

Scotland Excel

To: Joint Committee

On: 6 December 2019

**Report
by
Director Scotland Excel**

Income Stream Update

1. Introduction

This paper provides members with an update on the progress made on generating additional funding through a series of income generating projects. Detailed financial information related to projects has been provided within the Revenue Estimates Report for 2020/21 and a summary provided in Appendix 1 of this report.

2. Background

The Revenue Estimates 2018-19 report presented at the Joint Committee on 8th December 2017 and the Funding Model Review at the 29th June 2018 Joint Committee highlighted the challenging future financial landscape for local government, and the impact on Scotland Excel. It was recognised that over the medium term, local government in Scotland is likely to face further contraction in available resources. In this context, Scotland Excel continues to seek operational savings to manage its financial position flexibly to maintain the aim of minimising the level of requisition required, and also to develop value propositions for member authorities to ensure that best value is achieved.

A number of funding opportunities were also identified by Scotland Excel and approved by the Joint Committee. These were:

1. Consultancy Services
2. Learning and development
3. Associate Membership Expansion
4. New Build Housing
5. Rebates

All five funding opportunities are progressing, with three projects contributing targeted surpluses within the current financial year.

3. **Project Updates**

All funding opportunities are now being progressed with an emphasis on the projects that are scheduled to deliver income in the current financial year (FY 19/20).

1. Consultancy Services

Scotland Excel is working on several consultancy projects.

The June 2018 Joint Committee approved a surplus target of £70k for Consultancy Services in 2019/20. Based on current and scheduled projects it is anticipated that the target will be exceeded. Appendix 1 provides additional information on the target, forecast result for the current financial year and proposed future targets.

The following projects are currently underway:

Fife Transformation Programme: The programme is now in its second year of operation. The programme consists of a number of projects across many aspects of the council's operation. At the request of the council, the team has increased its focus on the identification and delivery of savings by pushing other projects until later within the programme. In addition to savings, the programme continues its prioritisation of skills development to support handover from Scotland Excel to the Fife procurement team in late 2020. The programme has seen success in a number of areas which will benefit the council covering financial and non-financial benefits.

Tayside Procurement: Scotland Excel has been commissioned to deliver a Tayside wide project to enhance procurement and commissioning capability. Angus Council, Dundee City Council, Perth and Kinross Council and Tayside Contracts will participate in the change programme, including the current shared team which makes up the Tayside Procurement Consortium. An option appraisal to support a choice of future operating model for procurement and commissioning in Tayside is underway. Scotland Excel are supporting the partner organisations to create a robust model which will take public services into the coming years with a strong professional approach to managing external relationships. These include arrangements for delivery of social care services, construction contractors and support industries which enable delivery of frontline services. The approved business case identified opportunities for more effective joint working, realising savings, process enhancement and greater support for evolving services. The target agreed was £18m of benefit over three years for the Tayside area; some of which is likely to be achieved through enhancing the social impact achieved when councils spend externally. Examples of this would be in support for local employment opportunities, targeted training and supply chain management.

City Property (Glasgow) LLP: Scotland Excel was engaged by this organisation to operate a mini competition within Crown Commercial Service's Estates Professional Services framework. This initial project was completed in

June 2019. Scotland Excel continues to work with City Property and is currently scoping a piece of work around waste management services which is scheduled to start in January 2020.

East Renfrewshire Council: Following on from previous consultancy work undertaken for East Renfrewshire council, Scotland Excel initiated a 12-month project in July 2019. The project is focussed on supporting a number of foundation elements across procurement including; stakeholder engagement, and relationships, team development, workload planning, identification of savings opportunities and strategic direction of procurement.

East Lothian Council: Scotland Excel is at the early stages of a two-year programme working with East Lothian Council to support the development of its Procurement services across the organisation. In mid-October the programme recruited a Commercial Programme Manager who will lead the corporate procurement team. The programme will encompass a number of projects including; contract optimisation, contract and supplier management, systems review, collaborative working and strategic direction of procurement.

Cycling Scotland: The project is now complete. It was designed to put in place a Dynamic Purchasing System (DPS) which is an electronic procurement process, similar to a framework agreement, but remains open to allow new suppliers to join. The DPS provides members with a list of training suppliers which can be engaged to provide cycling proficiency training at a professional level within the local authority or school. The DPS was approved by the Executive Sub committee on the 21st June 2019.

A number of other consultancy projects are at an early stage with organisations such as Dumfries & Galloway Council, Scottish Borders Council, Midlothian Council and Perth & Kinross Council.

2. Learning & Development – The Academy

The June 2018 Joint Committee approved a surplus target of £53k for The Academy in 2019/20. Scotland Excel continues to develop a wide range of programmes to customers including:

- Two further groups in the SQA-accredited Professional Development Award (“PDA”) in Project Management (co-delivered between The Academy and the Improvement Service) have been completed, with 4 groups on-going;
- MCIPS Practitioner group 2 has now completed, with 4 Practitioner and Advanced Practitioner groups in progress;
- Four Chartered Management Institute (CMI) accredited Leadership and Management programmes at levels 5, 6 and 7 (operational and strategic levels) are also on-going;
- Business Analysis, Decision Making & Innovation: one new programme, accredited by the Scottish Qualification Authority (SQA), has been launched in co-delivery with the Improvement Service.

