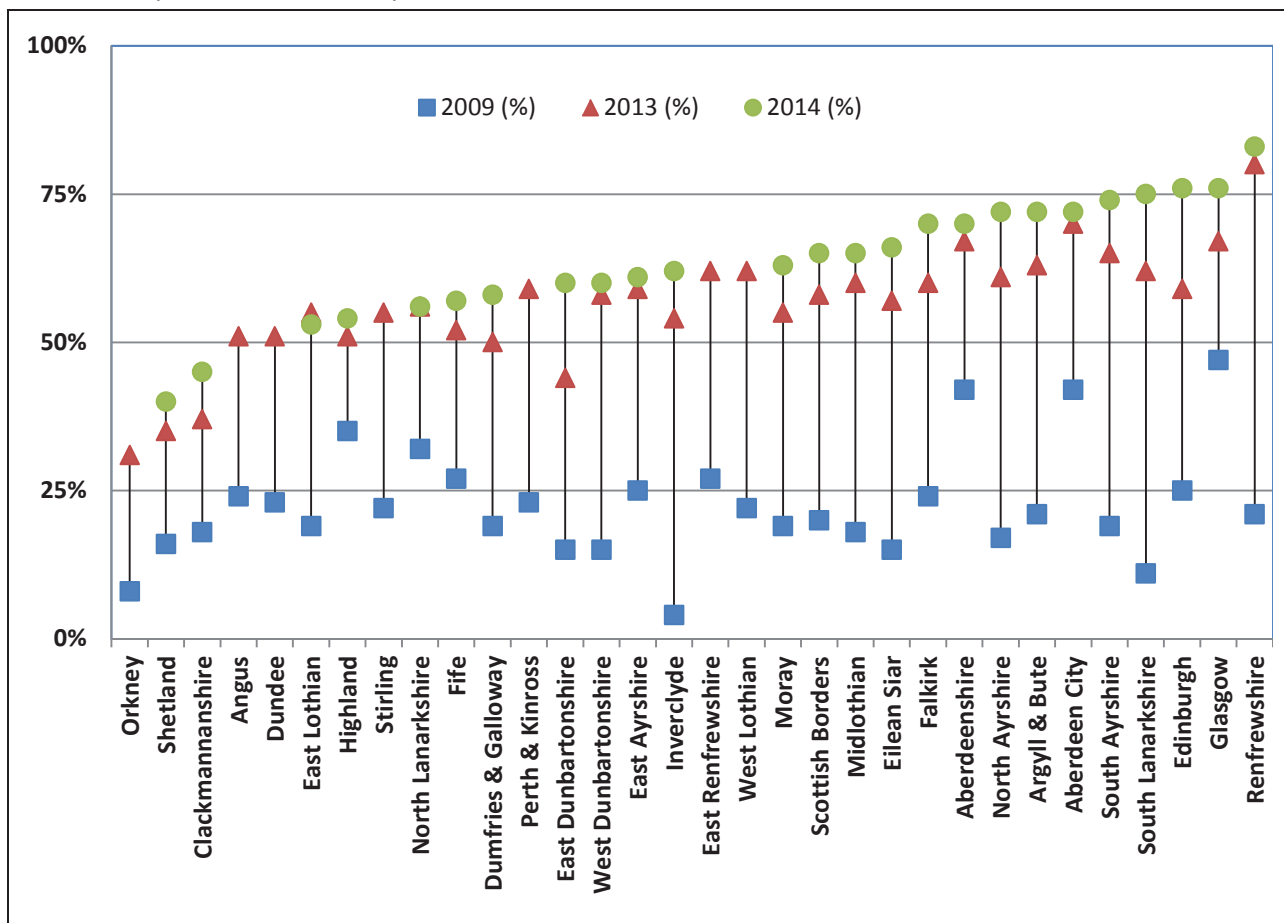
- Twenty-three councils improved their overall PCA score. North Lanarkshire Council's score remained the same and East Lothian Council's score fell by 2 per cent.
- Four councils were in the 'superior performance' category (Renfrewshire, 83 per cent; City of Edinburgh, 76 per cent; Glasgow City, 76 per cent; South Lanarkshire, 75 per cent).
- Nineteen councils were in the 'improved performance' category (50-74 per cent).
- Two councils were in the 'compliance' category (Shetland Islands, 40 per cent; Clackmannanshire, 45 per cent) ([Exhibit 2](#), overleaf).

25. Some councils improved significantly from 2013 to 2014 (eg East Dunbartonshire, City of Edinburgh, Falkirk, North Ayrshire, South Lanarkshire). Progress has been slower in certain larger councils that performed relatively well in the early years of the PCA (eg Aberdeen City, Aberdeenshire, Highland, North Lanarkshire).

Exhibit 2

Councils' PCA scores, 2009-2014

All councils' performance has improved since 2009.



Note: seven councils did not participate in the 2014 PCA assessments. Eilean Siar = Western Isles.

Source: Scotland Excel, November 2015

26. Larger councils have tended to score more highly in the PCA and there is a statistically significant correlation between a council's overall PCA score and its size, measured in terms of its population. The top three performing councils in terms of 2014 PCA scores (City of Edinburgh, Glasgow City, Renfrewshire) accounted for 23 per cent of Scotland's population while the bottom three (Clackmannanshire, East Lothian, Shetland) accounted for three per cent. Nevertheless, some smaller councils (eg Eilean Siar) have performed better than other councils of a similar size. The strength of the link between council size and PCA scores has weakened since 2011, suggesting smaller councils are tending to catch up on larger ones.
27. Increasingly, councils are using standardised contracts developed by Scotland Excel. The total value of standardised contracts rose by 39 per cent between April 2014 and December 2015 – from £503 million to £698 million. Contracts' total national values ranges between £1.5 million for waste disposal equipment and £75 million for children's residential care.¹⁶
28. The PCA tool covered how well councils manage off-contract spend and control of maverick spend (spend outside of approved contracts). Scotland Excel reports that most councils have

¹⁶ Contract portfolio information supplied to Audit Scotland by Scotland Excel, January 2016.

improved their contract coverage since 2009. PCA data showed that in 2014, 80 per cent of councils tested demonstrated 'improved performance' (over 70 per cent of spend is covered by strategies) or 'superior performance' (over 70 per cent of spend is covered by contracts). However, Scotland Excel found that most councils still needed to do more to ensure staff use contracted suppliers. Only one council (Glasgow City) was in the 'superior performance' category. Specific responses of a random sample of eight councils to *Procurement in councils* are summarised in [Exhibit 3](#).

Exhibit 3

Some councils' response to the *Procurement in councils* report

Councils have reacted positively.

- **East Ayrshire** – The council published a new corporate procurement strategy for 2014-2019. It referenced *Procurement in councils* and council officers assured the Cabinet that 'the Council's Procurement Strategy reflects the key messages... and that where appropriate, required actions have been incorporated into our Corporate Procurement Strategy Action Plan to respond to the key recommendations...'
- **East Dunbartonshire** – In June 2015, the council issued its Procurement Strategy for 2015-18. The strategy acknowledged the contribution made by *Procurement in councils*.¹⁷
- **East Renfrewshire** – The Audit and Scrutiny Committee considered a council report on *Procurement in councils*, profiling the council's stance on each recommendation.¹⁸
- **City of Edinburgh** – A report to the Finance and Resources Committee outlined the council's response to each recommendation in *Procurement in councils*. It noted, for example, that a programme of training and awareness sessions was being developed for delivery to elected members.¹⁹
- **Midlothian** – A report to the Audit Committee asked its members to consider the extent to which the council was working in accordance with the recommendations in *Procurement in councils*. It profiled the council against each recommendation and addressed work planned by the council to develop a local procurement policy to strengthen engagement with local businesses.²⁰
- **Moray** – The Audit and Performance Review Committee noted that '...the Corporate Management Team had tasked the procurement team to challenge services to consider community and environmental benefits which would align themselves with the council's social responsibility targets in the strategic plan.'²¹ The committee agreed further procurement training would be arranged for elected members.²²
- **Highland** – The Resources Committee welcomed *Procurement in councils* '...as a positive contribution to the national Procurement Improvement Programme'. The committee agreed its response to each recommendation in the report.²³
- **Renfrewshire** – The Audit, Petition and Scrutiny Board was briefed on *Procurement in councils*, and about the council's standing in relation to each of its recommendation.²⁴

Source: councils' online meeting papers and reports

¹⁷ Para 1.1, [Procurement Strategy 2015-2018](#), East Dunbartonshire Council, June 2015.

