

## Notice of Meeting and Agenda Scotland Excel Executive Sub-committee

Date	Time	Venue
Friday, 28 September 2018	10:45	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

KENNETH GRAHAM  
Clerk

### Membership

Provost Bill Howatson (Aberdeenshire Council); Councillor Angus Macmillan Douglas (Angus Council); Councillor Graham Hutchison (City of Edinburgh Council); Provost Norman A Macdonald (Comhairle Nan Eilean Siar); Councillor Stephen Thompson (Dumfries and Galloway Council); Councillor Altany Craik (Fife Council); Bailie Norman MacLeod (Glasgow City Council); Councillor Alister Mackinnon (Highland Council); (North Ayrshire Council); Councillor Paul Di Mascio (North Lanarkshire Council); Councillor John Shaw (Renfrewshire Council); Councillor Amanda Westlake (Shetland Islands Council) and Councillor Collette Stevenson (South Lanarkshire Council)

Councillor John Shaw (Convener): Councillor Paul Di Mascio (Vice Convener)

### Present

### By Video Conferencing

### Chair

### In Attendance

### Order of Business

## **Minute**

### **Revenue Budget Monitoring**

### **Audited Annual Accounts 2017/18**

### **Annual Audit Report 2017/18**

### **Contract for Approval: Asbestos Surveys, Removal and Disposal and Analytical Services**

### **Contract for Approval: Domestic Gas Boiler Maintenance**

### **Contract for Approval: Supply, Delivery and Installation of Commercial Catering Equipment**

### **Request for Associate Membership: Advice Direct Scotland**

### **Early Learning and Childcare and Procurement: Delivering the 1140 Hours**

### **Update on the Contract Delivery Plan**

### **Video Conferencing**

Should any member wish to participate using video conferencing please contact Lesley Jones on 0141 618 7444.

### **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 <http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx>

For further information, please either email [democratic-services@renfrewshire.gov.uk](mailto: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 the customer service centre 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.

- |             |   |                  |
|-------------|---|------------------|
| <b>1</b>    | <b>Minute of the Executive Sub-committee</b>                                | <b>5 - 10</b>    |
|             | Minute of meeting of the Executive Sub-committee held on 24 August 2018.    |                  |
| <b>2</b>    | <b>Revenue Budget Monitoring Report</b>                                     | <b>11 - 12</b>   |
|             | Joint Report by Treasurer and Director of Scotland Excel.                   |                  |
| <b>3(a)</b> | <b>Annual Audit Report 2017-18</b>  | <b>13 - 40</b>   |
|             | Report by Audit Scotland.   |                  |
| <b>3(b)</b> | <b>Audited Annual Accounts 2017-18</b>                                      | <b>41 - 78</b>   |
|             | Joint Report by Treasurer and Director of Scotland Excel.                   |                  |
| <b>4</b>    | <b>Contracts for Approval</b>   |                  |
| <b>4(a)</b> | <b>Asbestos Surveys, Removal &amp; Disposal and Analytical Services</b>     |                  |
|             | Report by the Director of Scotland Excel.                                   |                  |
| <b>4(b)</b> | <b>Domestic Gas Boiler Maintenance</b>                                      | <b>79 - 94</b>   |
|             | Report by the Director of Scotland Excel.                                   |                  |
| <b>4(c)</b> | <b>Supply, Delivery &amp; Installation of Commercial Catering Equipment</b> | <b>95 - 104</b>  |
|             | Report by the Director of Scotland Excel.                                   |                  |
| <b>5</b>    | <b>Request for Associate Membership - Advice Direct Scotland</b>            | <b>105 - 106</b> |
|             | Report by the Director of Scotland Excel.                                   |                  |
| <b>6</b>    | <b>Early Years and Childcare</b>  | <b>107 - 110</b> |
|             | Report by the Director of Scotland Excel.                                   |                  |
| <b>7</b>    | <b>Contract Delivery Plan Update</b>  | <b>111 - 116</b> |
|             | Report by the Director of Scotland Excel.                                   |                  |

## **8 Date of Next Meeting**

Note that the next meeting of the Executive Sub-committee will be held on 26 October 2018 in Scotland Excel Meeting Room 1, Renfrewshire House, Paisley.

## **MINUTE OF MEETING OF THE SCOTLAND EXCEL EXECUTIVE SUB-COMMITTEE HELD ON 24 AUGUST 2018**

### **PRESENT**

Councillor A Craik (Fife Council); Bailie N MacLeod (Glasgow City Council); and Councillor J Shaw (Renfrewshire Council).

### **BY VIDEOLINK**

Provost W Howatson (Aberdeenshire Council).

### **CHAIR**

Councillor J Shaw, Convener, presided.

### **APOLOGIES**

Councillors A Douglas (Angus Council); and G Hutchison (City of Edinburgh Council); Provost N A Macdonald (Comhairle Nan Eilean Siar); Councillors S Thompson (Dumfries & Galloway Council); A Mackinnon (Highland Council); P Di Mascio (North Lanarkshire Council); C Stevenson (South Lanarkshire Council) and A Westlake (Shetland Islands Council).

### **IN ATTENDANCE**

J Welsh, Director, H Carr, Head of Strategic Procurement, S Brannagan, Head of Customer & Business Services, J Baxter, Senior Procurement Specialist, K Carlin, Procurement Co-ordinator, S Irvine, Senior Procurement Specialist, G Montgomery, Category Manager and G Mooney, Category Analyst(all Scotland Excel) and M Conaghan, Legal and Democratic Services Manager, E Currie, Senior Committee Services Officer, K O'Neill, Assistant Democratic Services Office,; L Dickie, Finance Manager and K Crawford, Accountant (all Renfrewshire Council).

### **DECLARATIONS OF INTEREST**

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

### **ORDER OF BUSINESS**

The Convener advised that Item number 3(c) of the Agenda, Contract for Approval – Domestic Gas Boiler Maintenance, had been withdrawn and would be considered at a future meeting of the Executive Sub-committee.

## 1. MINUTE

There was submitted the Minute of the meeting of the Executive Sub-committee held on 29 June 2018.

**DECIDED:** That the Minute be approved.

## 2. 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 to 20 July 2018.

The report intimated that gross expenditure was £2,000 under budget and income was currently break even which had resulted in a net underspend of £2,000.

**DECIDED:** That the report be noted.

## 3(a) CONTRACT FOR APPROVAL: PROVISION AND DELIVERY OF WASHROOM SOLUTIONS AND SANITARY PRODUCTS

There was submitted a report by the Director of Scotland Excel relative to the award of a renewal framework agreement for Provision and Delivery of Washroom Solutions and Sanitary Products which would be effective from 1 October 2018 until 30 September 2022.

The report intimated that the framework, which supported the Scottish Government's commitment of promoting dignity to women by providing free sanitary products to students in educational establishments, would provide councils with a mechanism to procure a range of products and services which included, but was not limited to, disposal of sanitary waste, nappy waste, sharps and medical waste, and the provision of sanitisers; air fresheners and sanitary products. Users of the framework were likely to include schools, nurseries, leisure centres, community centres, social work, council buildings and civic centres.

The framework had been divided into two lots as detailed in table 1 of the report and had been advertised at an estimated value of £3.5 million per annum.

It was noted that 29 Councils had confirmed their intention to participate in the framework, these were detailed in Appendix 1. Tender responses had been received from six suppliers and a summary of offers received was detailed in Appendix 2 to the report.

Based on the criteria and scoring methodology set out within the tender document, a full evaluation of the compliant offers had been completed and Appendix 3 to the report detailed the scoring achieved by each bidder.

**DECIDED:** That the award of the framework agreement for the Provision and Delivery of Washroom Solutions and Sanitary Products, as detailed in Appendix 3 to the report, be approved.

### 3(b) **SUPPLY & DELIVERY OF FIRST AID MATERIALS**

There was submitted a report by the Director of Scotland Excel relative to the award of a new framework agreement for the Supply and Delivery of First Aid Materials which would be effective from 1 October 2018 until 30 September 2021 with the option to extend for up to an additional one-year period until 30 September 2022.

The requirement for this procurement had arisen due to the forthcoming expiration of two regional contracts led by North Lanarkshire and Midlothian Councils. It was estimated that around two-thirds of local authorities currently procured first aid materials through these existing frameworks, whilst the rest were procuring these products through their own individual arrangements. It was intended that this Scotland Excel framework would consolidate and replace these, offering a national collaborative solution for first aid materials.

The report intimated that the framework had been developed by the Operational Supplies and Services (OSS) Team with a fast-tracked approach which had been divided into two lots as detailed in figure 1 of the report and had been advertised at an estimated value of £8 million over the four-year period.

Tender responses had been received from six suppliers detailed in Appendix 1 and a summary of offers received for each lot was detailed in Appendix 2 to the report.

**DECIDED:** That the award of the framework agreement for the Supply and Delivery of First Aid Materials, as detailed in Appendix 2 to the report, be approved.

### 3(c) **SUPPLY & DELIVERY OF ROAD MAINTENANCE MATERIALS**

There was submitted a report by the Director of Scotland Excel relative to the award of a renewal framework agreement for the Supply and Delivery of Road Maintenance Materials which would be effective from 17 September 2018 until 31 August 2022.

The framework covered the supply and delivery of an extensive range of commonly purchased road maintenance materials which included pedestrian safety barriers, drainage products, kerbstones, bollards and traffic cones to support councils' roads departments.

The framework had been divided into seven lots as detailed in table 1 of the report and had been advertised at an estimated value of £2.5 million per annum.

It was noted that all 32 Councils and Tayside Contracts had confirmed their intention to participate in the framework, these were detailed in Appendix 1. Tender responses had been received from 23 suppliers and a summary of offers received was detailed in Appendix 2 to the report.

Based on the criteria and scoring methodology set out within the tender document, a full evaluation of the compliant offers had been completed and Appendix 3 to the report detailed the scoring achieved by each of the 19 successful bidders.

**DECIDED:** That the award of the framework agreement for the Supply and Delivery of Road Maintenance Materials, as detailed in Appendix 3 to the report, be approved.

### **3(d) SUPPLY & DELIVERY OF STREET LIGHTING MATERIALS**

There was submitted a report by the Director of Scotland Excel relative to the award of a renewal framework agreement for the Supply and Delivery of Street Lighting Materials from 1 August 2018 until 31 July 2021 with an option to extend for a further 12-month period until 31 July 2022 (effective date 1 October 2018).

The framework covered a range of products from traditional street lighting materials such as steel and aluminium lighting columns to the latest generation high technology Light Emitting Diode (LED) Lanterns.

The renewal framework would assist councils in the maintenance of their street lighting infrastructure and delivery of the LED street lighting replacement programmes which supported the Scottish Government's climate change targets and the transition to a low carbon economy.

The framework had been divided into eight lots as detailed in table 1 of the report and had been advertised at an estimated value of £35 million per annum.

It was noted that all 32 Councils had confirmed their intention to participate in the framework, these were detailed in Appendix 1. Tender responses had been received from 31 suppliers and a summary of offers received was detailed in Appendix 2 to the report.

Based on the criteria and scoring methodology set out within the tender document, a full evaluation of the compliant offers had been completed and Appendix 3 to the report detailed the scoring achieved by each of the 25 successful bidders.

**DECIDED:** That the award of the renewal framework agreement for the Supply and Delivery of Street Lighting Materials, as detailed in Appendix 3 to the report, be approved.

### **3(e) TREATMENT AND DISPOSAL OF RECYCLABLE AND RESIDUAL WASTE**

There was submitted a report by the Director of Scotland Excel which informed the Executive Sub Committee that the Scotland Excel Environment Category Team (within Transport, Roads and Environment) intended to introduce a Dynamic Purchasing System (DPS) for the Treatment and Disposal of Recyclable and Residual Waste. This DPS would replace the recently expired Recyclable and Residual Waste Framework (14/13).

This would involve following a route to market that was new to Scotland Excel and was intended to secure the provision of assorted services for the treatment and disposal of various waste related materials collected by councils. This route to market had been chosen for a number of reasons that were outlined within the report. The definition of a DPS and key differences to a framework agreement were detailed together with the desired outcomes that the team and the User Intelligence Group (UIG) hoped to achieve with its creation. An explanation was provided on how DPS aligned with guidance/legal tests in terms of its validity as an option and how it would operate and the next steps going forward. were also detailed.



The DPS would seek legally compliant service providers, capable of delivering the treatment of material(s), whilst allowing for a small level of tailoring for operational requirements at an individual council level.

Councils required a simple method to contract award for treatment (and disposal) services from appropriately qualified contractors, assured of regulatory compliance and ideally, with as much choice as possible in terms of capacity to contract. It was considered that a DPS was more likely to satisfy this need than the traditional framework model. A matrix of desired outcomes and the likelihood of these being achieved each under the framework model versus the DPS was detailed in Appendix 1.

The Scottish Governments Procurement Journey provided guidance which detailed when a DPS could be an appropriate route to market. Whilst much of the guidance was subject to interpretation, based upon knowledge of the market area, Scotland Excel believed that the needs related to this service area met the majority of the defined criteria. The key criteria presented by the guidance and a summary of Scotland Excel's interpretation of how it aligned was listed in Appendix 2.

Scotland Excel would provide template terms and conditions and a template evaluation methodology that councils could opt to use or tailor to their own operational needs. Awarding contracts under the DPS would ensure councils achieved bespoke pricing based upon their own material content and quality as well as individual operational requirements.

The introduction of a Dynamic Purchasing System was a first for Scotland Excel as an organisation and provided an alternative to a framework model that in relation to this particular service area, offered a number of key benefits that would help councils meet their operational service needs within a landscape of policy change and market uncertainty. As Scotland's leading procurement organisation for local authorities, it was considered that this particular contract area provided an opportunity to be at the forefront in terms of introducing a procurement tool that could offer benefits across the organisation's contract portfolio as a whole, whilst securing a service delivery option for councils that would be relatively easy to use and would cover needs at a national level.

**DECIDED:-**

- (a) That the use of the Dynamic Purchasing System procurement tool for the Treatment and Disposal of Recyclable and Residual Waste be approved; and
- (b) That it be noted that a report would be submitted to a future meeting of the Executive Sub Committee on progress with the tender to set up the Dynamic Purchasing System.

**4. REQUEST FOR ASSOCIATE MEMBERSHIP OF SCOTLAND EXCEL: THE WISE GROUP**

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

**DECIDED:** That the application by The Wise Group to become an associate member of Scotland Excel, at an annual membership fee of £1,000, be approved subject to completion and signing of the agreement documentation.

**5. 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 to 31 July 2018, the previous six and 12 months and provided information relating to the absence statistics and reasons.

**DECIDED:** That the report be noted.

**9. 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 28 September 2018 in Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley.

## Scotland Excel

**To: Executive Sub Committee**

**On: 28 September 2018**

### Report by

**Joint Report by the Treasurer and the Director**

### Revenue Budget Monitoring Report to 17 August 2018

#### 1. Summary

- 1.1 Gross expenditure is £6,000 under budget and income is currently break even which results in a net underspend of £6,000 for Scotland Excel. This is summarised in point 4.

#### 2 Recommendations

- 2.1 It is recommended that members consider the report.

#### 3 Budget Adjustments Since Last Report

- 3.1 There have been no budget adjustments since the last report.

#### 4 Budget Performance

- |     |   |  |
|-----|---|--|
| 4.1 | <b>Current Position</b><br><i>Previously Reported</i> | <b>Net Underspend £6,000</b><br><i>Net Underspend £2,000</i> |
|-----|---|--|

The variance is due to an underspend in Employee Costs and an overspend in Administration Costs.

Employee Costs are currently underspent due to:

- the pay award for 18/19 has still to be agreed,
- a delay in filling some vacancies

Administration Costs are overspent due to costs relating to recruitment support.

All projects are currently projected to break even.

#### 4.2 Projected Year End Position

It is currently forecast that Scotland Excel will achieve a break even position by the year end.