- Launching Coaction, in collaboration with Scottish Government, to enable collaboration and innovation across the wider public sector; and
- One learner has attained Charter Management status after completing the CMI level 5 and 6 Leadership and Management courses.

In addition, numerous day workshops in technical procurement skills have been completed. Classes have been either a mix of attendees from various Councils or attendees from a single Council.

Scotland Excel continues to invest in the Academy to develop the longer-term opportunity and provide a more holistic service for local government and the wider public sector. Examples of current activity include:

- developing the growing demand within the public sector for one-day technical workshops in procurement and leadership and management;
- on-going investment in continued development of the Academy portal;
- continuing delivery of accredited procurement and leadership and management courses;
- investigating the potential for Scotland Excel to become a SCQF-registered credit rating body.

Appendix 1 provides additional information on the target, forecast result for the current financial year and proposed future targets.

3. Associate Member - Expansion

The June 2018 Joint Committee approved a surplus target of £50k for Associate Member expansion in the current financial year. At the December 2018 Joint Committee, members approved Scotland Excel's recommendation of a continued focus and dedicated resourcing into the growth of Associate membership.

Prior to April 2019, associate member growth mainly came from housing associations participating in the Scottish Government Affordable Housing project known as the Procurement Commercial Improvement Programme (PCIP). The development of the new associate member strategy continues to target the housing sector and a new focus on the third sector. Further engagement has taken place with council arm's length organisations to encourage free membership and the use of Scotland Excel contracts to help deliver best value back into the community.

The PCIP programme and the award of the Scotland Excel new build framework continues to attract housing association membership. The associates team has engaged with the third sector by attending targeted events and by meeting with appropriate third sector support organisations. The initial aim is to raise awareness of Scotland Excel and associate membership.

Achieving the agreed income target will continue be challenging although it is anticipated that the work underway will support this goal. Appendix 1 provides

additional information on the target, forecast result for the current financial year and proposed future targets.

4. New Build Housing

The New Build Residential Construction framework was targeted to deliver its first contribution of £93k in financial year 2020/21.

Following an extensive development period and a restricted procurement exercise, 19 contractors have been awarded to the framework which commenced on 26th August 2019. The new framework comprises five lots for different project sizes and includes provisions which encourage sustainable and energy efficient housing, advertising of sub-contracting opportunities, delivery of community benefits and use of supported businesses and social enterprises.

Extensive engagement has been undertaken with individual contractors and purchasers, as well as a number of other key stakeholder groups. The framework was formally launched at an event in Edinburgh in October 2019 which brought together contractors and Scotland Excel members, and the keynote address was delivered by Derek MacKay, Cabinet Secretary for Finance, Economy and Fair Work.

Individual and bespoke mobilisation sessions are now being undertaken by the Scotland Excel team with member councils and housing associations.

It is anticipated that the contribution to surplus for the New Build project in the 2020/21 budget will fall short of the planned amount. The initial annual estimates derived two years previously are still anticipated to be delivered but over a later time period. Appendix 1 provides additional information on the target, forecast result for the current financial year and proposed future targets.

5. Rebates

The Rebates project was targeted to deliver a contribution of £55k to planned surpluses in financial year 2020/21.

The use of volume rebates within appropriate contracts was approved at the June 2018 Joint Committee. As part of the internal contract governance process, the applicability of the inclusion of rebates is now standard practice.

A number of framework opportunities have been identified and are being considered for future rebates. Appendix 1 provides additional information on the target, forecast result for the current financial year and proposed future targets.

4. **Supporting Projects**

Scotland Excel has implemented a number of internal processes and practices to guide and support income generating projects. These range from processes to ensure consistency and transparency, to methods of collecting and sharing good practice. These include:

- A standard and transparent costing model which is shared with prospective customers.
- Staff charged at a fully burdened cost (including standard overheads and IT) to ensure the core budget is not impacted by the growth in projects.
- Agreed internal project reporting and the tracking of all project related costs.
- A periodic income review board is conducted to monitor project financial performance and identify issues and potential obstacles to success.
- Consultation with members to identify future areas of interest and benefit.

The organisation is currently also developing methods for generating further innovation within Scotland Excel, proposing future projects and sharing good practice with the wider Scotland Excel membership.

5. **Recommendations**

Members are asked to note the progress made in this area. Further updates will be presented to future Joint Committees and Executive Sub committees on funding projects including delivery against income targets.

Appendix 1

| | 01/06/2018 Target | 2019/20 Budget | 2019/20 Forecast | 2020/21 Target | 2021/22 Target | 2022/23 Target |
|--------------------------|------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Consultancy Services | 70,000 | 120,000 | 120,000 | 232,000 | 220,000 | 171,300 |
| Learning and Development | 53,000 | 53,000 | 53,000 | 53,000 | 55,000 | 60,000 |
| Associates Income | 130,000 | 155,000 | 155,000 | 210,000 | 225,000 | 240,000 |
| New Build Housing | 95,390 | 0 | 0 | 30,000 | 120,200 | 95,400 |
| Rebates | 55,000 | 0 | 0 | 66,000 | 143,500 | 309,600 |