

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

Date	Time	Venue
Friday, 16 September 2016	10:45	Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley

KENNETH GRAHAM  
Head of Corporate Governance

### Membership

Councillor Cryle Shand (Aberdeenshire Council); Councillor P Valentine (Angus Council); Councillor Iain Whyte (City of Edinburgh Council); Councillor Norman Macdonald (Comhairle Nan Eilean Siar); Councillor Gill Dykes (Dumfries and Galloway Council); Councillor Altany Craik (Fife Council); Councillor Martin McElroy (Glasgow City Council); Councillor Bill Fernie (Highland Council); Councillor Grace McLean (North Ayrshire Council); Councillor Michael Holmes (Renfrewshire Council); Councillor Amanda Westlake (Shetland Islands Council) and Provost Eileen Logan (South Lanarkshire Council).

Councillor Michael Holmes – Convener.

### Further Information

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

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at [www.renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx](http://www.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>Revenue Budget Monitoring</b>   | <b>5 - 8</b>    |
|          | Report by Treasurer and Director of Scotland Excel.  |                 |
| <b>2</b> | <b>Audited Annual Accounts 2015/16</b>   | <b>9 - 70</b>   |
|          | Report by Treasurer and Director of Scotland Excel.  |                 |
| <b>3</b> | <b>Request for Associate Membership of Scotland Excel by Highland and Islands Airports Limited</b> | <b>71 - 72</b>  |
|          | Report by Director of Scotland Excel.  |                 |
| <b>4</b> | <b>Request for Associate Membership of Scotland Excel by Transition Extreme Sports Aberdeen</b>    | <b>73 - 74</b>  |
|          | Report by Director of Scotland Excel.  |                 |
| <b>5</b> | <b>Chief Executive Officers Management Group</b>   | <b>75 - 76</b>  |
|          | Report by Director of Scotland Excel.  |                 |
| <b>6</b> | <b>Workstream: Rebate Management</b>   | <b>77 - 86</b>  |
|          | Report by Director of Scotland Excel.  |                 |
| <b>7</b> | <b>Contract for Approval - Supply and Delivery of Catering Sundries</b>                            | <b>87 - 98</b>  |
|          | Report by Director of Scotland Excel.  |                 |
| <b>8</b> | <b>Contract for Approval - Domestic Furniture and Furnishings</b>                                  | <b>99 - 112</b> |
|          | Report by Director of Scotland Excel.  |                 |

- 9 Demolition Services Contract 113 - 114**  
Report by Clerk.
- 10 Quarterly Progress Report 115 - 128**  
Report by Director of Scotland Excel.
- 11 Employee Absence Management Report 129 - 132**  
Report by Director of Scotland Excel.
- 12 Meetings of Scotland Excel Executive Sub-committee in 2017 133 - 134**  
Report by Clerk.
- 13 Date of Next Meeting**  
Note that the next meeting of the Executive Sub-committee will be held at 10.45 am on 14 October 2016 in Scotland Excel Meeting Room 1, Renfrewshire House, Cotton Street, Paisley.

## Scotland Excel

**To: Executive Sub Committee**

**On: 16th September 2016**

### Report by Joint Report by the Treasurer and the Director

#### Revenue Budget Monitoring Report to 19 August 2016

#### 1. Summary

- 1.1 Gross expenditure is £14,000 over budget and income is currently £65,000 over recovered which results in a net underspend of £51,000 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

<b>4.1 Current Position</b>	<b>Net Underspend £51,000</b>
<i>Previously Reported</i>	<i>n/a</i>

The variance is due to an underspend in Administration Costs and over recovery of Other Income, offset by an overspend in Employee Costs and Payment to Other Bodies.

The overspend in Employee Costs is due to a low turnover of staff, resulting in budget assumptions not being achieved.

Training courses delivered by Scotland Excel have resulted in the overspend within Payments to Other Bodies. These are fully recharged back to delegates and offset by additional income.

The over recovery of Other Income relates to the Training Costs discussed above, unbudgeted Consultancy Income and additional full year Associate Member Fees from the Wheatley Group.