¹⁸ [Report to the Audit and Scrutiny Committee](#), East Renfrewshire Council, 12 June 2014.

¹⁹ Item 7: [Report to the Finance and Resources Committee](#), City of Edinburgh Council, 30 September 2014.

²⁰ Item 6: [Report to the Audit Committee](#), Midlothian Council, 16 June 2015.

²¹ Item 7: [Report to the Audit & Performance Review Committee](#), Moray Council, 14 May 2014.

²² Item 6: [Committee minutes, Audit & Performance Review Committee](#), Moray Council, 14 May 2014.

²³ Item 13, [Report to the Resources Committee](#), Highland Council, 24 February 2015.

²⁴ Item 7: [Report to the Audit, Petition and Scrutiny Board](#), Renfrewshire Council, 201

Contribution to national developments

29. The audit team for *Procurement in councils* was consulted during the development of the new Procurement and Commercial Improvement Programme (PCIP) tool for assessing councils' performance in future. The PCIP focuses on policies and procedures driving procurement performance, the results they deliver, and has been endorsed by the Scottish Government.²⁵ Scotland Excel anticipates rolling out the PCIP in local government during the first half of 2016.

Progress on implementing recommendations

30. Progress has been made across the recommendations in *Procurement in councils*, and is ongoing in some areas. Appendix 1 lists all the recommendations in the report and, where possible, profiles the progress that has been made.

Outlook

The method for assessing public bodies' procurement is about to change

31. The PCA tool is about to be replaced by the PCIP. Some key points are that:
- PCA was used to assess bodies annually whereas PCIP will occur every two years.
 - PCIP results will not be comparable to PCA results.
 - There will be three types of PCIP depending on an organisation's sector, size, complexity and uniqueness.²⁶

New procurement legislation will take effect

32. The regulatory framework for procurement is changing across the public sector. For example:
- The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a framework for integrating health and social care.²⁷ Scotland Excel plans to work with local government and the NHS to ensure procurement services respond to the needs of Joint Boards.²⁸
 - The Procurement Reform (Scotland) Act 2014 establishes a legislative framework for sustainable public procurement. It provides ministers with powers to make regulations and issue statutory guidance. The new duties are to take effect from April 2016.²⁹
 - The Community Empowerment (Scotland) Act 2015 aims to empower communities in making decisions about their local areas, including how services are provided, and takes effect from April 2016.³⁰

²⁵ [Procurement – Procurement and Commercial Improvement Programme](#), Scottish Government website as at 12 November 2015.

²⁶ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

²⁷ The Act, [Explanatory notes](#), The Public Bodies (Joint Working) (Scotland) Act 2014.

²⁸ Page 8, [Shared Vision, Shared Success: our corporate strategy 2015-18](#), Scotland Excel, June 2015.

²⁹ [The Procurement Reform \(Scotland\) Act 2014 \(Commencement No. 3 and Transitional Provisions\) Order](#), January 2016.

³⁰ [The Community Empowerment \(Scotland\) Act 2015 \(Commencement No. 3 and Savings\) Order 2015](#), November 2015.

Scotland Excel faces financial challenges

33. When Scotland Excel was established in 2008, the Scottish Government granted it £4.5 million to fund its set-up costs and procurement reform activities. At March 2013, £1.2 million remained.³¹ In the annual audit report on 2014/15, the external auditor reported that the ring-fenced funding for reform, £0.3m as at 31 March 2015, is likely to be fully utilised in 2016, with no plans in place to fund reform work from 2016 onwards.³² The auditor recommended that the organisation should prepare options as part of its budget-setting process for 2016/17. Scotland Excel developed funding proposals for its Joint Committee on 27 November 2015, which approved that the requisition for each council increase by 9.4 per cent for 2016/17 as a means of beginning to fund all of Scotland Excel's ongoing procurement activity sustainably.³³
34. In October 2015, Scotland Excel advised Audit Scotland that resolving the organisation's financial stability after 2016/17 will be challenging.³⁴ A significant portion of its income derives from the sale of training and support to councils, and Scotland Excel has indicated that the financial climate is impinging on councils' ability to pay for it. If Scotland Excel is compelled to scale back its support for councils, this could compromise the maintenance of the PCIP framework and periodic assessments of councils.

Councils continue to face staffing challenges

35. In 2014, the *Procurement in councils* report noted that 'councils and Scotland Excel believe shortages of skilled purchasing staff remain, and that there is a limited pool of experienced purchasing staff in the public sector from which to draw. As the economy improves, there is a risk that councils will lose qualified staff to other public sector organisations and the private sector, where salaries are higher.' Scotland Excel reiterated to Audit Scotland in October 2015 that these challenges remain and that some councils risk having an insufficient number of suitably qualified staff to properly plan and manage procurement.³⁵

There is scope for a procurement-related audit about three years from now

36. With the roll-out of the PCIP to councils happening 2016, it is likely to be 2018 before the second PCIP cycle occurs and like-for-like comparisons become possible. PCIP will shortly be rolled out in the NHS. So in a few years' time, it should also be possible to map the changing performance of NHS procurement between 2016 and 2018. There is also some potential to consider thematic aspects of procurement across the public sector.

Fraser McKinlay
Director of Performance Audit and Best Value
Audit Scotland

February 2016

³¹ Para 71, *Procurement in Scotland*, Accounts Commission, April 2014.

³² Scotland Excel: Annual audit report to Members and the Controller of Audit, 2015.

³³ Page 27, [Agenda document pack](#), Scotland Excel Joint Committee, 27 November 2015.

³⁴ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

³⁵ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

Appendix 1. Progress on implementing the recommendations

Recommendation		Progress
The Scottish Government should work with councils to:		
<ul style="list-style-type: none"> review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils. 	<ul style="list-style-type: none"> Scotland Excel (local government) Advanced Procurement for Universities and Colleges (APUC) NHS National Procurement, and Scottish Government representatives at deputy director level. <p>The Procurement Reform Delivery Group comprises the heads of centres of procurement expertise:</p> <p>The Procurement and Commercial Improvement Programme Dashboard replicates some information from BPIs. In 2015, the Group therefore decided to drop BPIs except for indicators 1a and 1b, which relate to procurement savings. This does not affect the gathering of contract spend data into the Scottish Government's procurement Hub, which continues.³⁶</p>	
Scotland Excel should:		
<ul style="list-style-type: none"> maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies set realistic timescales and savings targets for contracts, particularly in new areas of contracting 	<p>In its corporate strategy for 2015-18, Scotland Excel commits to "monitor the progress of the Review of Procurement in Construction, working with the Scottish Futures Trust (SFT) and partners to determine how our collaborative contracts can support the implementation of its recommendations."³⁷</p> <p>A year-end performance report about Scotland Excel was taken by its Executive Sub-Committee in May 2015, showing performance against the business plan. For 2014/15, the plan had 21 objectives:</p> <ul style="list-style-type: none"> Nine objectives were fully achieved including: <ul style="list-style-type: none"> achieve savings of between two per cent and seven per cent against the delivery programme reduce and maintain sickness absence at below four per cent. Seven objectives were partially achieved including: <ul style="list-style-type: none"> eight extensions and 11 renewals were made to contracts developing a new three-year corporate strategy, which has subsequently been approved. 	

³⁶ Email from Scotland Excel to councils, 1 October 2015.

³⁷ Page 26, [Shared Vision, Shared Success: our corporate strategy 2015-18](#), Scotland Excel, June 2015.