**RENFREWSHIRE COUNCIL**  
**REVENUE BUDGET MONITORING STATEMENT 2018/19**  
1st April 2018 to 17th August 2018

**JOINT COMMITTEE : SCOTLAND EXCEL**

Description	Agreed Annual Budget	Year to Date Budget	Year to Date Actual	Adjustments	Revised Actual	Budget Variance		
(1)	(2)	(3)	(4)	(5)	(6) = (4 + 5)	(7)		
£000's	£000's	£000's	£000's	£000's	£000's	£000's	%	
Employee Costs	3,040	968	938	18	956	12	1.2%	underspend
Property Costs	196	81	81	0	81	0	0.0%	breakeven
Supplies & Services	141	97	97	0	97	0	0.0%	breakeven
Contractors and Others	0	0	0	0	0	0	0.0%	breakeven
Administration Costs	266	84	100	(10)	90	(6)	-7.1%	overspend
Payments to Other Bodies	20	0	(2)	2	0	0	0.0%	breakeven
<b>GROSS EXPENDITURE</b>	<b>3,663</b>	<b>1,230</b>	<b>1,214</b>	<b>10</b>	<b>1,224</b>	<b>6</b>	<b>0.5%</b>	<b>underspend</b>
<b>Contributions from Local Authorities</b>	<b>(3,484)</b>	<b>(82)</b>	<b>(82)</b>	<b>0</b>	<b>(82)</b>	<b>0</b>	<b>0.0%</b>	<b>breakeven</b>
<b>Other Income</b>	<b>(90)</b>	<b>(56)</b>	<b>(56)</b>	<b>0</b>	<b>(56)</b>	<b>0</b>	<b>0.0%</b>	<b>breakeven</b>
<b>INCOME</b>	<b>(3,574)</b>	<b>(138)</b>	<b>(138)</b>	<b>0</b>	<b>(138)</b>	<b>0</b>	<b>0.0%</b>	<b>breakeven</b>
<b>TRANSFER (TO)/FROM RESERVES</b>	<b>90</b>	<b>1,092</b>	<b>1,076</b>	<b>10</b>	<b>1,086</b>	<b>6</b>	<b>0.5%</b>	<b>underspend</b>

Summary of In Year Movement of Reserves

	£000's
Opening Reserves 1/4/18	(292)
Budgeted Draw on Reserves	90
Projected Year End Overspend / (Underspend)	0
Anticipated Closing Reserves	(202)



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

### **Report by Audit Scotland**

#### **Annual Audit Report 2017-18**

#### **1. Summary**

- 1.1 At the meeting of Scotland Excel Joint Committee on 29 June 2018 a report on the unaudited annual accounts for the year ended 31 March was noted.
- 1.2 The audit certificate issued by Audit Scotland provides an unqualified opinion that the annual accounts presents a true and fair view of the financial position of the Joint Committee as at 31 March 2018, in accordance with the accounting policies detailed in the accounts.
- 1.3 A member of the Audit Scotland team will present this report and answer any questions.

#### **2. Recommendations**

- 2.1 It is recommended that members note the report by Audit Scotland.

# Scotland Excel

2017/18 Annual Audit Report PROPOSED



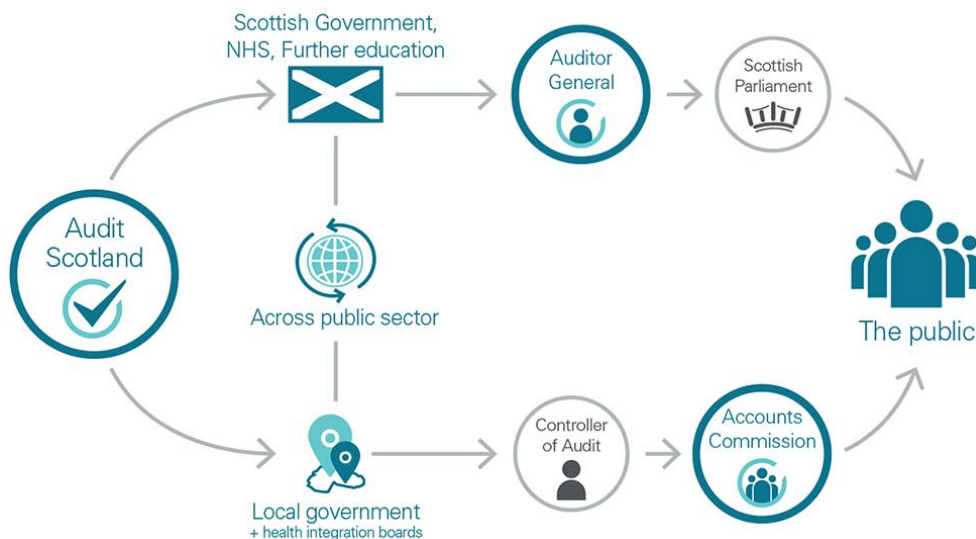
 **AUDIT SCOTLAND**

Prepared for the Members of Scotland Excel Executive Sub-Committee and the Controller of Audit  
28 September 2018

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Action plan 2017/18	
Appendix 2	16
Significant audit risks identified during planning	



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# Key messages

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## 2017/18 annual report and accounts

- 1** In our opinion the Scotland Excel's financial statements give a true and fair view and were properly prepared and, expenditure and income were in accordance with applicable enactments and guidance.
- 2** The audited part of the Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.
- 3** Academy training income has been incorrectly recognised in year. This resulted in both income and reserves being overstated.
- 4** The pension fund liability on the balance sheet was overstated. This was due to asset return assumptions in the actuary's report being significantly different to actual returns.

## Financial sustainability and Governance Statement

- 5** A deficit of £0.076 million was generated from core activities in 2017/18 which was slightly lower than budgeted. The cost of service delivery has been met through requisition income and the planned use of reserves.
- 6** We concluded that the information in the Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.
- 7** Budget monitoring reports should include an appropriate level of detail on projects to allow members to assess and scrutinise performance.

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# Introduction

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1. This report summarises the findings from our 2017/18 audit of Scotland Excel.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 23 March 2018 meeting of the Executive Sub-committee. This report comprises the findings from:
  - an audit of the Scotland Excel annual report and accounts
  - consideration of the financial sustainability and Governance Statement.
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
  - financial sustainability
  - financial management
  - governance and transparency
  - value for money.
4. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Governance Statement and the financial sustainability of the body and its services.
5. As highlighted in our [2017/18 Annual Audit Plan](#) (paragraph 21), due to the volume and lack of complexity of the financial transactions, and nature and size of Scotland Excel, we applied the small body provisions of the Code to the 2017/18 audit of Scotland Excel.
6. Scotland Excel has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. Scotland Excel is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2016](#), and guided by the auditing profession's ethical guidance.
8. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the Governance Statement disclosures. In doing this, we aim to support improvement and accountability.
9. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**10.** Our Annual Audit Report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes actions from last year and progress against these.

**11.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £5,700 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

**12.** Our aim is to add value to Scotland Excel by providing insight on financial sustainability and by identifying areas of improvement and recommending good practice. In so doing, we aim to help Scotland Excel promote improved standards of financial planning, better management and decision making.

**13.** This report is addressed to members of the Executive Sub-Committee and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual report and accounts



### Main judgements

In our opinion Scotland Excel's financial statements give a true and fair view and were properly prepared and, expenditure and income were in accordance with applicable enactments and guidance.

The audited part of Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.

Academy training income has been incorrectly recognised in year. This resulted in both income and reserves being overstated.

The pension fund liability on the balance sheet was overstated. This was due to asset return assumptions in the actuary's report being significantly different to actual returns.

### Audit opinions on the annual report and accounts

**15.** The annual report and accounts for the year ended 31 March 2018 were approved by the Executive Sub-Committee on 28 September 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the audited part of the Remuneration Report, Management Commentary and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

### Submission of Scotland Excel's annual report and accounts for audit

**16.** We received the unaudited annual report and accounts on 19 June 2018 which was earlier than our agreed audit timetable set out in our 2017/18 Annual Audit Plan.

**17.** The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Risks of material misstatement

**18.** [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the

allocation of staff resources to the audit and how the efforts of the audit team were directed.

## Materiality

**19.** Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

**20.** We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the unaudited annual report and accounts we reviewed our planning materiality calculations and concluded that, while the values changed slightly, they remained appropriate and these are summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Annual Audit Plan	Unaudited annual report and accounts
<b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018.	£41,000	£50,000
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75% of overall materiality.	£31,000	£37,500
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000	£1,000

Source: Annual Audit Plan 2017/18

## How we evaluate misstatements

**21.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There were two material adjustments to the unaudited financial statements which are outlined in [Exhibit 2](#). There were no other errors above the reporting threshold.

## Significant findings from the audit (ISA 260)

**22.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings from the audit of Scotland Excel

Issue	Resolution
<p><b>1. Academy training income</b></p> <p>Academy training income of £127,486 and expenditure of £25,196 was recognised in the Comprehensive Income and Expenditure Statement (CIES). This resulted in a surplus of £102,290 which was held as a reserve at the year end. However, the training from which this income was generated had not been delivered at the year end. In accordance with International Accounting Standard 18 Revenue (IAS 18), the surplus element should not have been recognised which has resulted in income being overstated by £102,290.</p>	<p>This was corrected by management. An adjustment was processed to derecognise the income from the CIES and this was recognised as a deferred income balance, as is required by IAS 18. This resulted in the deficit on the provision of services increasing by £102,290 and reserves decreasing by the same amount.</p>
<p><b>2. Pension scheme valuation</b></p> <p>Scotland Excel accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns. This resulted in pension fund assets reported in Scotland Excel's balance sheet being understated by £256,000.</p>	<p>This was corrected by management. An adjustment was processed to reflect Scotland Excel's share of the pension fund assets based on the latest valuation at 31 March 2018. This had the impact of reducing the pension fund liability and increasing the pension reserve by £256,000. As local government accounting regulations require the general fund to be charged with amounts payable to the pension fund or directly to pensioners during the year rather than amounts calculated according to IAS 19, this adjustment does not impact the outturn for the year or the general fund balance</p>

### Other issues

**23.** The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Accounting Code) outlines that for financial statements to be useful, they must provide a faithful representation of financial information with the substance of a transaction/process being reported as opposed to its legal form.

**24.** During the audit, we noted Scotland Excel had incurred capital expenditure, but this had been accounted for as revenue expenditure. The financial statements disclose that Scotland Excel does not have the power to hold assets therefore any capital expenditure is treated as revenue expenditure.

**25.** A similar disclosure issue was identified with Scotland Excel's reserves. The financial statements outline Joint Committees have no specific powers to hold reserves therefore reserves are transferred to creditors. Any reserves that have been built up will ultimately be returned to the member councils upon the cessation of Scotland Excel.

**26.** Discussions with management are ongoing to conclude whether the current treatment of capital expenditure and reserves is appropriate or needs to be revised going forward.



### Recommendation 1

**Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.**

---

**27.** The Management Commentary in the unaudited annual report and accounts has been prepared in line with statutory guidance. Management have revised the level of detail to provide readers with a better understanding of recent developments and expectations on the future. However, there is scope to make further enhancements and make better use of performance data.

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### Recommendation 2

**Management should review the content of the Management Commentary and the use of performance data.**

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### Follow up of prior year recommendations

**28.** We have followed up actions previously reported and assessed progress. Two agreed actions were raised in 2016/17 and both have been actioned as outlined in [Appendix 1](#).

# Part 2

## Financial sustainability and Governance Statement



### Main judgements

**A deficit of £0.076 million was generated from core activities in 2017/18 which was less than budgeted. The cost of service delivery has been met through requisition income and the planned use of reserves.**

**We concluded that the information in the Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.**

**Budget monitoring reports should include an appropriate level of detail on projects to allow members to assess and scrutinise performance.**

### Financial performance in 2017/18

**29.** The Joint Committee approved the 2017/18 budget in December 2016. Total budgeted core expenditure was £3.745 million and total budgeted core income was £3.679 million. This resulted in a budget gap of £0.066 million that management planned to meet through the use of reserves. In June 2017, the Joint Committee approved the additional use of reserves of £0.100 million to fund IT projects and the office upgrade. This increased the planned use of reserves to £0.166 million.

**30.** In addition to core income and expenditure, £0.196 million of income and expenditure was expected in relation to the National Care Home Contract. This is funded separately by councils that are members of this contract and is not included as part of requisitions.

**31.** Actual core outturn in 2017/18 was total expenditure of £3.683 million and total income of £3.607 million. This resulted in a deficit of £0.076 million for the year which was £0.090 million lower than the budgeted figure.

**32.** The Management Commentary in the annual report and accounts also reports income and expenditure from projects. Project expenditure was £0.764 million and income was £1.011 million, resulting in a surplus of £0.247 million. When this is offset against the core deficit, the net surplus for the year is £0.171 million.

**33.** Core and project activity are reported separately as there are differences in how these activities align to Scotland Excel's role and objectives. Core activities cover day to day operations which benefits all members. Whereas project activity does not involve all members and agreements are in place between Scotland Excel and members who participate in these projects.

**34.** The 2017/18 budget outlined core income and expenditure but there were no details on project income and expenditure. The budget monitoring reports only contain performance on core activity.

**35.** The Joint Committee approved changes to Scotland Excel's funding model in June 2018. Going forward, Scotland Excel is expected to reduce its reliance on requisition income and fund operations through other income that is generated. With this change in funding, it would be beneficial for members if budget monitoring reports also included an appropriate level of detail on performance for projects.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



This will allow a better understanding of Scotland Excel's overall performance and where budget pressures may arise.



### Recommendation 3

**Budget monitoring reports should include an appropriate level of detail on projects to allow members to assess and scrutinise performance.**

## Short and medium term financial planning

**36.** The largest source of income for Scotland Excel is requisitions from members of the Joint Committee. Other sources of income include rebates, associate memberships, projects, and other funding from external bodies.

**37.** The Joint Committee approved the 2018/19 budget in December 2017. Requisition income remained unchanged at 2017/18 levels at £3.484 million. Total budgeted income and expenditure was £3.644 million, resulting in a breakeven position. The budgeted income included £0.070 million from a forecast core underspend in 2017/18. As outlined in paragraph 30, reserves used in 2017/18 were £0.090 million less than budgeted. The 2018/19 budget also outlines forecast project income and expenditure of £0.960 million.

**38.** Forecasts up to 2020/21 were included within the 2018/19 budget. The forecasts estimate a budget gap in 2019/20 and 2020/21 of £0.168 million and £0.254 million respectively, and savings will need to be delivered in each year to achieve a breakeven position.

**39.** As outlined in paragraph 33, changes were approved by the Joint Committee to the funding model. As part of the review, forecasting was carried out to 2023/24 which outlined an operating budget gap every year which reached £0.494 million in 2023/24.

**40.** However, the actions approved by the Joint Committee and the work being carried out by management, a net surplus is expected from 2022/23 which will allow Scotland Excel to increase reserves. In the short term, there is expected to be net deficits and management will need to use reserves and take other actions to ensure these are managed.

**41.** From the work carried out, we have concluded that Scotland Excel has adequate financial planning arrangements in place. Management are well sighted on pressures in the coming years and have taken action to mitigate against the pressures and ensure Scotland Excel is sustainable and able to deliver services effectively.

## Governance Statement

**42.** Our review of the Governance Statement assessed the assurances which are provided to the Director regarding the adequacy and effectiveness of the committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding 'that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal control system'.

**43.** We concluded that the information in the Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

## General Data Protection Regulation

**44.** The General Data Protection Regulation (GDPR) became enforceable on 25 May 2018. The regulation made changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation could result in significant sanctions.

**45.** Renfrewshire Council has provided support to Scotland Excel in preparation for GDPR. In addition, management have also been carrying out work to assess Scotland Excel's preparedness for GDPR and ensure all stakeholders are aware of expectations.

**46.** As a Joint Committee, Scotland Excel is not specifically impacted by the requirements of GDPR. However, management have decided it will fall within the arrangements in place at Renfrewshire Council, as host authority, and the Data Protection Officer (DPO) of Renfrewshire Council will assume responsibility of data protection arrangements at Scotland Excel.

# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Capital expenditure and reserves</b></p> <p>The financial statements disclose Scotland Excel does not have the power to hold assets or reserves therefore capital expenditure and reserves are not reflected within the financial statements.</p> <p><b>Risk</b></p> <p>There is a risk the financial statements do not fully reflect the substance of Scotland Excel's transactions.</p>	<p>It is recommended that management continue to review how capital expenditure and reserves are reported in the financial statements.</p> <p><b>Paragraph 23 – 26</b></p>	<p>This will be reviewed and updated as appropriate.</p> <p>Responsible officer: Head of Finance Renfrewshire Council,</p> <p>Target date: 31 March 2019</p>
2	<p><b>Management Commentary</b></p> <p>The Management Commentary has been prepared in accordance with statutory guidance. However, there is scope to improve how performance is reported.</p> <p><b>Risk</b></p> <p>There is a risk that the Management Commentary does not give the reader a full understanding of Scotland Excel performance.</p>	<p>It is recommended that management review the content of the Management Commentary and the use of performance data.</p> <p><b>Paragraph 27</b></p>	<p>In light of discussions with Audit Scotland, the management commentary has been updated. It is recognised that further improvements can be made, and these will be agreed with the finance team.</p> <p>Responsible officer:</p> <p>Director, Scotland Excel/ Head of Finance, Renfrewshire Council</p> <p>Target date: 31 March 2019</p>
3	<p><b>Budget monitoring reports</b></p> <p>Budget monitoring reports only provide details on core performance.</p> <p><b>Risk</b></p> <p>There is a risk that members may not be fully sighted on Scotland Excel's overall performance if project information is not reported.</p>	<p>It is recommended that budget monitoring reports include an appropriate level of detail of both core and project performance.</p> <p><b>Paragraph 35</b></p>	<p>High level reports will be provided to the Executive Subcommittee in relation to projects</p> <p>Responsible Officer:</p> <p>Head of Customer &amp; Business Services, Scotland Excel/ Head of Finance, Renfrewshire Council</p> <p>Target date: 31 Jan 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
<b>Follow up of prior year recommendations</b>			
1	<p><b>Medium term financial Planning</b></p> <p>Budgets are prepared on an annual basis and not include any scenario planning. Medium term financial planning is carried out by management, but this is not shared with members. As a result, there is a risk members have insufficient information to make informed decisions.</p>	<p>It is recommended that medium term financial planning is shared with members and scenario planning is incorporated into the financial planning process.</p>	<p>The 2018/19 budget included revenue estimates to 2020/21. In addition, the funding review included forecasts to 2023/24.</p> <p>Responsible officer: Head of Customer and Business Services/Head of Finance</p> <p>Target date: 31 March 2018</p> <p>Actual date: 8 December 2017</p>
2	<p><b>Internal Audit reporting</b></p> <p>A review of committee papers and minutes identified that internal audit reports are not provided to members of the Joint Committee.</p> <p>As a result, there is a risk that members are not aware of any weaknesses that been identified and may not be able to make informed decisions.</p>	<p>It is recommended that management take internal audit reports to Joint Committee or Executive Sub-Committee meetings to allow members to understand the findings of the work carried out.</p> <p><b>2017/18 Update</b></p> <p>A review of internal audit arrangements was carried out and presented to the Joint Committee in June 2018. However, members raised concerns about the level of detail that was provided in summary reports. As a result, the Chief Internal Auditor, management, and members are in discussions around the level of detail provided in future.</p>	<p>The Chief Auditor met with the Convenor and agreed that members of the Joint Committee will be provided confidentially with a copy of audit reports and the summary reports will continue to be presented to the Joint Committee in public.</p> <p>Responsible officer: Chief Internal Auditor</p> <p>Revised date: 28 September 2018</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Risk of management override of controls</b>  ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries.  Review of accounting estimates.  Focused testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.	No unusual or inappropriate transactions were identified as part of our detailed journal testing.  A review of accounting estimates did not show any evidence of bias.  Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.  Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.  <b>Conclusion: no evidence of management override of controls.</b>
<b>2 Risk of fraud over income</b>  Scotland Excel has a number of funding sources which includes income generation. The extent of income means that, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response.	Analytical procedures on income streams.  Detailed testing of revenue transactions focusing on the areas of greatest risk.	Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.  Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year. An error was identified in the recognition of academy training income which overstated income. This was corrected by management.  <b>Conclusion: no evidence of fraud over income.</b>

Audit risk	Assurance procedure	Results and conclusions
<p><b>3 Risk of fraud over expenditure</b></p> <p>ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice</p> <p>The risk of fraud over expenditure applies due to the variety and extent of expenditure incurred by Scotland Excel in delivering services.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p><b>Conclusion: no evidence of fraud over expenditure.</b></p>

#### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p><b>4 Financial Sustainability</b></p> <p>The approved 2018/19 budget includes the flexible use of resources being brought forward from a projected underspend in 2017/18. The budget report also indicated a requirement for Scotland Excel to make significant savings over the medium term to remain financially sustainable. There is limited capacity to utilise reserves to address financial targets, nor is this a sustainable solution. Scotland Excel is exploring options to address this issue through revised governance and funding structures. However, until these are fully developed there remains a risk to financial sustainability.</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.</p>	<p>A review of budget monitoring reports and the financial statements highlight that an overall surplus was achieved in 2017/18. However, there was a deficit on core activities which was met through the planned use of reserves.</p> <p>Paragraph 37 outlines a budget gap is expected in 2019/20 and 2020/21 and savings will be required to achieve breakeven. However, changes to the funding model approved by the Joint Committee should allow increased levels of income to be generated which will help address the budget gap.</p> <p><b>Conclusion: Scotland Excel continues to operate in a challenging financial climate, with budget pressures expected in the coming years. However, action has been taken to change the funding model and allow Scotland Excel to generate increased levels of income to help manage the budget pressures.</b></p>
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Audit risk	Assurance procedure	Results and conclusions
<p><b>5 General Data Protection Regulation</b></p> <p>The General Data Protection Regulation (GDPR) becomes enforceable from May 2018. The regulation makes changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation can result in significant sanctions.</p> <p>Ensuring compliance with the regulation is resource intensive and will require Scotland Excel to designate a Data Protection Officer (DPO). Work is ongoing to ensure Scotland Excel is prepared for GDPR and has the necessary arrangements in place for the enforcement date.</p>	<p>Attendance at Joint Committee meetings and review of Joint Committee meeting papers.</p> <p>Discussions with management to monitor and discuss developments.</p>	<p>Renfrewshire Council has provided support to Scotland Excel in preparation for GDPR. In addition, management have also carried out work to assess Scotland Excel's preparedness for GDPR and ensure all stakeholders are aware of expectations. The DPO of Renfrewshire Council has assumed responsibility for data protection arrangements at Scotland Excel.</p> <p><b>Conclusion: GDPR has only been enforceable for a short period of time. Steps have been taken by management to ensure the statutory requirements of GDPR have been met. Compliance with GDPR will be assessed as part of our audit work over the remainder of the audit engagement.</b></p>
<p><b>6 Business Continuity Planning</b></p> <p>Scotland Excel has been working on developing business continuity arrangements. However, these are still at an early stage of development and further work needs to be done to ensure the arrangements in place are adequate.</p> <p>There is a risk that Scotland Excel may not be able to sufficiently deal with events if the arrangements are not fully developed.</p>	<p>Attendance at Joint Committee meetings and review of Joint Committee meeting papers.</p> <p>Discussions with management to monitor and discuss developments.</p>	<p>Management reviewed business continuity arrangements and work centred on ICT arrangements. Scotland Excel now operates using Office 365 and all staff have been issued a laptop to allow flexible working. The business continuity arrangements were tested earlier in the year due to adverse weather conditions. There was no disruption to services and all staff could carry on working from various locations.</p> <p><b>Conclusion: work has been carried out to improve business continuity arrangements. The arrangements in place were effective when they were tested due to adverse weather conditions.</b></p>

# Scotland Excel

## 2017/18 Annual Audit Report PROPOSED

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## Scotland Excel Executive Sub-Committee

28 September 2018

### Scotland Excel Audit of 2017/18 annual accounts

#### Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 September 2018 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for Scotland Excel Executive Sub-Committee's consideration our proposed annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

#### Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to Scotland Excel Executive Sub-Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Section 95 Officer**

8. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## APPENDIX A: Proposed Independent Auditor's Report

### Independent auditor's report to the members of Scotland Excel Executive Sub-Committee and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual accounts**

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Mark Ferris

Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
September 2017

## APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris  
Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Mark

### **Scotland Excel Annual Accounts 2017/18**

1. This representation letter is provided about your audit of the annual accounts of Scotland Excel for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Executive Sub-Committee, the following representations given to you in connection with your audit of Scotland Excel's annual accounts for the year ended 31 March 2018.

### **General**

3. Scotland Excel and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Scotland Excel have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Scotland Excel at 31 March 2018 and the transactions for 2017/18.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Scotland Excel circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

9. I have assessed Scotland Excel's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Scotland Excel's ability to continue as a going concern.

## **Liabilities**

10. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
11. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.
12. The pension assumptions made by the actuary in the IAS 19 report for Scotland Excel have been considered and I confirm that they are consistent with management's own view.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## **Fraud**

14. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

15. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

16. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all

Scotland Excel's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

17. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

18. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

### **Corporate Governance**

19. I confirm that Scotland Excel has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
20. I confirm that the Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

### **Events Subsequent to the Date of the Balance Sheet**

21. All events subsequent to 31 March 2018 for which the 2017/18 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Treasurer







## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

### **Report by Joint Report by the Treasurer and the Director Audited Annual Accounts 2017-18**

#### **1. Summary**

- 1.1 At the meeting of Scotland Excel Joint Committee on 29 June 2018 a report on the unaudited annual accounts for the year ended 31 March was noted.
- 1.2 As agreed by the Joint Committee on 12 June 2015 the Executive Sub Committee has been delegated authority to approve the audited accounts by 30 September in order to meet Local Authority accounting regulations. The audited accounts will be provided to the Joint Committee in December for information. Following this approval the audited accounts will be submitted to The Director, The Convenor and The Treasurer for signature.
- 1.3 The main changes that members should be aware of from the unaudited to the audited annual accounts are:
  - the management commentary has been amended;
  - the Commissioning Training reserve has been reclassified as deferred income. The income has now been carried forward into financial year 2018-19 to match when the expenditure will occur. This doesn't have an impact on the overall financial position of Scotland Excel;
  - the operating lease note has been updated to reflect the lease extension which was approved at the June Joint Committee;
  - within the annual accounts the Joint Committee details its share of the Strathclyde Pension Fund assets and liabilities in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of the production of the actuarial reports means that actuaries produce their IAS19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns for 2017-18. This resulted in the pension fund assets reported within Scotland Excel's accounts being understated by £256,000. This change has no impact on the revenue outturn position of the Joint Committee, or on useable reserves.

## 2 **Recommendations**

- 2.1 It is recommended that members approve the audited accounts for signature.



# Scotland Excel

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Annual Financial Statements 2017/18

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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 ten 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. £1b contract portfolio supports the delivery of social care, construction, roads, transport, environment, corporate, education and ICT services. Our contracts achieve annual savings of c. £12.7m, 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 32 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 2015-2018 <http://joom.ag/3X3p> and Operating Plan 2016/17 <http://www.scotland-excel.org.uk/home/Resources/Publications.aspx>. Our strategy map states the goals, value, vision and mission of the organisation.

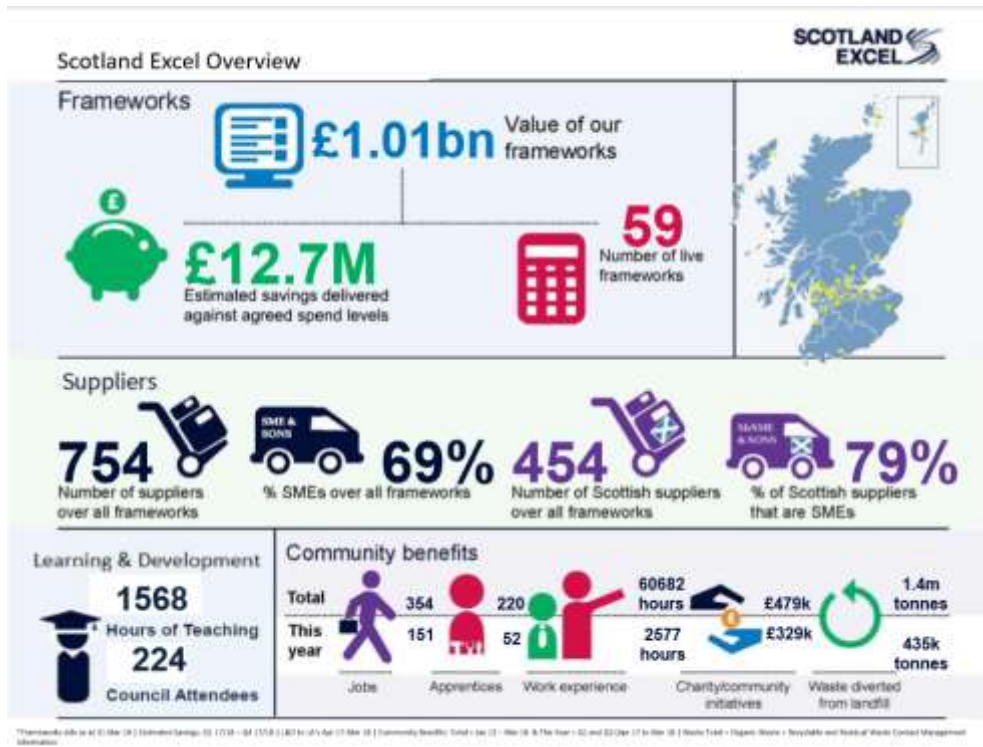
## Strategy Map

Vision			
To be the shared service partner of choice for the Local Government sector			
Mission			
To deliver <b>effective</b> and <b>customer-orientated</b> shared services which support <b>collaborative</b> <b>innovative</b> and <b>sustainable</b> public services, add <b>measurable value</b> for our customers, and bring <b>tangible benefits</b> for local communities and service users.			
Values			
<b>Professional • Courageous • Respectful • Integrity</b>			
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><b>Strategic objectives:</b></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><b>Strategic objectives:</b></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><b>Strategic objectives:</b></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><b>Strategic objectives:</b></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>

## Scotland Excel Annual Accounts 2017/18

Scotland Excel reports its performance to the Joint Committee using the following infographic. This is produced annually at a national and council level. The 2016/17 operating plan was reported quarterly to the Executive Subcommittee, with a year-end performance report taken to the Joint Committee in June 2018. A copy of the report can be found at the link below.

<http://renfrewshire.cmis.uk.com/renfrewshire/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2466/Committee/81/Default.aspx>



### Financial Performance

#### Revenue

The Comprehensive Income and Expenditure report on page 20 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 surplus of £170,768 for the financial year 2017/18, compared to a budgeted deficit of £166,000; returning an underspend of £336,768. Excluding project expenditure and income the Joint Committee returned a deficit of £76,266, compared to a budgeted deficit of £166,000, returning an underspend of £89,734.

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 (£412,000), accrued employee benefits, £2,916 and employee costs relating to projects (£654,743).

The difference between other income in the figure below and the figure reported in the Comprehensive Income and Expenditure report, which is the cumulative total of the Sales, Fees & Charges, Government Grants and Financing & Investment Income and Expenditure figures, is due to accounting adjustments for pension interest costs £127,000 and income relating to projects (£1,010,657).

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	Budget £	Actual £	Variance £
Employee Costs	2,944,400	2,908,802	35,598
Property Costs	226,500	215,961	10,539
Supplies and Services	203,900	177,333	26,567
Contractors & Others	-	15,612	(15,612)
Administrative Costs	296,800	333,659	(36,859)
Payments to Other Bodies	38,600	31,902	6,698
<b>Total Expenditure</b>	<b>3,710,200</b>	<b>3,683,269</b>	<b>26,931</b>
Requisition Income	(3,484,200)	(3,484,200)	-
Other Income	(60,000)	(122,803)	62,803
<b>Total Income</b>	<b>(3,544,200)</b>	<b>(3,607,003)</b>	<b>62,803</b>
<b>(Surplus)/Deficit for Year Excluding Projects</b>	<b>166,000</b>	<b>76,266</b>	<b>89,734</b>
Project Expenditure	689,198	763,623	(74,425)
Project Income	(689,198)	(1,010,657)	321,459
<b>(Surplus)/Deficit for Year for Projects</b>	<b>-</b>	<b>(247,034)</b>	<b>247,034</b>
<b>Total (Surplus)/Deficit for Year</b>	<b>166,000</b>	<b>(170,768)</b>	<b>336,768</b>

The underspend in Employee Costs is due to vacancies during the year and also a number of staff exercising their right to flexible working.

The underspend within Property Costs is due to the office fit out costing less than anticipated.

Supplies and Services is underspent due to the IT development project underspending due to the delay in the suppliers completing the specified work.

The Contractors and Others overspend relates to costs this year due to a requirement to complete and mobilise the Energy Efficiency Contractors framework, and also for external consultants to support the work of the Social Care and Construction category teams.

The overspend within Administration Costs relates to advertising costs for a recruitment event and also the costs associated with the Annual Conference and Supplier Awards, which is matched by an over recovery in Other Income.

All costs relating to Project Expenditure have been fully recovered by Project Income.

The over recovery of Other Income relates to additional funding received from Invest in Renfrewshire for support of the graduate intern scheme. In addition, income was received for the costs that were awarded by the court when Scotland Excel were successful in defending a legal challenge and also income was received from the Annual Conference and Supplier Awards.

The increase in expenditure and income from 2016-17 to 2017-18 within the Comprehensive Income and Expenditure Statement is due to six new projects that started in this financial year. In 2016-17 there was only one project.

### **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 £556,152.



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The balance on revenue reserves is made up as follows:

General Revenue Reserve	£291,663
National Care Home Ring-fenced Reserve *	£68,193
Affordable Housing Programme	£47,966
Adult Supp Living/Care at Home	£1,395
Small Value Procurement	£146,604
SEEMIS	£209
Digital Transformation	£122
<b>Balance at 31 March 2018</b>	<b><u>£556,152</u></b>

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

### **Provisions, Contingencies and Write-offs**

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 16. The appointed actuaries have confirmed a net deficit position of £1.441 million, an improvement of £3.232 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 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.

A copy of the 2018-23 Corporate Strategy and 2018-19 Operating Plan can be found at the address below.

<http://www.scotland-excel.org.uk/home/Resources/Publications.aspx>

### **Events after the Balance Sheet Date**

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

### **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

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Scottish Government and that this may have a consequential impact on the level of requisition funding available to Scotland Excel. It has been agreed that the 2018/19 requisition remain at 2017/18 levels but the Joint Committee will continue to pursue efficiencies and cost reductions.

Scotland Excel had identified a number of potential funding opportunities to secure additional income which will reduce the reliance on requisition income in future years to fund cost pressures.

**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.

**Councillor John Shaw**  
Convenor

**Alan Russell CPFA**  
Treasurer

**Julie Welsh**  
Director

## **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.

I confirm that these Annual Accounts were approved for signature by the Executive Sub Committee at its meeting on the 28 September 2018.

Signed on behalf of Scotland Excel:

**John Shaw**

Convenor

28 September 2018

### **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 2018.

**Alan Russell CPFA**

Treasurer

28 September 2018

## **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. Financial Regulations are currently being updated
- 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 Internal 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

The Joint Committee approved further investigation of possible future governance structures. Whilst the review is not yet finalised and recommendations have not yet been approved, findings to this point indicate that the existing governance framework should be maintained and that the current Scheme of Delegation should be updated to correct some minor anomalies and better clarify and reflect current practice.

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 Internal 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 Internal Auditor's annual assurance statement concluded that a reasonable 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, which was updated in 2016, 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.

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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.

**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.

**Councillor John Shaw**  
Convenor

**Julie Welsh**  
Director

## 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

The Director's salary is matched to the Renfrewshire Council Chief Officer pay scale CO21.

2016/17	Senior Employees		2017/18
Total Salary, fees and allowances	Name	Post Held	Total Salary, fees and allowances (i)
£			£
100,172	Julie Welsh	Director	104,831
75,307	Hugh Carr	Head of Strategic Procurement	77,393
73,242	Stephen Brannagan	Head of Customer & Business Services	75,566
<b>248,721</b>	<b>Total</b>		<b>257,790</b>

(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 2018, 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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2016/17	Member contribution rates on earnings in the bands below	2017/18
Up to £20,500	5.5%	Up to £20,700
£20,501 to £25,000	7.25%	£20,701 to £25,300
£25,001 to £34,400	8.5%	£25,301 to £34,00
£34,401 to £45,800	9.5%	£34,701 to £46,300
Over £45,801	12%	Over £46,301

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 2018		Change in accrued pension benefits since 31 March 2017		Pension contributions made by Scotland Excel during 2017-2018 (i)
Name	Post Held	Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	£
Julie Welsh	Director	0.018	0.002	+0.003	+0.000	20,142
Hugh Carr	Head of Strategic Procurement	0.010	0.000	+0.002	+0.000	14,869
Stephen Brannagan	Head of Customer & Business Services	0.004	0.000	+0.004	+0.000	14,518
<b>Total</b>		<b>0.032</b>	<b>0.002</b>	<b>+0.009</b>	<b>+0.000</b>	<b>49,529</b>



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**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 2017/18, in bands of £5,000.

<b>2016/17</b>	<b>Remuneration Band</b>	<b>2017/18</b>
<b>Number of employees</b>		<b>Number of employees</b>
-	£50,000 - £54,999	-
-	£55,000 - 59,999	1
-	£60,000 - £64,999	-
-	£65,000 - 69,999	-
1	£70,000 - £74,999	-
1	£75,000 - £79,999	2
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
1	£100,000 - £104,999	1
<hr/> 3		<hr/> 4

**5. Exit packages**

Scotland Excel agreed no exit packages in 2017-18.

**Councillor John Shaw**  
Convenor

**Julie Welsh**  
Director

## **Independent Auditors Report**

### **Annual Accounts 2017-18**

#### **Independent auditor's report to the members of Scotland Excel Joint Committee and the Accounts Commission**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of Scotland Excel for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

#### **In my opinion the accompanying financial statements:**

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Responsibilities of the Treasurer for the financial statements**

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Report on other requirements**

#### **Opinions on other prescribed matters**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

**Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Mark Ferris  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2018

## **Movement in Reserves Statement for the year ended 31 March 2018**

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**.

		Usable reserves		Unusable reserves	
		Revenue Reserve	Pension Reserve	Employee Statutory Adjustment Account	Total Reserves
	Note	£	£	£	£
<b>Balance at 31 March 2016 carried forward</b>		-	(2,195,000)	(60,470)	(2,255,470)
<i>Movement in reserves during 2016-17</i>					
<b>Total comprehensive income and expenditure</b>		(309,990)	(2,280,000)	-	(2,589,990)
Adjustments between accounting basis and funding basis under regulations	7a & 7b	212,438	(198,000)	(14,438)	-
Transfer from Creditors	7a	482,936			482,936
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>385,384</b>	<b>(2,478,000)</b>	<b>(14,438)</b>	<b>(2,107,054)</b>
Transfers to or (from) other statutory reserves		-	-	-	-
Transfer to creditors	13	(385,384)	-	-	(385,384)
<b>Increase or (decrease) in 2016-17</b>		<b>-</b>	<b>(2,478,000)</b>	<b>(14,438)</b>	<b>(2,492,438)</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>-</b>	<b>(4,673,000)</b>	<b>(74,908)</b>	<b>(4,747,908)</b>
<i>Movement in reserves during 2017-18</i>					
<b>Total comprehensive income and expenditure</b>		<b>(365,316)</b>	<b>3,771,000</b>	<b>-</b>	<b>3,405,684</b>
Adjustments between accounting basis and funding basis under regulations	7a & 7b	536,084	(539,000)	2,916	-
Transfer from Creditors	7a	385,384			385,384
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>556,152</b>	<b>3,232,000</b>	<b>2,916</b>	<b>3,791,068</b>
Transfers to or (from) other statutory reserves					-
Transfer to creditors	13	(556,152)			(556,152)
<b>Increase or (decrease) in 2017-18</b>		<b>-</b>	<b>3,232,000</b>	<b>2,916</b>	<b>3,234,916</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>-</b>	<b>(1,441,000)</b>	<b>(71,992)</b>	<b>(1,512,992)</b>

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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**.

2016/17			2017/18
£		Note	£
3,187,104	Employee Costs		3,972,629
177,100	Property Costs		215,961
119,395	Supplies & Services		179,488
132,835	Contractors		67,657
363,541	Administration Costs		380,466
64,159	Payments to Other Bodies		39,775
<b>4,044,134</b>	<b>Cost of Services</b>		<b>4,855,976</b>
(324,424)	Sales, Fees & Charges		(748,367)
-	- Government Grants		(381,000)
74,481	Financing & Investment Income and Expenditure	9	122,907
(3,484,200)	Requisitions from Members Authorities	14	(3,484,200)
<b>309,990</b>	<b>(Surplus) or deficit on the provision of services</b>		<b>365,316</b>
2,280,000	Actuarial (Gains) or losses on pension assets and liabilities	16a	(3,771,000)
<b>2,280,000</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>(3,771,000)</b>
<b>2,589,990</b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(3,405,684)</b>

## Balance Sheet as at 31 March 2018

The **balance sheet** shows the value as at 31 March 2018 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.

2016/17 £		Note	2017/18 £
	<b><u>Current Assets</u></b>		
620,120	Funds held by Renfrewshire Council		625,876
19,891	Debtors and Prepayments	11	308,545
150	Cash in Hand		150
640,161			934,571
	<b><u>less Current Liabilities</u></b>		
(715,069)	Creditors And Accruals	12	(1,006,563)
(74,908)	<b>Net (Liabilities)/Asset Excluding Pension</b>		(71,992)
	<b><u>Long Term Liabilities</u></b>		
(4,673,000)	Pension (liability)/Asset	16c	(1,441,000)
(4,747,908)	<b>Net (Liabilities)/Asset Including Pension</b>		(1,512,992)
	<b><u>Represented by:</u></b>		
	<b>Usable Reserves - Revenue</b>		
385,384	Balance due to Scottish Government and related parties		556,152
(385,384)	Transfer to Creditors	13	(556,152)
	<b>Unusable Reserves</b>		
(74,908)	Employee Statutory Adjustment Account	7c	(71,992)
(4,673,000)	Pension Reserve	7b	(1,441,000)
(4,747,908)			(1,512,992)

The audited accounts were issued on the 28 September 2018. Balance Sheet signed by:

**Alan Russell CPFA**  
Treasurer  
28 September 2018

## **Cash flow Statement for the year ended 31 March 2018**

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.

2016/17 £		Note	2017/18 £
	<b>Operating Activities</b>		
	<b>Cash Inflows</b>		
(3,793,803)	Sale of goods and rendering of services		(4,215,115)
(52,750)	Grants		(246,188)
(4,519)	Interest received	9	(4,093)
<b>(3,851,072)</b>	<b>Cash inflows generated from operating activities</b>		<b>(4,465,396)</b>
	<b>Cash Outflows</b>		
2,563,936	Cash paid to and on behalf of employees		2,981,096
871,764	Cash paid to suppliers of goods and services		959,021
453,535	Other payments for operating activities		519,523
<b>3,889,235</b>	<b>Cash outflows generated from operating activities</b>		<b>4,459,640</b>
<b>38,163</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(5,756)</b>
658,433	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council		620,270
620,270	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council		626,026
<b>38,163</b>	<b>Net cash outflow in cash and cash equivalents in year</b>		<b>(5,756)</b>



## **Note 1 Expenditure Funding Analysis for the year ended 31 March 2018**

This statement shows how annual expenditure is used and funded from resources and provides a reconciliation of the statutory adjustments between the Joint Committees financial performance on a funding basis and the (surplus) or deficit on the provision of service in the Comprehensive Income and Expenditure statement.

<b>2017/18</b>	<b>(Surplus)/Deficit for Year</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding and Accounting basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 31st March 2018	(336,768)			(336,768)
Approved draw on reserves	166,000			166,000
Employee Statutory Adjustment		(2,916)		(2,916)
Pension Cost			412,000	412,000
Pension Interest			127,000	127,000
<b>(Surplus) or deficit on the provision of service</b>				<b>365,316</b>

<b>2016/17</b>	<b>(Surplus)/Deficit for Year</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding and Accounting basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 31st March 2017	(101,958)			(101,958)
Approved draw on reserves	199,510			199,510
Employee Statutory Adjustment		14,438		14,438
Pension Cost			119,000	119,000
Pension Interest			79,000	79,000
<b>(Surplus) or deficit on the provision of service</b>				<b>309,990</b>

## **Note 2 Summary of Significant Accounting Policies**

The Financial Statements for the year ended 31 March 2018 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.

**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 16 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 6 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.

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.

## **Reserves**

The Revenue Reserve contains any balance of requisition income from members of the Joint Committee. The remaining reserves, excluding the Pension Reserve, relate to various projects that Scotland Excel are currently undertaking.

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 3 Accounting Standards Issued not Adopted**

There are no accounting standards relevant to the financial statements of the Joint Committee which have not been adopted.

## **Note 4 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 2, 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.

Leases	An analysis of the terms of the lease for the office accommodation at Renfrewshire House leased by the Joint Committee has concluded it is an operating lease. Note 10 provides further information.
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## **Note 5 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.

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The items in the Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Results differ from Assumption</b>
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 £2.084 million. However, the assumptions interact in complex ways. During 2017/18, the appointed actuaries advised that the net pension liability had decreased by £3.771 million as a result of estimates being corrected.

## **Note 6 Events after the balance sheet date**

Events taking place after the authorised for 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 2018, 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 7 Details of Movement in Reserves**

### **a. Revenue Reserve**

<b>2016/17</b>		<b>2017/18</b>
£		£
(482,936)	Balance as at 1 April	(385,384)
(198,000)	Transfer to pension reserve	(539,000)
(14,438)	Transfer to employee statutory adjustment account	2,916
309,990	(Surplus) or Deficit on the provision of services (from the Comprehensive Income & Expenditure Account)	365,316
<b>(385,384)</b>	<b>Balance as at 31 March</b>	<b>(556,152)</b>

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 various projects.

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**b. Pension Reserve**

<b>2016/17</b>		<b>2017/18</b>
£		£
(2,195,000)	Balance as at 1 April	(4,673,000)
(2,280,000)	Actuarial Gains and Losses (see note 16)	3,771,000
(198,000)	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	(539,000)
<b>(4,673,000)</b>	<b>Balance as at 31 March</b>	<b>(1,441,000)</b>

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.

**c. Employee Statutory Adjustment Account**

<b>2016/17</b>		<b>2017/18</b>
£		£
60,470	Balance as at 1 April	74,908
(60,470)	Reversal of prior year accrual for short-term accumulating compensated absences	(74,908)
74,908	Recognition of the accrual for short-term accumulating compensating absences at 31 March	71,992
<b>74,908</b>	<b>Balance as at 31 March</b>	<b>71,992</b>

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 8 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement**

The surplus for the year on the Revenue Reserves was £536,084 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.

2016/17 £		2017/18 £
	<b>Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement</b>	
(622,000)	Net charges made for retirement benefits in accordance with IAS19	(1,027,000)
(14,438)	Net charges for employment short-term accumulating absences	2,916
<u>(636,438)</u>		<u>(1,024,084)</u>
	<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining Movement in Reserves Statement</b>	
424,000	Employers contributions payable to the Strathclyde Pension Fund	488,000
<u>(212,438)</u>	<b>Net additional amount required to be debited or credited to the Revenue Reserves balance for the year</b>	<u>(536,084)</u>

## **Note 9 Financing & Investment Income**

2016/17 £		2017/18 £
(4,519)	Interest on Balances	(4,093)
79,000	Pension Interest Cost	127,000
<u>74,481</u>	<b>Total Financing and Investment (Income)/Cost</b>	<u>122,907</u>

## **Note 10 Operating Leases**

Scotland Excel has extended the operating lease for accommodation at Renfrewshire House until 2024. The new lease includes a three-year break point in 2022. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £85,131 (2016/17 £87,320).