Recommendation	Progress
	<ul style="list-style-type: none"> Five objectives were not achieved, including: <ul style="list-style-type: none"> eight new contracts were delivered against a target of 16 the advertised annual value of contracts fell £102m below the target of £750m. <p>Scotland Excel's 2015/16 operating plan includes plans to deliver a rolling schedule of new contract opportunities, identified and agreed with local authority stakeholders.³⁸</p> <p>Scotland Excel's corporate strategy 2015-18 commits to ongoing partnership working, specifically mentioning areas like a Review of Procurement in Construction.³⁹ It claims that its 'growing portfolio of collaborative contracts delivers around £4 in savings for every £1 invested by councils, not to mention the efficiency gains of developing one national contract instead of 32'.⁴⁰</p>
<p>Scotland Excel and councils should:</p> <ul style="list-style-type: none"> review and formalise arrangements to fund procurement reform activity beyond 2016 	<p>This has been flagged as a challenging issue by both Scotland Excel and its appointed auditor. In December 2014, Scotland Excel established a transformation programme to underpin the delivery of its corporate strategy. The programme comprises six project areas: funding; leading change; stakeholder engagement; organisational development; business intelligence; and governance, policy and process.⁴¹</p> <p>Scotland Excel developed funding proposals for its Joint Committee on 27 November 2015, which approved that the requisition for each council increase by 9.4 per cent for 2016/17 as a means of beginning to fund all of Scotland Excel's ongoing procurement activity sustainably.⁴²</p>

³⁸ Pages 15-16, [Scotland Excel: Annual audit report 2014/15 to Members and the Controllor of Audit](#), August 2015.

³⁹ Page 26, Shared Vision, Shared Success: our corporate strategy 2015-18, Scotland Excel, June 2015.

⁴⁰ Total savings from the use of standardised contracts versus Scotland Excel's requisitions on councils, information supplied to Audit Scotland in January 2016.

⁴¹ Page 42, Shared Vision, Shared Success: our corporate strategy 2015-18, Scotland Excel, June 2015.

⁴² Page 27, [Agenda document pack](#), Scotland Excel Joint Committee, 27 November 2015.

Recommendation		Progress
Council staff involved in procurement should		
<ul style="list-style-type: none"> submit accurate and complete information to the procurement Hub on a regular and timely basis (ideally quarterly, and as a minimum within three months of the end of the financial year) 	Scotland Excel reports that councils are now much better at submitting their procurement data annually and on time. However, it also recognises the benefits to councils of quarterly reporting, which could provide a more timely national overview and useful benchmarking data for councils themselves. ⁴³	
<ul style="list-style-type: none"> examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions 	Not assessed.	
<ul style="list-style-type: none"> make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress 	<p>The Procurement Reform Delivery Group comprises the heads of centres of procurement expertise:</p> <ul style="list-style-type: none"> Scotland Excel (local government) Advanced Procurement for Universities and Colleges (APUC) NHS National Procurement Scottish Government representatives at deputy director level. <p>The PCIP reporting Dashboard replicates some information from the BPIs. In 2015, the Group therefore decided to drop the BPIs except for indicators 1a and 1b, which relate to procurement savings. This decision does not affect the gathering of contract spend data into the Scottish Government's procurement Hub, which continues. The first cycle of PCIP assessments will be conducted in councils in 2016.</p>	
<ul style="list-style-type: none"> engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts 	<p>The standardised contracts developed by Scotland Excel are devised following research with a range of stakeholders, including councils, service providers, and service clients. For example, a framework for care home services for adults with learning disabilities is now available as part of Scotland Excel's social care contracts portfolio. People with learning disabilities who had direct experience of living in care homes were involved in the development and evaluation of the framework, and their views were embedded in the service specification.⁴⁴</p>	

⁴³ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

⁴⁴ Page 3, [Scotland Excel News: Summer 2015](#), Scotland Excel, Summer 2015.

Recommendation	Progress
<ul style="list-style-type: none"> • use the Public Contracts Scotland tender module for all applicable contracts 	<p>The Procurement Reform (Scotland) Act 2014 requires all public sector contracting organisations to keep and maintain a contract register, and to provide an internet-based publicly viewable version of it from 18 April 2016. While the onus is on individual organisations to produce and publish contract registers, in order to provide support to the public sector, Public Contracts Scotland (PCS) will provide functionality on the portal to produce a contract register that meets the requirements of the Act.⁴⁵</p>
<ul style="list-style-type: none"> • make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee 	<p>Scotland Excel has developed contracts in areas including Construction and maintenance (16 contracts); Transport & environment (10); Social care (8); Education & corporate services (4). Councils are using many existing contracts. New contracts under development by Scotland Excel address: Surveying & construction management; Playground equipment & artificial surfaces; Home energy efficiency programme; Road services; Adult supported living; Architecture services.⁴⁶</p>
<ul style="list-style-type: none"> • develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis 	<p>Scotland Excel has included community benefits as a scored element in tenders since 2013.</p> <p>The Community Empowerment (Scotland) Act received Royal Assent in July 2015. The Act empowers communities in making decisions about their local areas, including how services are provided.⁴⁷</p>
<ul style="list-style-type: none"> • calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement 	<p>Scotland Excel calculates that its standardised contracts have generated £85 million of savings in comparison to councils' £22 million of fees for membership of Scotland Excel, and that £1.4 billion has been spent through councils' use of its contracts since 2008.⁴⁸</p>

⁴⁵ [Forward Plan 30th October 2015](#), Public Contracts Scotland, website as at 26 November 2015.

⁴⁶ Presentation by Scotland Excel to councils during consultation events in 2015.

⁴⁷ [Explanatory Notes](#), Community Empowerment (Scotland) Act, July 2015.

⁴⁸ Presentation by Scotland Excel to councils during consultation events in 2015.

Recommendation	Progress
<ul style="list-style-type: none"> • make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements • aim to achieve the superior performance level in the PCA, particularly in relation to: <ul style="list-style-type: none"> ◦ spend covered by an agreed commodity strategy ◦ participation in Scotland Excel contracts ◦ automation of procurement and payment processes ◦ spend captured in the council's contract register 	<p>Scotland Excel claims its contracts follow this approach.⁴⁹ Between 2013 and 2014, the number of councils in this category increased from one (Renfrewshire, 80 per cent) to four: Renfrewshire (83 per cent and the top performer in 2013 and 2014), City of Edinburgh (76), Glasgow City (76), South Lanarkshire (75).</p> <p>Standardised contracts designed by Scotland Excel now cater for fluctuations in commodity prices.</p> <p>Scotland Excel has advised Audit Scotland that, on average, councils use 42 out of 48 available contracts, ranging between 31 contracts used (East Ayrshire, Glasgow City) and all 48 (West Dunbartonshire).⁵⁰</p> <p>Please refer to the recommendation below on electronic procurement.</p> <p>Scotland Excel does not maintain a list of spend on councils' contract registers but, against this, a contract register is a key area of focus for the organisation.⁵¹</p>
Councils' corporate management teams should:	
<ul style="list-style-type: none"> • benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels 	<p>The gap between high- and low-performing councils has been closing. Scotland Excel indicates that councils have been recruiting procurement experts, but that the pool of suitable staff is limited.⁵²</p>
<ul style="list-style-type: none"> • examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts 	<p>Scotland Excel indicates that it continues to promote the potential benefits of councils' pooling qualified expertise. Scotland Excel has also advised Audit Scotland that there is considerable scope for further progress on this issue, especially given the limited pool of procurement professionals in Scotland.⁵³</p>

⁴⁹ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

⁵⁰ Email from Scotland Excel to Audit Scotland, 12 November 2015.

⁵¹ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

⁵² Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

⁵³ Audit Scotland meeting with the Head of Customer and Business Services, Scotland Excel, 29 October 2015.