2016/17 £		2017/18 £
	<b>Future Minimum Lease Payments</b>	
76,076	- not later than one year	101,575
-	- later than one year and not later than five years	387,984
-	- later than five years	84,506
<u>76,076</u>	<b>Total</b>	<u>574,065</u>



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**Note 11 Debtors**

2016/17		2017/18
£		£
1,454	Other local authorities	-
18,437	Other Entities and Individuals	308,545
<b>19,891</b>	<b>Total short term debtors</b>	<b>308,545</b>

**Note 12 Creditors**

2016/17		2017/18
£		£
52,750	Central government bodies	-
387,324	Other local authorities	596,152
-	Deferred Income	102,291
74,908	Short Term Accumulating Absences	71,992
180,279	Accrued Payrolls	228,624
19,808	Other entities and individuals	7,504
<b>715,069</b>	<b>Total short term creditors</b>	<b>1,006,563</b>

**Note 13 Transfer to Creditors**

2016/17		2017/18
£		£
<b>385,384</b>	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.	<b>556,152</b>

**Note 14 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 2018 was £173,750 (2016/17 £186,850).

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2016/17			2017/18
£	Council	Percentage	£
140,607	Aberdeen City	4.0%	140,607
156,621	Aberdeenshire	4.5%	156,621
82,591	Angus	2.4%	82,591
67,842	Argyll & Bute	1.9%	67,842
48,605	Clackmannanshire	1.4%	48,605
100,395	Dumfries & Galloway	2.9%	100,395
99,296	Dundee City	2.8%	99,296
85,835	East Ayrshire	2.5%	85,835
77,160	East Dunbartonshire	2.2%	77,160
74,806	East Lothian	2.1%	74,806
69,647	East Renfrewshire	2.0%	69,647
276,829	Edinburgh (City of)	7.9%	276,829
36,111	Eilean Siar	1.0%	36,111
103,989	Falkirk	3.0%	103,989
213,737	Fife	6.1%	213,737
333,882	Glasgow City	9.6%	333,882
143,652	Highland	4.1%	143,652
63,793	Inverclyde	1.8%	63,793
66,090	Midlothian	1.9%	66,090
71,138	Moray	2.0%	71,138
93,410	North Ayrshire	2.7%	93,410
198,471	North Lanarkshire	5.7%	198,471
33,061	Orkney	0.9%	33,061
99,076	Perth & Kinross	2.8%	99,076
112,758	Renfrewshire	3.2%	112,758
81,351	Scottish Borders	2.3%	81,351
33,914	Shetlands Council	1.0%	33,914
80,817	South Ayrshire	2.3%	80,817
186,501	South Lanarkshire	5.4%	186,501
69,522	Stirling	2.0%	69,522
68,763	West Dunbartonshire	2.0%	68,763
113,930	West Lothian	3.3%	113,930
<b>3,484,200</b>	<b>Total</b>	<b>100%</b>	<b>3,484,200</b>

**Note 15 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 2017/18 were £5,700 (£5,620 in 2016/17). There were no fees paid to Audit Scotland in respect of any other services.

## **Note 16 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.

### **16a. 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 2017/18:

2016/17		Note	2017/18
£			£
	<b>Comprehensive Income &amp; Expenditure Statement</b>		
	Cost of Services		
543,000	Current service cost	(i)	900,000
-	Past service cost/(gain)	(ii)	-
-	Settlements & curtailments	(iii)	-
<u>543,000</u>			<u>900,000</u>
	<b>Financing &amp; Investment Income &amp; Expenditure</b>		
<u>79,000</u>	Net Interest	(iv)	<u>127,000</u>
<b>622,000</b>	<b>Total post employment benefit charged to the Surplus or Deficit on the Provision of Services</b>		<b>1,027,000</b>
	<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
(2,171,000)	Return on assets excluding amounts included in net interest		(84,000)
4,451,000	Actuarial (gains) and losses arising on changes in financial assumptions		<u>(3,687,000)</u>
<b>2,280,000</b>	<b>Total Actuarial (gains) and losses</b>		<b>(3,771,000)</b>
<b>2,902,000</b>	<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		<b>(2,744,000)</b>
	Movement in Reserves Statement	(v)	
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code		(3,232,000)
<u>2,478,000</u>			<u></u>
<b>424,000</b>	<b>Employers Contributions paid to Strathclyde Pension Fund</b>		<b>488,000</b>

#### **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 (£539,000).

The Joint Committee is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2017/18 these amounted to £20,620 (2016/17 £20,479).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £3.771 million are included in the Movement in Reserves Statement (2016/17 £2.280 million loss). The cumulative amount of actuarial losses is £(0.942) million (2016/17 £(4.713) million).

**16b. 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:

2016/17		2017/18
£000		£000
12,980	Opening present value	18,493
543	Current service cost	900
465	Interest Cost	492
151	Employee Contributions	173
	Remeasurement (gains)/losses:	
4,451	Actuarial (gains)/losses arising from changes in financial assumptions	(3,687)
(97)	Benefits Paid	(184)
<b>18,493</b>	<b>Balance as at 31 March</b>	<b>16,187</b>

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

2016/17		2017/18
£000		£000
10,785	Opening Fair Value	13,820
386	Interest Income	365
	Remeasurement gain/(loss):	
2,171	Return on assets excluding amounts included in net interest	84
424	Contributions from employer	488
151	Contributions from employee	173
(97)	Benefits Paid	(184)
<b>13,820</b>	<b>Closing fair value of scheme assets</b>	<b>14,746</b>

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**16c. Fund history**

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Present Value of Liabilities	(10,210)	(13,549)	(12,980)	(18,493)	(16,187)
Fair value of assets	8,548	10,089	10,785	13,820	14,746
<b>Surplus/(deficit) in the Fund</b>	<b>(1,662)</b>	<b>(3,460)</b>	<b>(2,195)</b>	<b>(4,673)</b>	<b>(1,441)</b>

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

The total liability of £1.441 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.

**16d. 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 2017.

The principal assumptions used by the actuary have been:

2016/17	Financial Year:	2017/18
<b>Mortality assumptions</b>		
	Longevity at 65 for current pensioners	
22.1 years	• Men	21.4 years
23.6 years	• Women	23.7 years
	Longevity at 65 for Future pensioners	
24.8 years	• Men	23.4 years
26.2 years	• Women	25.8 years
4.4%	Rate of increase in salaries*	3.6%
2.4%	Rate of increase in pensions	2.4%
2.6%	Rate for discounting scheme liabilities	2.7%
	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:

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2016/17			2017/18
£000		Percentage	£000
	<b>Equity Securities</b>		
1,307	Consumer	6.4%	947
1,037	Manufacturing	5.2%	767
411	Energy and Utilities	1.3%	197
962	Financial Institutions	4.3%	636
562	Health and Care	2.6%	377
795	Information Technology	3.3%	486
-	Other	0.0%	-
<b>5,074</b>	<b>Total Equity</b>	<b>23.1%</b>	<b>3,410</b>
	<b>Debt Securities</b>		
-	Corporate Bonds (investment grade)	3.1%	463
-	<b>Total Debt Securities</b>	<b>3.1%</b>	<b>463</b>
	<b>Private Equity</b>		
1,139	All	11.9%	1,762
<b>1,139</b>	<b>Total Private Equity</b>	<b>11.9%</b>	<b>1,762</b>
	<b>Real Estate</b>		
1,667	UK Property	9.1%	1,335
-	Overseas Property	0.0%	-
<b>1,667</b>	<b>Total Real Estate</b>	<b>9.0%</b>	<b>1,335</b>
	<b>Investment Funds &amp; Unit Trusts</b>		
4,443	Equities	30.9%	4,551
776	Bonds	11.6%	1,707
9	Commodities	0.1%	7
187	Other	0.2%	19
<b>5,415</b>	<b>Total Investment Funds &amp; Unit Trusts</b>	<b>42.8%</b>	<b>6,284</b>
	<b>Derivatives</b>		
2	Foreign Exchange	0.0%	-
1	Other	0.0%	-
<b>3</b>	<b>Total Derivatives</b>	<b>0.0%</b>	<b>-</b>
	<b>Cash &amp; Cash Equivalents</b>		
521	All	10.1%	1,491
<b>521</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>10.1%</b>	<b>1,491</b>
<b>13,820</b>	<b>Total</b>	<b>100%</b>	<b>14,746</b>

**16e. 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 2017-18 and 2018-19.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2019 is £0.488 million.

**Note 17 Contingent Liabilities and Assets**

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

## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

**Report  
by  
Director Scotland Excel**

**Tender: Domestic Gas Boiler Maintenance**

**Schedule: 22/17**

**Period: 22 October 2018 to 13 September 2020 (with an extension up to two years until 13 September 2022).**

### **1. Introduction and Background**

This recommendation is for the award of the first national collaborative framework for domestic gas boiler maintenance.

This framework will provide councils and associate members with a mechanism to procure a contractor to carry out annual servicing, maintenance and ad hoc repairs of gas boilers across their housing stock.

The framework should encourage efficiencies by having one contractor conduct the servicing, maintenance and repairs for an annual cost per unit. This will incentivise contractors to pro-actively maintain boilers during the annual service, keeping reactive maintenance requirements to a minimum, reducing disruption to tenants and creating a positive impact on the environment.

Councils own 215,000 properties across Scotland. Scotland Excel also has 22 housing associations as associate members. These housing associations manage a further 91,000 properties. Typically, a council/ housing association appoints a single contractor to manage their gas boiler maintenance and repair requirements over a multi-year period.

While councils and housing associations will be able to award services directly from this framework, it is anticipated that most contracts will be awarded via mini competitions.

Health and safety requirements, maintenance planning, progress reporting and the customer journey, which includes engaging with elderly and vulnerable householders, are all critical elements of this framework.

Registered Social Landlords must provide reports to the Housing Regulator and a vital part of this is ensuring that boilers are serviced on time and certification is

recorded. Purchasers also require access to a system that keeps them up to date with specific job information so that they can respond to tenant queries.

With a contract like domestic gas boiler maintenance where compliance is a vital element it is imperative that suppliers provide a consistent, high level of service as failure could result in the Housing Regulator issuing penalties to the housing provider.

This new framework will support councils in delivering against Scotland's National Outcomes. Through this framework, councils will ensure gas boilers are efficient and working economically, reducing fuel emissions and increasing energy efficiency within the housing sector.

## **2. Scope, Participation and Spend**

The core service of the framework will be providing an annual gas boiler safety check, including carbon monoxide detector check and breakdown service.

In addition, a void service will be provided where a heating system may be drained and the gas supply capped until a new tenancy agreement is in place.

In addition to these core services, the framework will also support the provision of several supplementary services such as:

- Diagnostics and repairs to electrical equipment providing power up to the boiler
- Diagnostics, repairs and replacements to boiler controls
- Installation of parts or, when deemed beyond economic repair, installation of entire heating systems
- Servicing, repairs or replacements to fire alarm systems
- Building and maintaining of property asset lists
- Servicing and maintenance of other domestic heating appliances
- Storage and refitting of boilers in void properties.
- Servicing and maintenance of commercial gas boilers
- Servicing and maintenance of boilers powered by other fuels

As detailed in Appendix 1, eight councils have confirmed use of the framework with an additional two considering their options, a further six associate members have confirmed their intention to participate on this framework either from the framework start date or when existing agreements come to an end.

The remaining councils are unlikely to access this first national framework for a variety of reasons, including:

- the council has no housing stock;
- the service falls within a broader facilities management agreement;
- the service is provided by an in-house workforce; or
- the council's domestic boilers are powered using an alternative fuel to gas.



To meet the requirements of contracting councils, Scotland Excel has developed this framework to incorporate two sets of standard industry terms and conditions. To award contracts, participating bodies can select the New Engineering Contract 4 (NEC4) Term Service Contract or the Scottish Building Contract Committee (SBCC) Measured Term Contract.

The level of spend is anticipated to be in the region of £10 million per annum, increasing as current contractual arrangements expire and they migrate to the framework.

### **3. Procurement Process**

During the development of the procurement strategy, in addition to member councils, Scotland Excel consulted with a range of key stakeholders. Following publication of a Prior Information Notice (PIN), 16 supplier meetings were held, which resulted in the sharing of valuable information in relation to market trends, innovation and cost drivers. This also provided an opportunity to consult with suppliers on their views of a national collaborative framework.

A User Intelligence Group (UIG) consisting of procurement and technical representatives from the participating councils was established to support the development of the procurement strategy and specification.

Due to the labour-intensive nature the services, technical panel representatives agreed that the framework should be a single lot with 37 geographical sub lots. This strategy was designed to simultaneously encourage Small to Medium Enterprises (SMEs) to submit offers and to ensure suppliers bid only for those areas they had realistic capacity to deliver high quality services.

The UIG endorsed the use of the open procedure. To be eligible for award, suppliers were required to pass the minimum standards of bidder selection. The minimum standards were assessed using the European Single Procurement Document (ESPD) and included questions on insurance, financial standing, quality management, health and safety and environmental management.

Offers were evaluated against the following criteria and weightings:

- Technical 40%
- Commercial 60%

Within the technical section, suppliers were required to evidence their knowledge and experience by responding to a series of scored questions, covering the following areas:

**Table 1: Available Points**

Area	Question	Maximum points available
Commercial 60%		
Technical 40%	Service Response	14.5
	Reporting	11.4
	Customer Interface	7.5
	Mobilisation	3.5
	Community Benefits	2
	Workforce Matters (Inc. living wage)	1

Within the commercial section, suppliers were invited to submit offers for one, all or any number of the 37-geographical locations. Suppliers were invited to offer rates for the core service, void service and supplementary services for each geographical location they tendered. Some pricing assumed a standard term service of three years. In such cases, a percentage discount was sought as an option for councils prepared to commit to a term service of four years; conversely percentage uplifts were offered as options for councils only agreeing to service terms of one or two years.

#### 4. Report on Offers Received

In total, 37 organisations accessed the tender documents, with 12 offers received before the closing date.

One supplier failed to submit a commercial response, as such this bid was non-compliant, they were advised that they would not be considered further. Two suppliers submitted pricing which on initial assessment were considered to be abnormally low. Both suppliers were asked to clarify the submitted pricing in line with regulation 69 of the Public Contracts Regulations 2015, which requires a contracting authority to investigate such concerns. One of the suppliers offered a reasonable explanation which satisfied the requirements of the legislation. The other supplier could not provide a satisfactory reason for the abnormally low pricing. A meeting was held with the supplier to discuss the scope of the framework which resulted in the supplier deciding to withdraw their submission for 26 of the lots, they requested their submission for the remaining 11 be evaluated. Following regulation 69 Scotland Excel believed that the pricing submitted for eight of the remaining 11 lots was abnormally low. The supplier was given further opportunity to explain the prices for these eight lots in line with the legislation, but could not, therefore they have been discounted from the evaluation. The remaining aspects of their offer were evaluated in accordance with the established criteria.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of the 11 compliant offers set out in Appendix 2 was conducted and details of the overall scores are set out in Appendix 3.

## **5. Recommendations**

Based on the evaluation undertaken and to secure best value, capacity and coverage, it is recommended that a multi supplier framework is awarded to 9 suppliers across the 37 geographical areas as outlined in Appendix 3.

These 9 recommended suppliers offer nationwide coverage under the framework with eight of the suppliers being SME's.

## **6. Benefits**

### **Benchmarking**

Scotland Excel sought current rates from councils and housing associations as a comparative benchmark for measuring the competitiveness of the tendered rates. Further benchmarking will be carried out on an individual basis for those who wish to join the framework throughout its lifetime.

The benchmarking exercise projects an average saving of 5.8% for councils, equating to a total council saving of approximately £617k per annum. The benchmarking exercise projects a saving of 9.5% for housing associations, equating to a total annual saving for housing associations of approximately £163k per annum.

Additional average savings of 2% of spend are available for framework users that award a four-year term service contract.

### **Price Stability**

Framework pricing is fixed for the first two years of the framework. Thereafter, in accordance with the terms of the framework, any price increases will require to be supported with documentary evidence and will be validated against changes in market pricing, tracked in accordance with Scotland Excel's indexation model.

### **Sustainable Procurement Benefits**

#### ***Environmental Initiatives***

Suppliers were asked to show how they will minimise the environmental impact of their services and work towards the achievement of Scotland's National Outcomes, such as:

- We value and enjoy our built and natural environment and protect it and enhance it for future generations.
- We reduce the local and global environmental impact of our consumption and production.
- We live in well-designed, sustainable places, where we are able to access the amenities and services we need.

The following is an overview of some of the environmental commitments from the recommended suppliers, which will be monitored as Key Performance Indicators throughout the lifetime of the framework:

- Six suppliers will implement and maintain policies to ensure that vehicles meet high environmental standards at the time of procuring them.
- Three suppliers will provide staff with fuel efficient driver training – both practical and theory.
- Three suppliers will utilise a fully auditable telematic solution for their vehicle fleet for monitoring CO2 emissions, idle time and vehicle trip data.

### ***Community Benefits***

All recommended suppliers have agreed to deliver a specified level of community benefit 'points' within each council area. These points will be commensurate with the level of spend achieved in that council area. This approach will give councils the opportunity to agree with suppliers the specific benefits that will best support their local area. Examples of the type of benefits that could be delivered include:

- Employment opportunities;
- Apprenticeships, work experience and training;
- Sponsorship of local community projects.

Suppliers will meet with Scotland Excel annually to identify what spend thresholds have been met and agree the specific community benefits to be delivered with the relevant council representatives. Suppliers have agreed to report ongoing delivery of community benefits to Scotland Excel on a six-monthly basis.

### ***Workforce Matters***

Suppliers were asked to confirm their approach to workforce matters and the payment of the Scottish Living Wage to their workforce. All nine recommended suppliers pay their employees (except volunteers, apprentices and interns) the Scottish Living Wage, with eight of these living wage accredited.

Suppliers also detailed their fair working practices including how they will support staff development, flexible working policies and employee training.

Scotland Excel will work with all awarded suppliers during the lifetime of the framework to ensure commitments are met.

## **7. Contract Mobilisation and Management**

Both awarded suppliers and participating members will be issued with a mobilisation pack containing information relating to the operation of the framework, roles and responsibilities, management information requirements and community benefits commitments.

In accordance with Scotland Excel's established Contract and Supplier Management (CSM) programme, this framework is classified as level two. This classification will be reviewed on a bi-annual basis.

As such, on a quarterly basis Scotland Excel will collect, analyse and review management information submitted by suppliers. Scotland Excel will also regularly monitor and report on framework KPIs, including the provision of environmental initiatives, community benefits and workforce matters. At least annually, Scotland Excel will meet with the framework suppliers and the UIG to review the framework operation and discuss potential development opportunities.

## **8. Summary**

This framework aims to maximise collaboration and deliver best value to Scotland Excel members and associate members who are procuring essential gas boiler maintenance services. It is anticipated that a range of sustainable benefits will be delivered in relation to environmental initiatives, community benefits and fair work practices.

The Executive Sub Committee is requested to approve the recommendations to award this framework agreement as detailed in Appendix 3.

## Appendix 1 – Participation and Spend Summary

\* Denotes further discussion with council prior to current contract end.

Domestic Gas Boiler Maintenance Framework 22-17							
Member Name	Participation in Contract	Participation Entry Date	Estimated Annual Spend (£)	Source of Spend Data	% Estimated Forecast Savings	Estimated Annual Savings (£)	Basis of Savings Calculation
Aberdeen City Council	Yes	01 March 2020	£2,199,000	Spikes Cavell	5.8%	£127,542	Average Saving
Aberdeenshire Council	No						
Angus Council	No						
Argyll & Bute Council	No						
City of Edinburgh Council	No						
Clackmannanshire Council	No						
Comhairle nan Eilean Siar	No						
Dumfries & Galloway Council	No						
Dundee City Council	No						
East Ayrshire Council	No						
East Dunbartonshire Council	No						
East Lothian Council*	No						
East Renfrewshire Council	Yes	01 November 2018	£296,300	Spikes Cavell	5.8%	£17,185	Average Saving
Falkirk Council*	No						
Fife Council	No						
Glasgow City Council	No						
Highland Council	No						
Inverclyde Council	No						
Midlothian Council	Yes	01 March 2022	£670,800	Spikes Cavell	5.8%	£38,906	Average Saving
North Ayrshire Council	Yes	01 April 2019	£1,296,600	Spikes Cavell	5.8%	£75,203	Average Saving
North Lanarkshire Council	Yes	01 January 2021	£3,635,200	Spikes Cavell	5.8%	£210,842	Average Saving
Orkney Islands Council	No						
Perth & Kinross Council	Yes	01 October 2018	£739,200	Member Provided	8.5%	£62,832	Benchmarked Current Contract
Renfrewshire Council	No						
Scottish Borders Council	No						
Shetland Islands Council	No						
South Ayrshire Council	Yes	Contract Start	£800,000	Spikes Cavell	5.8%	£46,400	Average Saving
South Lanarkshire Council	No						
Stirling Council	No						
Moray Council	No						
West Dunbartonshire Council	Yes	Contract Start	£1,200,000	Member Provided	3.2%	£38,400	Benchmarked Current Contract
West Lothian Council	No						
<b>Totals</b>			<b>£10,837,100</b>		<b>5.7%</b>	<b>£617,310</b>	

Domestic Gas Boiler Maintenance Framework 22-17							
Associate Member Name	Participation in Contract	Participation Entry Date	Estimated Annual Spend (£)	Source of Spend Data	% Estimated Forecast	Estimated Annual	Basis of Savings Calculation
Bield Group	Yes	Contract Start	£430,600	Member Provided	2.4%	£10,334	Benchmarked Current Contract
Dumfries & Galloway Housing Partnership	Yes	Contract Start	£1,014,100	Member Provided	9.5%	£96,340	Average Saving
Clydebank Housing Association	Yes	Contract Start	£112,600	Member Provided	9.5%	£10,697	Average Saving
Ferguslie Park Housing Association	Yes	Contract Start	£79,200	Member Provided	16.7%	£13,226	Benchmarked Current Contract
Trust Housing Association	Yes	01 April 2020	£257,800	Member Provided	9.5%	£24,491	Average Saving
Hanover Housing Association	Yes	01 July 2019	£80,000	Member Provided	9.5%	£7,600	Average Saving
<b>Totals</b>			<b>£1,974,300</b>		<b>8.2%</b>	<b>£162,688</b>	

## Appendix 2 – List of Tenderers

<b>Organisation</b>	<b>Based</b>	<b>SME status</b>
BAM Facilities Management Limited	Kelvin House, Stepps, Glasgow, G33 6FB	Medium
British Gas Social Housing Limited trading as PH Jones	Maidenhead Road, Windsor, SL4 5GB	Large
City Building (Contracts) LLP	350 Darnick Street, Glasgow, G21 4BA	Medium
City Technical Services (UK) Limited	16 Clydesmill Place, Glasgow, G32 8RF	Medium
Everwarm Ltd	3-5 Melville Street Melville Street, Edinburgh, EH3 7PE	Large
Gas Call Services Ltd	2 Queenslie Court, Summerlee St, G33 4DB	Medium
IQA Operations Group Limited	101 Abercorn Street, Paisley, Renfrewshire, PA3 4AT	Medium
James Frew Limited	83 New Street, Stevenston, KA20 3HD	Small
O'Neil Gas Services Limited	55 Green Street, Ayr, KA8 8BQ	Small
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	58 Howard Street, North Shields, Tyne & Wear, NE30 1AL	Large
Saltire Facilities Management Limited	10 James Street, Bellshill, ML4 3LU	Medium
WRB Gas (Contracts) Ltd	40 N Ellen St, Dundee, DD3 7DH	Medium



## Appendix 3 – Scoring and Recommendations -

Lot 1 - Aberdeen City Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Gas Call Services Limited	76.8	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	76.8	Y
Everwarm Limited	75.2	N
British Gas Social Housing Limited trading as PH Jones	67.5	N

Lot 3 - Angus Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	78.2	Y
Gas Call Services Limited	76.8	N
Saltire Facilities Management Limited	76.8	N
Everwarm Limited	76.4	N
British Gas Social Housing Limited trading as PH Jones	75.4	N

Lot 5 - City of Edinburgh		
Supplier	Final Score	Recommended for award
WRB Gas (Contracts) Limited	82.6	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	80.4	Y
Saltire Facilities Management Limited	80.2	Y
James Frew Limited	78.8	Y
Gas Call Services Limited	76.8	N
Everwarm Limited	76.5	N
British Gas Social Housing Limited trading as PH Jones	74.1	N
City Technical Services (UK) Limited	74.1	N

Lot 7 - Comhairle nan Eilean		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	82.7	Y
IQA Operations Group Limited	61.6	N

Lot 2 - Aberdeenshire Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Gas Call Services Limited	76.8	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	76.7	Y
Everwarm Limited	75.2	N
British Gas Social Housing Limited trading as PH Jones	67.5	N

Lot 4 - Argyll & Bute		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	82.7	Y

Lot 6 - Clackmannanshire Council		
Supplier	Final Score	Recommended for Award
Gas Call Services Limited	81.8	Y
WRB Gas (Contracts) Limited	60.0	Y
Saltire Facilities Management Limited	58.1	N
James Frew Limited	58.1	N
City Technical Services (UK) Limited	56.0	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	54.4	N
Everwarm Limited	53.5	N
British Gas Social Housing Limited trading as PH Jones	52.6	N

Lot 8 - Dumfries & Galloway		
Supplier	Final Score	Recommended for Award
Saltire Facilities Management Limited	83.6	Y
James Frew Limited	83.5	Y
Gas Call Services Limited	81.5	Y
British Gas Social Housing Limited trading as PH Jones	79.8	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	78.3	N
City Technical Services (UK) Limited	73.1	N

Lot 9 - Dundee City Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	80.4	Y
Saltire Facilities Management Limited	77.9	N
Gas Call Services Limited	76.8	N
Everwarm Limited	75.3	N
British Gas Social Housing Limited trading as PH Jones	74.1	N
City Technical Services (UK) Limited	74.1	N

Lot 11 - East Dunbartonshire Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
James Frew Limited	77.1	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	69.1	N
Saltire Facilities Management Limited	68.8	N
Gas Call Services Limited	68.7	N
City Technical Services (UK) Limited	68.3	N
Everwarm Limited	67.2	N
British Gas Social Housing Limited trading as PH Jones	62.3	N

Lot 13 - East Renfrewshire Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
James Frew Limited	77.1	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	69.5	N
Saltire Facilities Management Limited	68.8	N
Gas Call Services Limited	68.7	N
City Technical Services (UK) Limited	68.3	N
Everwarm Limited	66.3	N
British Gas Social Housing Limited trading as PH Jones	62.3	N

Lot 15 - Fife Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
James Frew Limited	78.8	Y
Saltire Facilities Management Limited	77.9	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	77.1	Y
Gas Call Services Limited	76.8	Y
British Gas Social Housing Limited trading as PH Jones	74.1	N
Everwarm Limited	73.3	N

Lot 10 - East Ayrshire Council		
Supplier	Final Score	Recommended for Award
O'Neil Gas Services Limited	81.8	Y
City Building (Contracts) LLP	76.7	Y
Saltire Facilities Management Limited	73.0	N
James Frew Limited	73.0	N
City Technical Services (UK) Limited	70.5	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	69.0	N
Gas Call Services Limited	68.8	N
British Gas Social Housing Limited trading as PH Jones	64.9	N
Everwarm Limited	63.7	N

Lot 12 - East Lothian Council		
Supplier	Final Score	Recommended for Award
James Frew Limited	83.5	Y
Saltire Facilities Management Limited	83.3	Y
Gas Call Services Limited	78.7	Y
City Technical Services (UK) Limited	76.3	N
Everwarm Limited	75.7	N
British Gas Social Housing Limited trading as PH Jones	73.6	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	73.2	N

Lot 14 - Falkirk Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Saltire Facilities Management Limited	80.0	Y
James Frew Limited	78.8	Y
City Technical Services (UK) Limited	78.2	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	77.1	N
Gas Call Services Limited	76.8	N
British Gas Social Housing Limited trading as PH Jones	75.4	N
Everwarm Limited	75.3	N

Lot 16 - Glasgow City Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	82.0	Y
Saltire Facilities Management Limited	81.2	Y
James Frew Limited	80.3	Y
City Technical Services (UK) Limited	79.7	Y
Gas Call Services Limited	78.4	N
Everwarm Limited	78.0	N
British Gas Social Housing Limited trading as PH Jones	75.4	N

Lot 17 - Highland Council		
Supplier	Final Score	Recommended for Award
Gas Call Services Limited	81.8	Y
Everwarm Limited	78.6	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	76.4	N

Lot 19 - Midlothian Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
James Frew Limited	79.0	Y
Saltire Facilities Management Limited	78.9	Y
Gas Call Services Limited	74.5	N
City Technical Services (UK) Limited	72.4	N
Everwarm Limited	71.8	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	70.7	N
British Gas Social Housing Limited trading as PH Jones	69.9	N

Lot 21 - North Ayrshire Council		
Supplier	Final Score	Recommended for Award
O'Neil Gas Services Limited	81.8	Y
City Building (Contracts) LLP	77.1	Y
Saltire Facilities Management Limited	75.7	Y
James Frew Limited	73.8	N
City Technical Services (UK) Limited	72.6	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	72.1	N
Gas Call Services Limited	71.9	N
British Gas Social Housing Limited trading as PH Jones	70.8	N
Everwarm Limited	70.5	N

Lot 23 - Orkney Islands Council		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	82.7	Y
IQA Operations Group Limited	61.6	N

Lot 18 - Inverclyde Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
Saltire Facilities Management Limited	82.4	Y
James Frew Limited	80.3	N
City Technical Services (UK) Limited	79.7	N
Gas Call Services Limited	78.4	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	78.1	N
Everwarm Limited	78.0	N
British Gas Social Housing Limited trading as PH Jones	76.9	N

Lot 20 - Moray Council		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	82.7	Y
Everwarm Limited	78.3	Y

Lot 22 - North Lanarkshire Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
Saltire Facilities Management Limited	82.4	Y
James Frew Limited	80.3	Y
City Technical Services (UK) Limited	79.7	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	78.5	N
Gas Call Services Limited	78.4	N
British Gas Social Housing Limited trading as PH Jones	76.9	N
Everwarm Limited	74.7	N

Lot 24 - Perth & Kinross Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	77.9	Y
Saltire Facilities Management Limited	76.3	Y
Gas Call Services Limited	74.5	N
Everwarm Limited	71.8	N
British Gas Social Housing Limited trading as PH Jones	69.9	N

Lot 25 - Renfrewshire Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
James Frew Limited	77.1	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	69.5	N
Saltire Facilities Management Limited	68.8	N
Gas Call Services Limited	68.7	N
City Technical Services (UK) Limited	68.3	N
Everwarm Limited	66.3	N
British Gas Social Housing Limited trading as PH Jones	62.3	N

Lot 27 - Shetland Islands		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	82.7	Y

Lot 29 - South Lanarkshire Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
Saltire Facilities Management Limited	82.4	Y
James Frew Limited	80.3	N
City Technical Services (UK) Limited	79.7	N
Gas Call Services Limited	78.4	N
Everwarm Limited	76.7	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	76.0	N
British Gas Social Housing Limited trading as PH Jones	75.4	N

Lot 31 - West Dunbartonshire Council		
Supplier	Final Score	Recommended for Award
City Building (Contracts) LLP	84.0	Y
Saltire Facilities Management Limited	81.8	Y
James Frew Limited	80.3	Y
City Technical Services (UK) Limited	79.7	Y
Gas Call Services Limited	78.4	N
Everwarm Limited	77.9	N
British Gas Social Housing Limited trading as PH Jones	76.9	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	76.1	N

Lot 26 - Scottish Borders Council		
Supplier	Final Score	Recommended for Award
Saltire Facilities Management Limited	82.1	Y
Gas Call Services Limited	81.8	Y
British Gas Social Housing Limited trading as PH Jones	80.6	N
Everwarm Limited	78.6	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	75.9	N