Recommendation	Progress
<ul style="list-style-type: none"> phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase-to-pay' basis 	<p>The purchase-to-pay process encompasses all the steps that are followed from the time someone orders a product/service that they need, through the authorisation process, to sending the supplier the purchase order and ultimately to receiving the products/services and paying the suppliers invoice. Using systems to automate this process can help to deliver greater efficiencies.⁵⁴</p> <p>A number of improvement programmes have been led by the Scottish Government, eg:</p> <ul style="list-style-type: none"> Public Contracts Scotland (PCS) provides suppliers with free access to all essential information on public sector business opportunities. All public sector bodies in Scotland are expected to use PCS. PCS-Tender is the national eSourcing system provided free of charge by the Scottish Government. The system provides buying organisations with a set of web-based procurement tools. eInvoicing is an electronic service that facilitates information exchange between buyers and suppliers. It allows invoices and related documents to be issued, received and reconciled electronically through a secure channel. In April 2015, the Scottish Government announced that eInvoicing had been extended to all Scottish public sector bodies in Scotland.⁵⁵ <p>Scotland Excel has advised Audit Scotland that local government has been actively engaged in these initiatives, but that electronic procurement remains an area of weakness, and also of opportunity.⁵⁶</p>
<ul style="list-style-type: none"> raise staff awareness of accountability and controls by: <ul style="list-style-type: none"> implementing a written code of ethics requiring staff involved in procurement to complete a register of interest statement require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud 	<p>The timescale for this impact assessment precluded a survey of all 32 councils.</p>

⁵⁴ Scottish Government Procurement: [eCommerce](#), Scottish Government website as at 26 November 2015.

⁵⁵ [Public Contracts Scotland – Tender](#), Scottish Government website as at 10 November 2015.

⁵⁶ Email correspondence between Scotland Excel and Audit Scotland, 10 November 2015.

Recommendation	Progress
<p>Councils should:</p> <ul style="list-style-type: none"> require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis 	<p>Councils continue to seek savings from procurement, although reporting practices vary. For example:</p> <ul style="list-style-type: none"> Angus Council's Policy & Resources Committee took a report on '<i>...changes required to maximise Community Benefits from Angus Council's procurement activity in accordance with duties emerging from the Procurement Reform (Scotland) Act 2014 and aligned to the Tayside Sustainable Procurement Policy.</i>'⁵⁷ East Renfrewshire Council's Cabinet took a report on the benefits of the council joining a nationwide telecommunications infrastructure for use by public bodies.⁵⁷ The City of Edinburgh Council prepared an Equality and Rights Impact Assessment in relation to procurement savings on independent contracts for Older People's and Disability services.⁵⁸
<ul style="list-style-type: none"> encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively 	<p>A total of 3,585 council delegates have attended Scotland Excel training courses since January 2009.⁵⁹ Some delegates have comprised elected members. In response to <i>Procurement in councils</i>, some councils have said procurement training is already in place, and some others have committed to improving training and support for elected members, eg:</p> <ul style="list-style-type: none"> Angus – the council has committed to deliver procurement training and briefing session(s) to councillors.⁶⁰ Moray – procurement training has been offered to elected members and can be repeated if requested.⁶¹ Renfrewshire – procurement awareness training sessions are available to elected members.⁶² <p>However, the timescale for this impact assessment precluded a survey of all 32 councils.</p>

Final

⁵⁷ [Report by the Deputy Chief Executive to Cabinet](#), East Renfrewshire Council, March 2015.

⁵⁸ [Equality and Rights Impact Assessment](#), City of Edinburgh Council, February 2015.

⁵⁹ Presentation by Scotland Excel to councils in consultation events during 2015.

⁶⁰ Outcome 4, [Procurement Annual Report 2014/15 and Improvement Plan for 2014/17](#), Angus Council, September 2015.

⁶¹ Item 7: [Report to the Audit & Performance Review Committee](#), Moray Council, May 2014.

⁶² Item 7: [Report to the Audit, Petition and Scrutiny Board](#), Renfrewshire Council, September 2014.

Scotland Excel

To: Joint Committee

On: 17th June 2016

Report
by
Director Scotland Excel

Procurement Commercial Improvement Programme (PCIP) Update

1. Introduction

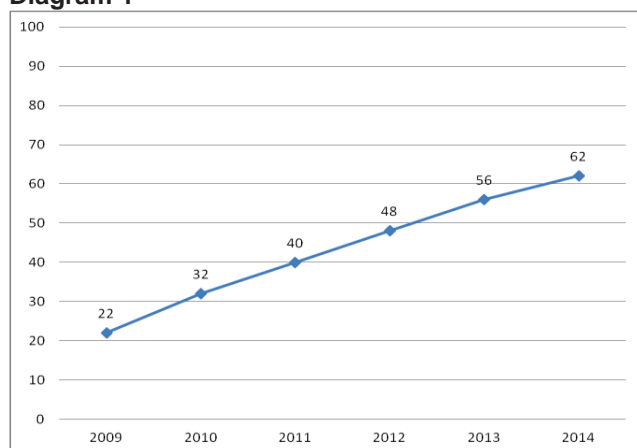
This report provides an update on the status of the procurement assessment programme within member councils and the work undertaken by Scotland Excel to support councils with the new Procurement Commercial Improvement Programme (PCIP) assessment methodology.

2. Background

As members will be aware, part of Scotland Excel's remit is to work with councils to support them in improving procurement capability and performance. Between 2009 and 2014 Scotland Excel carried out Procurement Capability Assessments (PCA) across the sector to measure performance. The PCA was a nationally developed maturity model designed to assess public sector procurement performance in Scotland in a common format. The results of the assessments provided a rich source of information to help individual, sectoral and national organisations develop plans to improve procurement performance.

By 2014 councils made significant improvements in its procurement performance since the PCA was first introduced in 2009. Diagram 1 provides a representation of the good progress made.

Diagram 1



After completion of the 2014 assessments, the sector average was 62% compared to an average of 22% in 2009.

Recognising the need to further improve procurement capability, a national working group involving Scotland Excel, other centers of expertise and Scottish Government developed a replacement for the PCA. The PCIP builds on the good work done to date with a continued focus on driving improvement and encouraging the sharing of good practices.

A number of changes have emerged from the new model of assessment:

- A new and reduced question set.
- Assessments will be undertaken every two years.
- A new assessment methodology including the provision of information in advance of the assessment day.
- Use of a lite, medium and full assessment.
- Introduction of a new level 4 representing High Performance within the Full assessment.

A significant change between the PCA and the PCIP is the scoring bands (shown in Table 1 and which are **not** comparable between the two assessment methods. This is an important differentiator and therefore comparison between the last PCA score in 2014 and the PCIP score in 2016 cannot be made.

Table 1

Full Assessment Performance Bandings	
Current Performance Band	% Score
F1	>70%
F2	66<=69%
F3	61<=65%
F4	56<=60%
F5	51<=55%
F6	46<=50%
F7	41<=45%
F8	36<=40%
F9	31<=35%
F10	26<=30%
F11	20<=25%
F12/Non-Conformance	<19%

<https://www.procurementjourney.scot/step-5-pcip-finalisation-bandings>

3. Supporting The Sector

Scotland Excel has undertaken a number of initiatives to support the sector in adopting the PCIP:

- Supported the development of the PCIP question set by leading a sector resourced working group.

- Provided 6 workshops throughout Scotland to help members prepare for the assessment.
- Undertook mock assessments with seven councils inviting other councils to attend as observers. Lessons learned from these sessions were shared with the sector.
- Trained a number of Scotland Excel assessors to provide additional support to members.
- Agreed a delay to the assessment period to allow further preparation to be undertaken and new assessors trained.

4. Assessment comparability

Extensive discussion has taken place throughout the development of the PCIP with regard to comparability with other sectors. Scotland Excel has taken a strong stance in the need for assessments that are undertaken and scored in a comparable way. In order to facilitate this, Scotland Excel has adjusted the way in which it undertakes assessments.

It is anticipated that these changes will support the move to improved comparability between sectors.

5. Assessment Plan

Assessment will take place between May 2016 and October 2016. At the point of publication of this report, the first PCIP had been completed and initial feedback from the procurement manager was very positive with “the assessment being conducted in a robust and positive way”.

A number of councils have selected not to participate in the PCIP in 2016. The primary reason given for this was resourcing the preparation for the assessment.

6. Recommendation

Members are invited to note the progress in introducing the new assessment regime and a full update on the results will be provided at the December Joint Committee.