Lot 28 - South Ayrshire Council		
Supplier	Final Score	Recommended for Award
O'Neil Gas Services Limited	81.8	Y
City Building (Contracts) LLP	76.7	Y
Saltire Facilities Management Limited	73.0	N
James Frew Limited	73.0	N
City Technical Services (UK) Limited	70.5	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	69.2	N
Gas Call Services Limited	68.8	N
Everwarm Limited	66.5	N
British Gas Social Housing Limited trading as PH Jones	64.9	N

Lot 30 - Stirling Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
James Frew Limited	79.0	Y
Saltire Facilities Management Limited	76.3	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	74.7	N
Gas Call Services Limited	74.5	N
City Technical Services (UK) Limited	72.4	N
Everwarm Limited	71.8	N
British Gas Social Housing Limited trading as PH Jones	69.9	N

Lot 32 - West Lothian Council		
Supplier	Final Score	Recommended for Award
WRB Gas (Contracts) Limited	82.6	Y
Saltire Facilities Management Limited	80.8	Y
James Frew Limited	78.8	N
Gas Call Services Limited	76.8	N
Everwarm Limited	76.5	N
British Gas Social Housing Limited trading as PH Jones	75.4	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	73.6	N
City Technical Services (UK) Limited	73.4	N

Lot 33 - Regional Area 1		
Supplier	Final Score	Recommended for Award
Saltire Facilities Management Limited	52.9	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	49.7	N
Gas Call Services Limited	49.5	N
Everwarm Limited	49.2	N
British Gas Social Housing Limited trading as PH Jones	49.1	N
City Technical Services (UK) Limited	49.0	N

Lot 35 - Regional Area 3		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	54.2	Y
Gas Call Services Limited	53.9	Y
Everwarm Limited	52.5	N
British Gas Social Housing Limited trading as PH Jones	49.4	N

Lot 37 - Regional Area 5		
Supplier	Final Score	Recommended for Award
Saltire Facilities Management Limited	56.4	Y
City Technical Services (UK) Limited	55.6	Y
Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions	53.9	N
Gas Call Services Limited	53.8	N
Everwarm Limited	52.6	N

Lot 34 - Regional Area 2		
Supplier	Final Score	Recommended for Award
Saltire Facilities Management Limited	52.9	Y
City Technical Services (UK) Limited	51.4	N
Gas Call Services Limited	49.5	N
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	49.4	N
Everwarm Limited	49.2	N
British Gas Social Housing Limited trading as PH Jones	49.1	N

Lot 36 - Regional Area 4		
Supplier	Final Score	Recommended for Award
Richard Irvin & Sons Limited, trading as Richard Irvin Energy	75.4	Y
IQA Operations Group Limited	71.3	N

**Regional Area 1** (Angus, Dundee, Clacks, Fife, East Lothian, West Lothian, Midlothian, Edinburgh, Scottish Borders, Perth & Kinross, Falkirk)

**Regional Area 2** (Glasgow, South Ayrshire, Stirling, South Lanarkshire, North Lanarkshire, Inverclyde, East Renfrewshire, Renfrewshire, East Ayrshire, North Ayrshire, Dumfries & Galloway, West Dunbartonshire, East Dunbartonshire, Argyll & Bute)

**Regional Area 3** (Aberdeen, Aberdeenshire and Moray)

**Regional Area 4** (The Highlands, Comhairle nan Eilean Siar, Orkney, The Shetland Islands)

**Regional Area 5** (Bield Housing). Angus, Argyll & Bute, City of Edinburgh, Dundee City, East Ayrshire, East Dunbartonshire, East Lothian, East Renfrewshire, Falkirk, Fife, Glasgow, Inverclyde, Midlothian, North Ayrshire, North Lanarkshire, Perth and Kinross, Renfrewshire, Scottish Borders, South Ayrshire, South Lanarkshire, Stirling, West Dunbartonshire, West Lothian



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

**Report  
by  
Director Scotland Excel**

**Tender: Supply, Delivery & Installation of Commercial Catering Equipment**

**Schedule: 11/18**

**Period: 01 November 2018 until 31 October 2021, with the option to extend for up to an additional 12 month period until 31 October 2022**

### **1. Introduction and Background**

This framework has been developed by the Operational Supplies and Services (OSS) Team with a fast-tracked approach involving key stakeholders. This has resulted in shorter procurement cycles and a more flexible approach to stakeholder engagement. The OSS team continue to support councils by reducing resource pressure, whilst consolidating demand and providing new collaborative procurement opportunities.

This recommendation is for the award of a new framework for the Supply, Delivery & Installation of Commercial Catering Equipment, which will operate from 01 November 2018 until 31 October 2021, with the option to extend for up to an additional 12-month period until 31 October 2022.

The requirement for this framework opportunity has been identified through consultation with commodity User Intelligence Groups (UIGs) from the Corporate portfolio. This presents an opportunity for Scotland Excel to provide a collaborative and focused approach to providing a framework for these products whilst alleviating the resource challenge associated with these types of procurement exercises for councils.

The framework was advertised at a value of £16 million over the four-year period.

This report summarises the outcome of the procurement process for this national framework arrangement.

## 2. Scope, Participation and Spend

As part of the strategy development, the UIG endorsed the inclusion of 5 lots as summarised in Figure 1.

The lot structure will provide a mechanism for councils to procure a range of gas, electric and refrigerated commercial catering equipment. This includes, but is not limited to, blast chillers, combi ovens, fridges, freezers, hot and cold holding equipment, gas ranges, mixers, dishwashers and other associated products.

**Figure 1: Lot Structure**

Lot Number	Lot Name	Framework Spend
1	Prime Cooking Equipment	20%
2	Warewashing Equipment	20%
3	Refrigeration Equipment	20%
4	Heated, Ambient and Refrigerated Display	20%
5	Food Preparation Equipment	20%

## 3. Procurement Process

A Prior Information Notice (PIN) was published on 23 April 2018 with 52 companies expressing an interest in the opportunity. As a result of these expressions of interest 13 meetings were held with potential suppliers to discuss the scope of the framework.

As a matter of best practice and to ensure that the framework aligned with council requirements, consultation was conducted to understand their service requirements and current purchasing practices.

To ensure maximum competition, an open tender process was used, and this was advertised in the Official Journal of the European Union and the Public Contracts Scotland portal on 05 July 2018. The tender process was conducted using the Public Contracts Scotland Tender (PCS-T) system.

The procurement process followed a two-stage tendering procedure. Stage one, Qualification, was conducted using the European Single Procurement Document (ESPD). Within the ESPD, tenderers were required to answer a set of exclusionary questions along with providing details and/or acknowledgement of insurance, financial standing, quality management, health and safety, and environmental management policies and/or procedures.

At the second stage of the process, offers were evaluated against the following criteria and weightings for all lots:

Commercial	80%
Technical	20%



Tenderers were required to indicate which lots that they were bidding for, and the councils which they had an ability to service.

Tenderers were invited to bid on the following basis;

- In the commercial section, a national net delivered product price & national net installation price for each product listed within the Schedule of Offer for each lot;
- In the technical section, scored method statements on customer service, fair work practices, innovation & added value and sustainability. In addition to these method statements, a scored question was also asked in relation to the commitments bidders would make in respect to community benefits.

**Figure 2: Technical Section Scoring Matrix**

Question	Maximum Score Available
Community Benefits	2
Customer Service	7
Fair Work Practices including the Living Wage	2
Innovation & Added Value	2
Sustainability	7

#### **4. Report on Offers Received**

The tender document was accessed by 34 organisations, with 19 of these submitting an offer.

A summary of all offers received from tenderers, and their SME status is outlined in Appendix 1.

Following a full evaluation of compliant offers, scoring was completed, and Appendix 2 confirms the scoring achieved by each tenderer.

#### **5. Recommendations**

Based on the evaluation undertaken in line with the criteria and weightings set out above, it is recommended that a multiple supplier framework agreement is awarded to the 14 tenderers outlined in Appendix 2.

Of the 14 recommended suppliers;

- 9 are classified as a medium sized business
- 2 are classified as a small business, and;
- 1 is classified as a micro business

Of the 14 recommended suppliers, 4 are based in Scotland, supporting the Scottish economy.

These suppliers provide the range of products and services required by councils, as well as representing best value.

## **6. Benefits**

### **Savings**

The projected average saving across all councils is forecasted at 9.9%, which equates to an estimated saving of approximately £397,000 per annum, based on current spend forecasts. This projection was calculated by benchmarking the lowest offer received against an average of the other prices tendered.

Savings that can be achieved will depend on individual councils purchasing patterns.

### **Price Stability**

Suppliers have accepted as part of the terms & conditions of the framework that they will hold prices firm for the first 12 months of the contract.

After the initial 12-month period, suppliers may submit a request for a price variance on an annual basis. Suppliers may submit a price decrease at any time throughout the duration of the framework.

### **Sustainable Procurement Benefits**

#### **Community Benefits**

Community benefits attained as part of this framework will be delivered at a local level for each council and would be aligned to the Scottish Government's National Indicators.

Of the 14 recommended suppliers, 13 have confirmed their commitment to Scotland Excel's community benefits approach for this framework. The supplier who has not committed to this has not done so due to their holistic approach taken to community benefits across the frameworks they are part of.

Examples of benefits which may be offered as part of this framework include:

- Fundraising event for external charities / initiatives within the council area;
- Engage in community projects for a minimum of 10 hours;
- Work placements to school students from council area;
- Offer training sessions to wider community within the council area (non-employees / school children);
- Employability workshop or event in a school, college or group within the council area;
- Donation of materials and / or labour to support community projects;
- Sponsorship of sports team or community events;

- Recruit a modern (or other approved) apprentice from within the council area; and
- Recruit one person from with the council area.

Scotland Excel will support delivery of these commitments during the lifetime of the framework through the contract and supplier management programme. These benefits will also be reported through six monthly contract management returns.

### **Fair Work Practices**

For information, tenderers were also asked to confirm their approach to fair work practices and the Scottish Living Wage. The status of all 14 tenderers is summarised in Figure 3.

**Figure 3: Living Wage Status**

<b>Living Wage Status</b>	<b>Number of Recommended Suppliers</b>
Accredited Living Wage Employer	6
Not Accredited Living Wage Employer but currently pay the Living Wage to all employees (except volunteers, apprentices and interns)	6
Not Accredited Living Wage Employer and currently do not pay the Living Wage to all employees	2

### **Sustainability**

Suppliers were asked to complete a method statement relating to sustainability in areas such as end of life considerations, waste reduction & environmental considerations, transportation, stock holding and supply chain.

Some end of life, waste reduction & environmental consideration approaches offered include recycling and reuse of equipment or parts, waste segregation, donation of machines to charities and compliance with the Waste Electrical and Electronic Equipment (WEEE) Directive.

Suppliers also advised they consider route planning to ensure minimal mileage and use Euro 6 standard vehicles for delivery of products.

Suppliers provided details on how they monitor stock holding and supply chain. Suppliers advised they regularly conduct supplier assessments to ensure fair working practises and ensure their suppliers are conforming to ISO 14001 regulations.

All suppliers recommended for award onto the framework responded that they are committed to providing a sustainable service.

## **7. Contract Mobilisation and Management**

Both suppliers and participating members will be issued with a mobilisation pack containing information relating to the operation of the framework, roles and responsibilities, management information requirements and community benefits commitments.

In accordance with Scotland Excel's established contract and supplier management programme, this framework has been classified as a level 3 arrangement in terms of both risk and spend. As such, Scotland Excel will conduct annual review meetings with suppliers, whilst monitoring management information and community benefits associated with this framework.

## **8. Summary**

This framework for the Supply, Delivery & Installation of Commercial Catering Equipment aims to maximise collaboration, consolidate demand and deliver best value. A range of benefits can be reported in relation to savings, price stability, community benefits and sustainability.

The Executive Sub Committee is requested to approve the recommendation to award placings on this framework to the suppliers as detailed in Appendix 2.

## Appendix 1 – List of Tenderers with SME status

Tenderer	SME Status	Location	Lots Tendered
AFE Group Limited T/A Williams Refrigeration	Medium	King's Lynn, Norfolk	3,4
AFE Group Limited T/A Falcon Foodservice Equipment	Medium	King's Lynn, Norfolk	1
Airedale Catering Equipment Limited	Medium	Bradford, West Yorkshire	1,2,3,4,5
BGL Rieber Limited	Small	Melksham, Wiltshire	1
Brakes Bros Ltd T/A Brakes Catering Equipment	Large	Ashford, Kent	1,2,3,4,5
Burlodge Limited	Small	Chessington, Surrey	1
C & M (Environmental) Limited	Medium	Glasgow, Glasgow	3
Electrical Catering Services Limited	Micro	Clarkston, East Renfrewshire	1,2,3,4
Fast Fixx Catering Engineers Limited	Small	Clarkston, East Renfrewshire	1,2,3,4,5
Instock Ltd	Medium	Aberdeen, Aberdeenshire	1,2,3,4,5
ITW Limited T/A Foster Refrigerator	Medium	Egham, Surrey	3
ITW Ltd T/A Hobart UK	Medium	Egham, Surrey	1,2
JLA Limited	Large	Ripponden, West Yorkshire	1,2,3,4
Lovat's Catering Engineering Service Limited T/A Lovat's Group	Small	Kirkcaldy, Fife	1,2,3,4,5
Meiko UK Limited	Medium	Slough, Berkshire	2
ScoMac Catering Equipment Ltd	Medium	Burntwood, Staffordshire	1,2,3,4,5
Stephens Catering Equipment Company Limited	Medium	Ballymena, County Antrim	1,2,3,4,5
The Acme Facilities Group Limited	Medium	London, London	1,2,3,4,5
Victor Manufacturing Limited	Medium	Bradford, West Yorkshire	4

## Appendix 2 - Scoring and Recommendations

(NC denotes non-compliant supplier)

Lot 1 – Prime Cooking Equipment		
Tenderer	Score	Awarded (Yes/No)
Airedale Catering Equipment Limited	75.96	Yes
Lovat's Catering Engineering Service Limited TA Lovat's Group	75.36	Yes
Instock Ltd	74.85	Yes
Electrical Catering Services Limited	73.03	Yes
ITW Limited TA Hobart UK	71.68	Yes
ScoMac Catering Equipment Limited	71.22	Yes
Stephens Catering Equipment Company Limited	65.09	Yes
Fast Fixx Catering Engineers Limited	63.86	Yes
JLA Limited	63.84	Yes
Brake Bros Limited TA Brakes Catering Equipment	58.77	Yes
The Acme Facilities Group Limited	55.30	Yes
AFE Group TA Falcon Foodservice Equipment	48.30	No
BGL Rieber Limited	47.24	No
Burlodge Limited	NC	No

Lot 2 – Warewashing Equipment		
Tenderer	Score	Awarded (Yes/ No)
Lovat's Catering Engineering Service Limited TA Lovat's Group	82.48	Yes
Electrical Catering Services Limited	82.00	Yes
JLA Limited	72.14	Yes
Instock Ltd	71.87	Yes
ScoMac Catering Equipment Limited	71.37	Yes
Airedale Catering Equipment Limited	69.40	Yes
The Acme Facilities Group Limited	67.55	Yes
Fast Fixx Catering Engineers Limited	64.98	Yes
Meiko UK Limited	62.93	Yes
ITW Limited TA Hobart UK	56.52	Yes
Brake Bros Limited TA Brakes Catering Equipment	53.98	Yes
Stephens Catering Equipment Company Limited	49.17	Yes

<b>Lot 3 – Refrigeration Equipment</b>		
<b>Tenderer</b>	<b>Score</b>	<b>Awarded (Yes/ No)</b>
Lovat's Catering Engineering Service Limited TA Lovat's Group	86.76	Yes
Instock Ltd	86.25	Yes
The Acme Facilities Group Limited	79.39	Yes
ITW Limited TA Fosters Refrigerator	73.18	Yes
Airedale Catering Equipment Limited	72.89	Yes
Stephens Catering Equipment Company Limited	67.62	Yes
Fast Fixx Catering Engineers Limited	64.39	Yes
ScoMac Catering Equipment Limited	64.19	Yes
JLA Limited	61.79	Yes
Brake Bros Limited TA Brakes Catering Equipment	60.85	Yes
	53.67	No
	It should be noted this bid has not been properly authorised by the bidder	
AFE Group TA Williams Refrigeration		
Electrical Catering Services Limited	50.37	No
C & M Environmental Limited	NC	No

<b>Lot 4 – Heated, Ambient and Refrigerated Display</b>		
<b>Tenderer</b>	<b>Score</b>	<b>Awarded (Yes/ No)</b>
Stephens Catering Equipment Company Limited	91.00	Yes
Brake Bros Limited TA Brakes Catering Equipment	84.95	Yes
Airedale Catering Equipment Limited	80.82	Yes
Lovat's Catering Engineering Service Limited TA Lovat's Group	80.28	Yes
Instock Ltd	80.28	Yes
ScoMac Catering Equipment Limited	78.83	Yes
The Acme Facilities Group Limited	72.58	Yes
JLA Limited	70.42	Yes
Electrical Catering Services Limited	61.12	Yes
Victor Manufacturing Limited	60.26	Yes
Fast Fixx Catering Engineers Limited	58.44	Yes
	48.75	No
	It should be noted this bid has not been properly authorised by the bidder	
AFE Group TA Williams Refrigeration		

Lot 5 – Food Preparation Equipment		
Tenderer	Score	Awarded (Yes/ No)
Instock Ltd	79.97	Yes
The Acme Facilities Group Limited	65.44	Yes
ScoMac Catering Equipment Limited	65.00	Yes
Airedale Catering Equipment Limited	63.15	Yes
Fast Fixx Catering Engineers Limited	60.63	Yes
Lovat's Catering Engineering Service Limited TA Lovat's Group	55.26	Yes
Stephens Catering Equipment Company Limited	52.58	Yes
Brake Bros Limited TA Brakes Catering Equipment	51.07	Yes
ITW Limited TA Hobart UK	45.95	Yes



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

**Report  
by  
Director Scotland Excel**

### **Request for Associate Membership of Scotland Excel by Advice Direct Scotland**

#### **1 Introduction**

In addition to the 32 local authorities who are full members of Scotland Excel, applications can be made for Associate Membership by organisations such as council arms length organisations, community groups, charities, housing associations and voluntary organisations which are a public body or a body that engages in activities of a public nature.