Scotland Excel

To: Joint Committee

On: 17 June 2016

**Report
by
The Clerk, Scotland Excel
Membership of the Executive Sub-Committee**

1. Summary

- 1.1 The membership of the Scotland Excel Executive Sub-Committee is renewed annually.
- 1.2 The purpose of this report is to seek the Joint Committee's approval to the continued appointment of the existing membership of the Sub-Committee for a further period to the next Local Government Elections on 4th May 2017.

2. Recommendations

- 2.1 It is recommended that the Joint Committee agrees that:-
 - (a) Members of the Executive Sub – Committee shall continue to come from those member Councils listed in paragraph 3.3 of this report;
 - (b) The existing members appointed to the Executive Sub-Committee shall continue in post until the next Local Government Election on 4 May 2017.

3. Background

- 3.1 The Scotland Excel Terms and Conditions document signed by all member councils provides that there shall be an Executive Sub-Committee with the role and functions of the Sub-Committee to be determined by the Joint Committee.
- 3.2 In June 2014, the Joint Committee agreed to increase the number of members of the Sub-Committee from 10 to 12 and the Procedural Standing orders for the Joint Committee were amended to reflect that change. However, the new arrangements remained subject to the requirement that where possible the membership of the executive Sub-Committee shall reflect the geographic diversity of the Constituent Authorities.

3.3 It was agreed at that meeting that the membership of the Executive Sub-Committee should comprise elected members from the following Councils:-

1. Renfrewshire
2. Angus
3. Aberdeenshire
4. Comhairle nan Eilean Sar
5. Fife
6. Glasgow City
7. Highland
8. North Ayrshire
9. City of Edinburgh
10. South Lanarkshire
11. Shetlands Islands
12. Dumfries & Galloway

3.4 The Joint Committee in June 2015 agreed to continue with the same membership and it is proposed to further continue those arrangements until the next local government elections which are due on 4 May 2017.

3.5 The main function of the Executive Sub-Committee is to consider and decide upon the award of contracts. The proposal to continue with the existing membership will ensure that the knowledge and experience built up over the lifetime of the current arrangements is not lost or diluted. The membership of the Executive Sub-Committee will be reviewed at the Joint Committee in June 2017 following the appointment of newly elected members to the Joint Committee.

Scotland Excel

To: Joint Committee

On: 17 June 2016

Report by The Clerk to Scotland Excel

Review of Scotland Excel Governance

1. Summary

- 1.1 The purpose of this report is to seek approval from the Joint Committee for the revised Scheme of Delegations; [Financial Regulations]; and Chief Executive Officers Management Group Procedures set out in the Appendix to this report.

2. Recommendations

- 2.1 The Joint Committee is recommended to:
- a) Approve the revised Scheme of Delegations and Chief Executive Officers Management Group Procedures set out in the Appendix to this report.
 - b) Delegate authority to the Executive Sub Committee to appoint members to the Chief Executive Officers Management Group based on nominations from Society of Local Authority Chief Executives and Senior Managers (Solace).
 - c) Note that membership of the Chief Executive Officers Management Group shall next be reviewed by the Joint Committee at its meeting in November/December 2017.

3. Background

- 3.1 The Management Team has carried out a review of Scotland Excel's governance arrangements to ensure these continue to meet the needs of the organisation.
- 3.2 The conclusion from the review is that the governance arrangements are, generally, still fit for purpose. However, it is proposed that the Chief Executive Officers Management Group should have a greater role in ensuring delivery of Scotland Excel's overall business plan objectives and in providing strategic direction for Scotland Excel.

3.3 During the review, the Director has had positive discussions with Council Chief Executives, through Solace, and they are supportive of these proposals in principle.

4. **Revisals to the Governance Arrangements**

4.1 The revised Scheme of Delegations and Chief Executive Officers Management Group Procedures are set out in the Appendix to this report.

4.2 The key changes are as follows:-

- a) Revised delegations to the Chief Executive Officers Management Group which reflect its increased role are contained in section 5 of the Scheme of Delegations.
- b) The delegations contained in section 6 of the Scheme of Delegations have been revised to include authorisation to the Director, in conjunction with the Joint Committee and the Chief Executive Officers Management Group, to determine the business plan and strategic objectives for Scotland Excel.
- c) Some minor changes have also been made in section 6 of the Scheme of Delegations relating to the circumstances where the Director must consult with others before taking action or making decisions.
- d) Changes have been made to the Chief Executive Officers Management Group Procedures to reflect the revised role of the group and to provide that annual nominations for its membership shall be sought from Solace Scotland.

SCOTLAND EXCEL SCHEME OF DELEGATIONS

SCOTLAND EXCEL - SCHEME OF DELEGATIONS

1. General Principles

- 1.1 The exercise of delegations as described in this Scheme is subject always to the following:-
- a) the policies of Scotland Excel as embodied in any formal document which has been approved and issued and in particular, Standing Orders and any other Guidance issued in connection with the exercise of a particular function
 - b) appropriate provisions for financial outlays having been made in the estimates for the current financial year
 - c) the joint committee may choose to exercise any of the functions delegated in this Scheme where the joint committee believes it to be in the interests of Scotland Excel to do so
- 1.2 Where a word or expression is used in the Scheme that is a defined term in the Scotland Excel terms and conditions signed by each Member Authority, ("the terms and conditions") that word or expression will be given to it the same meaning as in those terms and conditions.
- 1.3 Words imparting the masculine gender only shall include the feminine gender and vice versa.

2.0 Matters Reserved to the Joint Committee

- 2.1 The following matters shall be reserved for the decision of the joint committee:-
- a) the making of governance arrangements for the joint committee, the executive sub-committee and any other sub-committee;
 - b) the approval of the annual budget and any review or amendment of the budget;
 - c) approval of the overall procurement strategy;
 - d) the approval of the annual business plan; and
 - e) the consideration of the annual report on the performance of Scotland Excel.

3. Convener and Vice Convener of the Joint Committee

- 3.1 The Convener, whom failing the Vice-Convener, shall be authorised in furtherance of the duties of his office to undertake visits within the United Kingdom.
- 3.2 The Convener, whom failing the Vice-Convener, shall be authorised to incur expenditure to meet the expenses of his office on the provision of reasonable hospitality, to representatives of Member Authorities or other organisations.

4. Executive Sub-Committee

- 4.1 Meetings of the Executive sub-committee shall be convened and conducted in accordance with procedural standing orders approved by the joint committee.
- 4.2 The Executive sub-committee shall consider such matters as are delegated to it by the joint committee.
- 4.3 The matters initially delegated to the Executive sub-committee are as follows:-
 - a) to approve or endorse as appropriate executive actions recommended by the Director
 - b) to deal with urgent matters relating to staffing or to the structure of Scotland Excel
 - c) the selection process for appointments to the posts of Director or Heads of Service
 - d) to approve the award and extension of contracts or groups of contract in terms of the Standing Orders Relating to Contracts.to consider and determine:-
 - (i) urgent matters relating to contract continuity which cannot be dealt with by the Joint Committee;
 - (ii) approval or homologation of matters where urgency precludes full Joint Committee consideration; and
 - (iii) any other matter referred to the Executive Sub Committee by the Joint Committee.
- 4.4 The Executive sub-committee may delegate to the Director or such other suitably qualified person, the power to make decisions regarding the award and extension of any contract or group of contracts or contracts of an estimated value below a financial threshold fixed by them.
- 4.5 The joint committee may at its discretion add or remove matters from the list of delegations to the Executive Sub Committee.

5. The Management Group

- 5.1 The Management Group shall comprise such number of Chief Executives of Member Authorities as set out in the terms and conditions.
- 5.2 The Chair of the Management Group shall be the person appointed by the Joint Committee or his/her nominee.
- 5.3 The Management Group shall ensure delivery of Scotland Excel's overall business plan objectives and shall provide strategic direction for Scotland Excel, particularly on the following matters:-
- a) Portfolio priorities including new areas to be developed and areas to be amended or discontinued.
 - b) Social Policy including in the use of community benefits clauses, the living wage, and blacklisting.
 - c) Supporting local economic growth.
 - d) Opportunities for Scotland Excel to provide additional shared services to support member councils, in line with the drive for efficiency across the public sector.
 - e) National priorities, for example those arising from existing or new legislation and procurement reform.
 - f) Opportunities for increasing innovation in supply chains to improve efficiency and service delivery.
 - g) Opportunities for Scotland Excel to support councils in delivering their City Deal objectives.
 - h) Opportunities for additional funding sources, for example through the extension of the Associate Membership base.
 - i) Review of funding and governance models to ensure that these remain fit for purpose and competitive.
- 5.4 The Management Group shall monitor the use made by Member Authorities and Associate Members of contracts awarded on behalf of Scotland Excel.
- 5.5 The Management Group may request employees of Member Authorities or other persons to attend meetings of the Management Group to act as advisors to the Group or to prepare reports for consideration by the Management Group.
- 5.6 The Management Group shall have responsibility for the overall supervision and monitoring of the performance of the Director and the Scotland Excel staff.