Organisations apply to Scotland Excel for Associate Membership to allow them to access the frameworks for goods and services which we have in place for our full members. Associates do not have the opportunity to influence the future contract delivery schedule which is reserved for the full local authority members.

#### **2 Application**

Advice Direct Scotland are an independent member of The Scottish Association of Citizens Advice Bureaux and registered charity and their mission is to connect advice and information with the people who need it.

Advice Direct Scotland provide impartial advice across Scotland, at no cost, regardless of personal circumstance on their rights and how to exercise them.

Advice Direct Scotland are also a Scottish Living Wage employer.

To ensure the efficient and cost-effective delivery of these services they have approached Scotland Excel and requested approval to become an associate member with access to our contracts.

#### **3 Legislative Position**

Before any application is submitted to committee for consideration checks are made into the organisation, including scrutiny of the Memorandum & Articles of Association, finances and the type of contracts which the organisation wishes to access. Membership commences following Executive Subcommittee approval and a Membership Agreement between Scotland Excel and the organisation is signed.

Scotland Excel monitors all requests from arms length and other organisations to become associate members to ensure that any legal requirements are met. In this case Advice Direct Scotland qualify for membership as they in accordance with the Local Authorities (Goods and Services) Act 1970, section 1(1B) (C), namely that the organisation is not a public body, but it has functions of a public nature or engages in activities of that nature and the purpose of accessing Scotland Excel's services is to facilitate the discharge of those functions and activities.

#### **4 Recommendation**

It is recommended to committee that Advice Direct Scotland application to join Scotland Excel as an associate member be approved, at a £500 annual fee, subject to completion and signing of the agreement document.

## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

**Report  
by  
Director Scotland Excel**

### **Early Learning and Childcare (ELC) and Procurement: Delivering the 1140 Hours**

#### **1 Purpose**

To inform the Scotland Excel Executive Sub Committee of Scotland Excel's work regarding the expansion of Early Learning and Childcare in Scottish local authorities.

#### **2 Recommendations**

Members of the Scotland Excel Executive Sub Committee are invited to note the new project that Scotland Excel is undertaking in relation to the Early Learning and Childcare expansion.

#### **3 Introduction**

Currently, every 3 and 4 year-old, and eligible 2 year olds, are entitled to 600 hours of funded childcare per year.

Local authorities use a variety of processes to ensure suitable early learning and childcare (ELC) provision is available in their local area. This includes full procurement processes to lighter touch application processes that are open year-round.

In October 2016, Scottish Government launched "A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland". The document set out their vision to nearly double the entitlement to free ELC to 1140 hours per year by 2020 for all 3 and 4 year olds and eligible 2 year olds. The vision is underpinned by guiding principles covering:

- Quality
- Flexibility
- Accessibility
- Affordability

A Service Models Working Group (SMWG) was formed by the Scottish Government in June 2017 to develop the principles and detailed documentation for the expansion. The group has various members including local authorities (Dundee City, East Dunbartonshire, East Lothian, North Ayrshire, Highland and Edinburgh City), the Care Inspectorate and the Convention of Scottish Local Authorities (COSLA).

In particular, the work of the SMWG has focused on a new National Standard and a “Funding Follows the Child” approach.

The National Standard will contain criteria that children and their families should expect from their ELC experience, regardless of where they access their entitlement: whether in a public, private or third sector setting or through provision offered by childminders. The National Standard should ensure that there is consistency of high quality provision across all provider types while the “Funding Follows the Child” approach should ensure more choice of high quality provision for parents and carers.

## **4 Background**

In March 2018, the Scottish Government and COSLA published ‘The ELC Service Model for 2020: Consultation Paper’ setting out the “Funding Follows the Child” approach, and seeking views of the National Standard that will underpin it. The consultation closed on 29th June, and the responses are now being analysed.

As set out in the consultation paper, a suite of operating guidance and supporting material for providers and local authorities will be required to support implementation of the new funding model and National Standard from 2020 and beyond.

Given Scotland Excel’s strong background of working across local authorities to develop and deliver national, collaborative projects, the SMWG has commissioned Scotland Excel to develop the necessary ELC supporting guidance.

## **5 Remit**

Scotland Excel has been awarded grant funding by the Scottish Government to deliver the following work:

- A set of principles, supported by guidance on options to support local authorities and providers to establish affordable and sustainable rates for delivery of the funded hours;
- Guidance on options, including key principles, and templates to promote simplicity in the approach to become or continue to be a funded provider;
- Guidance to support new and existing providers meet the business sustainability criteria; and

- Technical guidance to support local authorities and providers in the private and third sectors and relevant childminding organisations to implement the 'real' living wage commitment.

By undertaking and developing these critical pieces of work on behalf of, and through engagement with, all 32 local authorities and ELC providers, Scotland Excel will reduce the need for individual local authorities to allocate local resource on ELC procurement related topics.

## 6 Workplan

The workplan shown below outlines the workplan and milestones to be covered within the next two years. Regular updates will be provided to the SMWG by Scotland Excel.

Activity/Milestone	Completion Date
Market overview and review of existing procurement and contracting arrangements	Mid October 2018
Guidance and set of principles for determining local sustainable rates	Mid November 2018
Financial viability workstream	Mid November 2018
Procurement guidance – Transition options	Mid November 2018
Template contract terms	End March 2019
Procurement guidance – Future options	End March 2019
Template tender documentation and assessment/evaluation methodology	End May 2019
Supporting local authorities undertake procurement activity, ongoing service monitoring, including financial risk monitoring	June 2019 – May 2020

**Table 1:** Workplan for ELC project

## 7 Next Steps

Scotland Excel will co-produce the guidance with local authorities, with input from provider bodies and other relevant stakeholders, for example the Care Inspectorate, COSLA and the Improvement Service.

Focus groups will be set up in the coming weeks to engage with local authorities, to identify and share best practice and develop the contents of each of the guidance documents. Consultation with public, private and third sector providers, including childminders, will also be undertaken.



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 28 September 2018**

**Report  
by  
Director Scotland Excel**

### **Update on the Contract Delivery Plan**

#### **1. Introduction**

This report provides a progress update on the 2018/ 2019 contract delivery plan.

#### **2. Progress to Date**

As detailed in Appendices 1 – 3, the 2018/ 2019 contract delivery plan comprises framework renewals, new developments, framework extensions and frameworks with ongoing contract management only.

There are 62 current frameworks in the Scotland Excel contract portfolio, with nine of these frameworks to be renewed before 31 March 2019 (Appendix 1).

As detailed in Appendix 1, the social care agency workers framework was delivered ahead of schedule in June 2018. The delivery date for a renewal framework for the treatment of recyclable & residual waste has been moved from June to October to allow for the development of a dynamic purchasing system to be put in place. The remaining renewal frameworks in 2018/ 2019 are currently on track with the forecast schedule.

Scotland Excel plans to add a further six new frameworks to its contract portfolio by 31 March 2019 (Appendix 2). The six planned first-generation frameworks include five being coordinated through the operational supplies and services team.

A further eight of the frameworks on the current portfolio have extension options that are likely to be exercised in 2018/ 2019 with four of these extensions already approved (Appendix 3).

Overall, efficiencies delivered to date continue to be within the 2-4% forecast range.

In addition to the activity detailed in Appendices 1 -3, Scotland Excel is exploring the benefits of further collaborative procurement across high spend, critical service areas of adult social care and construction.

Scotland Excel has finalised the procurement strategy for care and support services. In 2018-2019, Scotland Excel will continue to work with a range of partners to implement the procurement strategy.

In 2018/ 2019, Scotland Excel will also deliver a new sourcing strategy for care home services for older people. This strategy, again co-produced with stakeholders, will build on current best practice and complement local strategic commissioning plans.

In the construction portfolio, Scotland Excel has released an updated prior information notice for a new build residential housing framework. The framework will aim to support council delivery of new affordable houses, enabling councils to attain a range of works and services.

Scotland Excel, working in partnership with the Digital Office, released a prior information notice (PIN) for market engagement across a range of projects to drive digital transformation across Scotland. A webinar Q&A exercise was held in January 2018 with interested parties involved. Following on from this webinar, extensive market engagement was undertaken in relation to a replacement social work system and with stakeholder support and involvement, this opportunity will be published to the market place late Autumn 2018

### **3. Conclusion**

Members are invited to note the progress made to date.



## Appendix 1 - List of contracts to be renewed

Service	Estimated Annual Collaborative Contract Opportunity	Activity	Original Forecast Date	Previous Forecast Date	Delivered Date	Latest Forecast Date if Different	Forecast Savings Range	Delivered Savings Forecast	Comments
Treatment Of Recyclable & Residual Waste	25,000,000	Renew	Jun-18			Oct-18	2% - 4%		Strategy in development
Street Lighting Materials	35,000,000	Renew	Jul-18		Aug-18		2% - 4%	13.0%	Framework is live
Salt	16,250,000	Renew	Jul-18		Jun-18		2% - 4%	-11.1%	Framework is live
Road Maintenance Materials	2,500,000	Renew	Jul-18		Aug-18		2% - 4%	2.0%	Framework is live
Roadstone	5,000,000	Renew	Jul-18		Jun-18		2% - 4%	13.3%	Framework is live
Social Care Agency Workers	20,000,000	Renew	Aug-18		Jun-18		2% - 4%	N/A	Framework is live
Fresh Meat, Cooked Meats & Fresh Fish	10,000,000	Renew	Oct-18		Jun-18		2% - 4%	2.3%	Framework is live
Washroom Solutions	3,500,000	Renew	Oct-18		Aug-18		2% - 4%	0.0%	Framework is live
Asbestos	12,000,000	Renew	Nov-18				2% - 4%		Recommendations to be presented to Executive Sub Committee on 28 September 2018
Presentation and AV Equipment	7,500,000	Renew	Nov-18				2% - 4%		Strategy in development
Online School Payments	2,500,000	Renew	Dec-18				2% - 4%		Strategy in development
Road Signage Materials	1,250,000	Renew	Dec-18				2% - 4%		Tender released
Technology Enabled Care	6,300,000	Renew	Jan-19				2% - 4%		Evaluating
Light & Heavy Plant	5,000,000	Renew	Mar-19				2% - 4%		Strategy in development
Ground Maintenance Equipment	5,000,000	Renew	Mar-19				2% - 4%		Strategy in development
Janitorial Products	9,000,000	Renew	Mar-19				2% - 4%		Strategy in development

## Appendix 2 – List of new contracts to be developed and delivered in 2018/2019

Service	Estimated Annual Collaborative Contract Opportunity	Activity	Original Forecast Date	Previous Forecast Date	Delivered Date	Latest Forecast Date if Different	Forecast Savings Range	Delivered Savings Forecast	Comments
Vocational Training Service Providers	1,800,000	New Contract	Mar-18	Dec-18			5.5%		Development strategy under review
Power Tools	625,000	New Contract	Jun-18		Apr-18		5.5%	5.8%	Framework is live
Boiler Maintenance	10,000,000	New Contract	Jul-18		Sep-18		5.5%		Recommendations to be presented to Executive Sub Committee on 28 September 2018
First Aid Materials	2,000,000	New Contract	Sep-18		Aug-18	Oct-18	5.5%	15.0%	Framework is live
Commercial Catering Equipment	5,250,000	New Contract	Oct-18			Nov-18	5.5%		Recommendations to be presented to Executive Sub Committee on 28 September 2018
Social Work Health Care System	TBC	New Contract	Nov-18				5.5%		Strategy in development
Care Home Services for Older People	TBC	New Contract	Jan-19				N/A		Strategy in development
Hot Beverage Machinery & Supplies	TBC	New Contract	Jan-19				5.5%		Strategy in development
Home Energy Advice Services	TBC	New Contract	Jan-19				5.5%		Strategy in development

### Appendix 3 – Contracts with extension options and contract management activity ongoing in 2018/2019

#### Contracts with extension options in 2018/19

Contract Description	Est Annual Value
Bitumen Products	£ 12,000,000
Education Materials	£ 17,500,000
Electrical Materials	£ 14,000,000
Fostering & Continuing Care	£ 25,000,000
Frozen Foods	£ 25,000,000
Outdoor Play Equipment and Artificial Surfaces	£ 17,500,000
Personal Protective Equipment	£ 10,000,000
Plumbing & Heating Materials	£ 20,621,122

*Contracts highlighted in yellow have been approved for extension*

## Contracts with no renewal or extension activity in 2018/19

Contract Description	Est Annual Value
Bottled Gas	£ 2,000,000
Building And Timber Materials	£ 15,200,000
Buildings Related Engineering Consultancy	£ 10,000,000
Care Homes for Adults (LD)	£ 31,000,000
Catering Machines	£ 2,000,000
Catering Sundries	£ 6,000,000
Children's Residential Care	£ 105,000,000
Customer Service Platform	£ 3,750,000
Demolition	£ 16,000,000
Digital Publications and Services	£ 1,000,000
Domestic Furniture and Furnishings	£ 20,000,000
Education And Office Furniture	£ 9,000,000
Energy Efficiency Contractors	£ 200,000,000
Engineering Consultancy	£ 17,000,000
Fire Fighting & Rescue Services	£ 2,500,000
Groceries & Provisions	£ 30,000,000
Heavy Vehicles	£ 40,000,000
Laundry Equipment	£ 1,100,000
Library Books & Textbooks	£ 14,000,000
Milk	£ 9,000,000
Organic Waste	£ 12,000,000
Pest Control Services	£ 1,500,000
Recycle And Refuse Containers	£ 12,500,000
Secure Care	£ 20,000,000
Security Services and Equipment	£ 18,000,000
Steeplejack Services	£ 1,750,000
Street Lighting Bulk Renewal of Luminaires	£ 5,000,000
Swimming Pool Chemicals	£ 1,250,000
Trade Materials	£ 10,000,000
Tyres for Vehicles & Plant	£ 6,500,000
Vehicle & Plant Hire	£ 15,000,000
Vehicle Parts	£ 12,000,000
Vehicle Purchase RM1070	£ 15,000,000
Waste Disposal Equipment	£ 1,250,000
Water Coolers	£ 1,500,000