6 The Director

- 6.1 The delegations to the Director shall also be delegations to the Heads of Service but only in those circumstances where the Director is not available to

exercise any of these delegations.

6.2 The Director is authorised:-

- a) In conjunction with the Joint Committee and the Management Group, to determine the business plan and strategic objectives for Scotland Excel.
- b) Subject to the Financial Regulations and subject to there being appropriate provision in the budget, to deploy resources as the Director thinks fit for the best execution of functions under the Director's management.
- c) To organise working processes safely.
- d) To maintain proper security for staff, buildings, stock, stores, furniture, equipment and similar items under the Director's control. Where special arrangements are considered necessary the Director shall consult with the Treasurer.
- e) To ensure that all activities undertaken are within the legal powers of Scotland Excel and in the event of doubt to consult with the Clerk.
- f) Where thought to be in the interests of Scotland Excel to approve the provision of reasonable hospitality up to a maximum of £1,000 in relation to any one occasion. The Director shall maintain a register of hospitality approved under this delegation and shall provide a report to the Executive Sub-Committee on request detailing the entries in the register.
- g) To sign all documents on behalf of Scotland Excel relevant to the functions for which the Director is responsible and to authorise other officers to do so, excluding always any specific provisions made for documents in terms of primary or subordinate legislation, statutory direction, the policies of Scotland Excel or in this or other administrative schemes.
- h) To terminate on behalf of Scotland Excel any contract which Scotland Excel is entitled to terminate under the appropriate conditions of contract after consultation with the Clerk, if satisfied that it is in the interests of Scotland Excel and of any Member Authority or other body on whose behalf the contract was entered into.
- i) To act in an emergency situation with the approval of the Clerk and where possible after consulting the Convener, or in his absence the Vice-Convener of the joint committee and the Chair of the Management Group, and thereafter report on the action taken to the first available meeting of the joint committee.
- j) In consultation with the Clerk, to make decisions regarding complaints made under Scotland Excel's complaints procedure.
- k) To issue publicity, including pamphlets or other forms of publicity relating to the promotion of Scotland Excel's interests and to issue press releases

on behalf of Scotland Excel. Before doing so, if the Director considers it to be necessary, the Director may consult with the Chair or Vice Chair of the Management Group.

- l) To deal with any operational matter not otherwise delegated in the period between the last meeting of the joint committee and prior to the setting up of a new joint committee following statutory elections.
- m) To submit responses to consultation documents which concern operational issues.
- n) To authorise the acceptance of gifts on behalf of Scotland Excel and acknowledge the acceptance of these gifts.
- o) To sign and issue (i) authorisation to Scotland Excel staff to exercise statutory powers; and (ii) identity cards.
- p) To take all necessary action of a routine nature in terms of the Director's appointment, to implement any policies, practices and procedures previously agreed by the Joint Committee, the Executive Sub-Committee any other sub-committee and the Management Group and also to take such action implicitly in all matters ancillary thereto, including the incurring of expenditure of a minor or recurring nature and for which adequate provisions have been made in the budget.
- q) To approve the attendance of officers at conferences within the United Kingdom, where considered to be in the interests of Scotland Excel provided that the cost does not exceed £1500 exclusive of VAT, subsistence travelling, or other ancillary expenses.
- r) To authorise the attendance of officers on full or part time courses of study or training and the payment of appropriate fees.
- s) To appoint all staff below the level of Head of Service within the authorised establishment except where the joint committee determines otherwise.
- t) To exercise the powers given to Chief Officers in the various conditions of service so far as discipline and efficiency are concerned.
- u) To apply the lead authority's Conditions of Service as affecting members of staff.
- v) To authorise the working of overtime by appropriate grades of officers and the payment of overtime or compensatory leave or honoraria in accordance with the criteria laid down by the lead authority.
- w) To permit any member of staff to absent themselves occasionally and temporarily during business hours to attend to duties or services of a civic honorary, charitable, academic or social nature provided that these do not interfere with the efficient discharge of the functions of Scotland Excel and to grant special leave in accordance with the lead authority's special leave

policy. The Director shall maintain a register of occasional and temporary absences and special leave approved under this delegation and shall provide a report to the Executive Sub-Committee on an annual basis detailing the entries in the register.

- x) To appoint temporary staff on appropriate grades additional to the formal establishment to address additional workload peaks, such appointments to be for periods not exceeding 13 weeks or such longer period as may be approved by the Management Group and subject to funding being met from existing budgets. If the Director considers it to be necessary, the Director may take advice on these appointments from the lead authority's Human Resources and Organisational Development Team.
- y) To allow reasonable unpaid leave of absence to any employee to attend to public duties as defined in section 50(1) of the Employment Rights Act 1996 on such conditions as the Director considers appropriate where this will not interfere with the efficient discharge of the functions of the Scotland Excel and in accordance with lead authority's special leave policy.
- z) Subject to the exigencies of the service to approved the secondment of staff between Scotland Excel and other Member Authorities or other organisations such appointments to be for periods not exceeding six months. If the Director considers it to be necessary, the Director may take advice on these appointments from the lead authority's Human Resources and Organisational Development Team.
- aa) To approve salary placings within the agreed salary scales in consultation with the lead authority's Human Resources and Organisational Development Team.
- bb) To determine the public holidays to be taken by Scotland Excel staff.
- cc) To authorise the payment of accounts due by Scotland Excel for goods and services properly supplied and for which there is adequate provision in the estimates.
- dd) To make recompense in respect of damage to, or loss of employees personal property in respect of any one incident up to an amount not exceeding £500 and up to £1000 with the agreement of the Treasurer.
- ee) To advise the Treasurer about any extraordinary financial obligation which will affect Scotland Excel.
- ff) To advise the Treasurer about any extraordinary risk which will affect the insurance held on behalf of Scotland Excel.
- gg) Following consultation with the Treasurer to decide in terms of the lead authority's procedures whether to refer any particular case to the Police.

7. The Clerk

The Clerk is empowered:-

- a) To act as adviser to the joint committee and the Management Group on procedural and administrative matters and in this capacity to ensure the provision of adequate administrative, legal and personnel support to the joint committee, the Executive Sub-Committee and the Management Group.
- b) To act as proper officer to exclude reports containing exempt information from the public, and to provide documents to the press, in accordance with the provisions of section 50(B) of the Local Government (Scotland) Act 1973.
- c) To liaise and deal with any enquiries made by the Scottish Public Services Ombudsman. Should any investigation be carried out by the Scottish Public Services Ombudsman resulting from a complaint received, the necessary arrangements will be undertaken by the Clerk, within timescales specified within the guidance to local authorities in dealing with formal investigation involving the Scottish Public Services Ombudsman.
- d) Following consultation with the Director and the Treasurer, to authorise ex-gratia payments up to a maximum of £1,000 relative to recommendations of the Scottish Public Services Ombudsman.
- e) To exercise delegations in terms of the Standing Orders relating to Contracts.
- f) To exercise delegations in terms of the Financial Regulations.
- g) To maintain a register for inspection by the Surveillance Commissioner of authorisations for covert surveillance approved by the Director under sections 6 and 7 of the Regulation of Investigatory Powers (Scotland) Act 2000 and the appointment officer to act as investigation managers for the purposes of the Act.

8 The Treasurer

The Treasurer is empowered:

- a) To co-ordinate the financial planning of Scotland Excel in terms of the Financial Regulations.
- b) To issue guidance for the control of all expenditure in terms of the Financial Regulations.
- c) To determine procedures for accounting and financial record keeping by Scotland Excel.

- d) In respect of insurance:
 - i) to make arrangements with insurance companies concerning the settlement of claims
 - (ii) In consultation with the Clerk, the Convener of the Joint Committee and the Director to settle without reference to the Joint Committee claims against Scotland Excel not otherwise covered by Scotland Excel's insurance arrangements up to a maximum of £50,000 per claim and with the approval of the Chair, whom failing the Vice-Chair, of the Management Group up to maximum of £100,000 per claim.
- e) To make the necessary arrangements concerning the collection of debts owed to Scotland Excel and the terms and commissions payable for services rendered by other authorities and agents with regard to the collect of debt.
- f) To determine in consultation with the Director, the beneficiary of any payments to be made in terms of the lead authority's Group Life Assurance Scheme.
- g) To exercise delegations in terms of the Standing Orders relating to Contracts.
- h) To exercise delegations in terms of the Financial Regulations.

SCOTLAND EXCEL

**CHIEF EXECUTIVE OFFICERS
MANAGEMENT GROUP
PROCEDURES**

SCOTLAND EXCEL CHIEF EXECUTIVE OFFICERS MANAGEMENT GROUP PROCEDURES

1.0 Introduction

- 1.1 The Chief Executive Officers Management Group (“the Group”) comprises six Chief Executives from the Member Authorities of Scotland Excel. The Chief Executive of Renfrewshire Council is a standing member of the Group due to Renfrewshire Council being the lead authority for Scotland Excel. The other five members of the Group are appointed annually by the Scotland Excel Joint Committee although membership can be renewed. The matters to be dealt with by the Group are set out in the Terms and Conditions signed by each Member Authority and Scotland Excel’s Scheme of Delegations and Procedural Standing Orders.
- 1.2 The main responsibility of the Group is to provide strategic direction for Scotland Excel.
- 1.3 In terms of section 56 of the Local Government (Scotland) Act 1973, delegations can only be exercised by an officer and not a group of officers. Therefore any decision will be taken in the name of the Chair or the Chair’s Nominee.

2.0 Definitions

- 2.1 “the Chair” means the Chair of the Group appointed by the Joint Committee or his Nominee.

“the Clerk” means the Director of Corporate Services of Renfrewshire Council or his nominee.

“Constituent Authority” means any of the Member Authorities of Scotland Excel.

“the Executive Sub-Committee means the Sub-Committee created in terms of Clause 3.4 of the Terms and Conditions signed by each Member Authority.

“Joint Committee” means the Scotland Excel Joint Committee formed under section 57 of the Local Government (Scotland) Act 1973 for the

purpose of regulating the joint discharge of the functions by the Constituent Authorities.

“Member” means any of the Chief Executives of Constituent Authorities appointed to be members of the Group.

“Nominee” means a person of at least Director level nominated by a Member to act in place of that Member to the extent permitted in these Procedures. A Nominee need not be from the same Constituent Authority as the nominating Member. Where reasonably practicable, a Nominee shall be a Chief Executive or a Director of Finance (or equivalent).

“SOLACE Scotland” means the Scottish Branch of the Society of Local Authority Chief Executives and Senior Managers (UK)

- 2.2 The Interpretation Act 1978 applies to these Procedures in the same way as it applies to an Act Parliament.

3.0 Start

- 3.1 These procedures apply from the date they are approved by the Joint Committee. The Joint Committee may make changes to these procedures from time to time.

4.0 Meetings

- 4.1 The first meeting of the Group shall take place as soon as reasonably practicable after these procedures are approved by the Joint Committee on a date and at a venue determined by the Clerk.
- 4.2 The Group shall meet not less than 4 times in each calendar year. Other than the first meeting arranged in terms of paragraph 4.1 the dates, times and venues for meetings of the Group shall be decided by the Group. Meetings organised in terms of Paragraphs 4.1 and 4.2 shall be Ordinary Meetings of the Group.
- 4.3 In addition, the Clerk shall convene a meeting of the Group if requested in writing to do so by at least 3 Members (not including Nominees) of the Group. Any request to the Clerk to convene a meeting in terms of this paragraph must specify the business to be dealt with at that meeting. Meetings organised in terms of this paragraph 4.3 shall be Special Meetings of the Group.
- 4.4 Where the Clerk receives a request that complies with the requirements of paragraph 4.3 above, the Clerk shall convene a meeting of the Group within 14 days from the date when the Clerk receives the written request. The Clerk shall determine the time, date and venue for a Special Meeting following consultation with the Chair, if available.
- 4.5 The Chair, in consultation with the Clerk, may require that arrangements are made (for example by using video conferencing facilities) that would enable Members to either attend the meeting or to participate in the

meeting despite not being present with other Members in the place specified for the meeting.

5.0 Notice of Meetings

- 5.1 Subject to paragraph 5.2 below, at least 7 clear days notice of any meeting shall be given by the Clerk to each Member.
- 5.2 Subject to the agreement of the Chair or his Nominee, meetings may be convened at shorter notice if any Member considers it necessary to do so.
- 5.3 A notice of meeting shall contain:-
 - a) a note of the time, date and venue for the meeting
 - b) a list of the business to be transacted at the meeting
- 5.4 The Chair may permit an item of business to be transacted at any meeting notwithstanding that the item of business was not mentioned in the notice calling the meeting.
- 5.5 Failure of a Member to receive a notice of a meeting shall not invalidate that meeting or any business conducted at the meeting.
- 5.6 Notices of meetings may be issued by facsimile or electronic mail instead of by post.

6.0 Quorum

- 6.1 The quorum for any business conducted by the Group shall be 3 Members or their Nominees including the Chair or the Chair's Nominee.
- 6.2 If 10 minutes after the time stated in the notice calling the meeting a quorum is not present the meeting shall stand adjourned until such time and date as may be determined by the Clerk in consultation with the Chair, or where the Chair is not present, in consultation with the other Members present. The Clerk shall minute the reason for the adjournment of the meeting.
- 6.3 If less than a quorum is present at the consideration of an item, that item cannot be dealt with at the meeting.
- 6.4 The Chair may prior to the commencement of a meeting request any Nominee intending to participate in the meeting to provide evidence that they have been nominated by a Member.

7.0 Minutes of Meetings

- 7.1 The Clerk shall minute all meetings of the Group.
- 7.2 The Minutes shall record the names of the Members or their Nominees who attended the meeting. The Minutes shall also record the Members or their Nominees who intimate their apologies for non-attendance at a meeting to the Clerk before the meeting.
- 7.3 The Minutes shall be printed and circulated by the Clerk to all Members 7 clear days before the next meeting of the Group.
- 7.4 The Minutes shall be presented to the next meeting of the Group and corrected if necessary.

8.0 Procedures at Meetings

- 8.1 The Chair or his Nominee shall chair the meeting.
- 8.2 In the event of the Chair or his Nominee not being present the meeting shall stand adjourned.
- 8.3 Deference shall at all times be paid to the authority of the Chair.
- 8.4 The Chair shall decide all matters of order, competency and relevancy and the Chair's ruling shall be final and shall not be open for discussion.
- 8.5 At the discretion of the Chair, Members or their Nominees may attend meetings by using a telephone or video conferencing system. Members or Nominees so attending shall be deemed to be present.
- 8.6 Decisions will be taken by the Group by reaching consensus among those Members or Nominees present. Decisions taken in this way will be regarded as being decisions of the Chair.
- 8.7 Where a consensus cannot be reached on any item, the Chair will decide either to continue the matter for further consideration or may decide to refer the matter to the Executive Sub-Committee for determination. The decisions of the Chair regarding whether to continue or determine the item and then on the determination of an item shall be final.

9.0 Written Decisions

- 9.1 Any decision capable of being made by the Group at a meeting may instead be approved by all Members or Nominees in writing.
- 9.2 A Notice of a proposed written decision shall be issued by the Clerk in writing (including by facsimile or electronic mail) and shall be sent to all Members at the address given to the Clerk for this purpose.
- 9.3 Written decisions may only be dealt with on a Member's behalf by a Nominee if a Member has advised the Clerk prior to the issuing of the Notice that the matter is to be dealt with by the Member's Nominee.
- 9.4 The Notice of the written decision shall stipulate the date by which the signed decision must be returned to the Clerk. The period of time allowed for return of the written decision shall be determined by the Clerk in consultation with the Chair and shall be reasonable in the context of the urgency of the decision. If no response has been received from a Member within the stipulated period of time the Clerk may but shall not be obliged to make enquiries as to the reasons why there has been no response.

10.0 Advice and Information

- 10.1 At any meeting of the Group, the Chair may permit any person who is not a Member or Nominee to attend the meeting and to address the Group for the purposes of informing or advising the Members on any matter before them.

11.0 Conflict of Interest

- 11.1 A Member or Nominee may not participate in any discussion or be involved in any decision either at a meeting of the Group or by way of written resolution in which that Member or Nominee has or appears to have a conflict of interest.
- 11.2 It is the responsibility of each individual Member or Nominee to bring any possible conflict of interest for the attention of the Chair and the Chair shall consult with the Clerk on how to deal with the matter.
- 11.3 The Chair may permit a Member or Nominee to participate in a discussion or be involved in a decision where the Chair believes it to be correct to do so having taken into account the remoteness of the possibility that there is an actual conflict of interest.
- 11.4 Any Member or Nominee prevented from participating in a decision of the Group or who has withdrawn from the meeting due to a conflict of interest may not be counted in the quorum present at the part of the meeting where that matter was being considered.

- 11.5 Where a Member or Nominee is prevented from participating in a written resolution procedure because of a conflict of interest that Member or Nominee will be disregarded for the purposes of establishing that all Members or Nominees have signed the resolution.

12.0 Annual Approval of Membership

- 12.1 Membership of the Group shall be appointed annually by the Joint Committee although membership can be renewed.
- 12.2 To assist the Joint Committee to make appointments, the Group shall seek annual nominations for membership from SOLACE Scotland and shall prepare a report on these nominations for consideration by the Joint Committee.

Scotland Excel

To: Joint Committee

On: 17 June 2016

**Report
by
The Clerk to Scotland Excel**

The Review of Standing Orders Relating to Contracts

1. Summary

- 1.1 The purpose of this report is to inform the Joint Committee of the need to review the Standing Orders Relating to Contracts in light of recent legislation and guidance including the Public Contracts (Scotland) Regulations 2015; the Procurement (Scotland) Regulations 2016; the Concession Contracts (Scotland) Regulations 2016; and statutory guidance made under and in terms of the Procurement Reform (Scotland) Act 2014.
- 1.2 As the review will take some time to complete, this report recommends that authority be delegated to the Executive Sub Committee to approve the changes required to the Standing Orders Relating to Contracts.

2. Recommendations

- 2.1 The Joint Committee is recommended to:
- a) Note the need to review the Standing Orders Relating to Contracts in light of recent legislation and guidance including the Public Contracts (Scotland) Regulations 2015; the Procurement (Scotland) Regulations 2016; the Concession Contracts (Scotland) Regulations 2016; and statutory guidance made under and in terms of the Procurement Reform (Scotland) Act 2014; and
 - b) Delegate authority to the Executive Sub Committee to approve the changes required to the Standing Orders Relating to Contracts as a result of this review.
 - c) Agree that the delegation under 2.1 b) above shall be temporary and only for the purposes of this review
 - d) Agree that a report by the Clerk on the approved changes shall be brought to the next meeting of the Joint Committee for noting.

3. **Background**

- 3.1 Scotland Excel is required to have Standing Orders Relating to Contracts in terms of section 81 of the Local Government (Scotland) Act 1973.
- 3.2 The Standing Orders were last reviewed in 2013 with the current version being approved by the Joint Committee at its meeting on 21 June 2013.
- 3.3 The Standing Orders require to be reviewed in light of recent legislation and guidance.
- 3.3 The Public Contracts (Scotland) Regulations 2015, which implement the new EU public procurement directive (EU Directive 2014/24/EU), came into force on 18 April 2016. Some of the key changes introduced by these Regulations are:-
- Reduced minimum time limits for procurement exercises, meaning that contracts can be put in place more quickly;
 - The new Innovation Partnership procedure for the development and purchase of new and innovative goods, services or works;
 - Greater clarity on the scope to use pre-market consultation to inform the approach to a procurement exercise;
 - New “light touch” rules for contracts for care and support, and some other services, where the value of these contracts exceeds 750,000 Euro;
 - Additional grounds for exclusion of tenderers, including businesses who have admitted, or who have been found to have committed, an act prohibited under the Employment Relations Act 1999 (Blacklists) Regulations 2010.
- 3.4 The Procurement (Scotland) Regulations 2016 also came into force on 18 April 2016. These introduce rules for the award of lower value contracts (regulated by the Procurement Reform (Scotland) Act 2014) that are comparable with the equivalent rules for higher value contracts (regulated by the Public Contracts (Scotland) Regulations 2015). The 2016 regulations include provisions on:
- how the estimated value of a contract is to be determined;
 - what is a health or social care service for the purposes of the Act;
 - the circumstances in which a contract may be awarded under the Act without competition;

- publication of contract opportunity notices, prior information notices and contract award notices on the Public Contracts Scotland website;
- exclusion of tenderers; and
- the rules for drafting technical specifications for contract documents.

3.5 The Concession Contracts (Scotland) Regulations 2016 implement the EU directive on concession contracts (EU Directive 2014/23/EU) and these regulations apply to services and works concession contracts valued at 5.186 million Euros and more.

3.6 The Scottish Ministers have published statutory guidance under the Procurement Reform (Scotland) Act 2014 on:

- the selection of tenderers and award of contracts;
- the sustainable procurement duty;
- the carrying out of regulated procurements relating to contracts for health and social care services;
- the preparation and publication of procurement strategies and annual procurement reports; and
- the use of community benefit requirements.

Scotland Excel

To: Joint Committee

On: 17 June 2016

**Report
by
Director Scotland Excel**

Organisation Information Report

1. Introduction

As part of the governance process members of the Joint Committee are advised on an annual basis of staff absence rates, special leave given to staff and hospitality granted by the organisation. The information for the 2015 / 16 financial year is detailed below.

2. Scotland Excel Staff Absence

The Joint Committee has previously agreed that Scotland Excel should work to an absence rate of below 4%. This target aligns Scotland Excel with partner organisations, supports good practice in this area and demonstrates the ongoing commitment to absence management as a key efficiency target.

During the current year the average sickness absence rate for staff has been 1.7%, a total of 238 days across all staff. The organisation will continue to monitor this and ensure that, where required, staff are given appropriate support to maintain their attendance.

3. Special Leave

Under item 6.2(w) of the Scheme of Delegation, the Director has the authority to permit any member of staff to absent themselves occasionally and temporarily during business hours to attend to duties or services of a civic honour, charitable, academic or social nature provided that these do not interfere with the efficient discharge of the functions of Scotland Excel and to grant special leave, in accordance with the lead authority's special leave policy.

Scotland Excel follows the HR policies and procedures of the lead authority, Renfrewshire Council. When approving requests for special leave, consideration is always given to the operational requirements of Scotland Excel together with requests that may have been previously granted and outstanding annual leave. Categories of special leave include some medical appointments, illness of family dependants, bereavements, civic duties and exam / study leave. A total of 96 days are recorded, 84 days paid leave and 12 days unpaid leave, against the undernoted categories.

Reason	Paid or Unpaid	Days
Support family dependants	Paid	7.5
Support family dependants	Unpaid	10
Bereavement	Paid	10
Exam / Study leave	Paid	46.5
Union Duties	Paid	5.5
Jury Duty	Unpaid	2
Charity work	Paid	9
Hospital	Paid	3.5
Election Duties	Paid	2

4. Hospitality

Under Item 6.2(e) of the Scheme of Delegation, the Director has the authority to approve the provision of reasonable hospitality to a maximum of £1,000 in relation to one occasion where this is thought to be in the interests of Scotland Excel.

In the last financial year this provision was not used.

5. Recommendation

The Joint Committee is requested to note the contents of report.