## **4.2 Projected Year End Position**

The projected year end position shows a draw down from reserves of £237,410 which is £37,900 more than the approved draw down, primarily associated with the staff turnover figure not currently matching the budget assumption as discussed in 4.1. This will be mitigated over the financial year by underspends in other areas. Included in this draw down figure is £10,000 from the National Care Home ring fenced reserve.





**Scotland Excel****To: Executive Sub Committee****On: 16<sup>th</sup> September 2016****Report****by****Joint Report by the Treasurer and the Director****Audited Annual Accounts 2015-16****1. Summary**

- 1.1 At the meeting of Scotland Excel Joint Committee on 17 June 2016 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 abstract of the accounts presents a true and fair view of the financial position of the Joint Committee as at 31 March 2016, in accordance with the accounting policies detailed in the accounts.
- 1.3 A report on the 2015-16 audit by Audit Scotland is also submitted for members information.
- 1.4 Following the introduction of the Local Authority Accounts (Scotland) Regulations 2014 the audited accounts must be approved for signature by the Executive Sub Committee no later than 30 September each year. Following this approval the audited accounts will be submitted to The Director, The Convenor and The Treasurer for signature.

**2 Recommendations**

- 2.1 It is recommended that members approve the audited accounts for signature and note the report by Audit Scotland.





# Scotland Excel

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Annual Financial Statements 2015/16



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## **Management Commentary**

### **Introduction**

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

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

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

Our c. £700m contract portfolio supports the delivery of social care, construction, roads, transport, environment, corporate, education and ICT services. Our contracts achieve annual savings of c. £15.7m, 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 local authorities. It meets twice a year and is responsible for the strategic direction of the organisation and for approving the annual budget and business plan.

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

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

### **Strategic Aims**

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

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

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

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

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

**Goal 2: Being sustainable in everything we do**

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

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

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

**Goal 3: Placing customers at the heart of our business**

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

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

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

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

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

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

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

**Values**

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

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

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

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

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

**Vision**

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

**Mission**

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

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

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

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A copy of the 2015-16 year end report, which measures performance against the business plan for the current year, can be found at the link below.

[Operating Plan Update 2015-16](#)

A copy of the current risk register can be found at the address below.

<http://www.scotland-excel.org.uk/nmsruntime/saveasdialog.aspx?IID=11272&SID=25652>

## Financial Performance

### Revenue

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

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

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

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

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

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

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

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

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

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

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

**Capital and Reserves**

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

The balance on revenue reserves is made up as follows:

General Revenue Reserve	£465,411
National Care Home Ring-fenced Reserve *	<u>£17,525</u>
<b>Balance at 31 March 2016</b>	<b><u>£482,936</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 distributable to those Authorities participating in the contract.

**Provisions, Contingencies and Write-offs**

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

The Joint Committee has included a contingent liability and asset (see note 16) within the accounts.

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

There were no debt write-offs during the year.

**Net Pension Position**

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

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

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**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 2016-17 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 Scottish Government and that this will have a consequential impact on the level of requisition funding available to Scotland Excel. The 2016/17 revenue estimates were developed to ensure that core operations were fully funded from requisition income on a flat cash basis, with any increase being related to the costs of transitioning Procurement Improvement Program activities, which were previously funded from reserves, into the core service provision.

**Conclusion**

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

**Councillor Michael Holmes**  
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 16 September 2016.

Signed on behalf of Scotland Excel:

### **Councillor Michael Holmes**

Convenor  
16 September 2016

### **The Treasurer's Responsibilities**

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

In preparing this statement of accounts, the Treasurer has:

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

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

### **Alan Russell CPFA**

Treasurer  
16 September 2016

## **Governance Statement**

### **Scope of Responsibility**

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

### **The Joint Committee's Governance Framework**

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

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

The main features of our governance arrangements are summarised below:

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

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

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

## **Scotland Excel Annual Accounts 2015/16**

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

### **Review of Effectiveness**

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

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

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

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

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

### **Statement on the Role of the Chief Financial Officer**

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

The Chief Financial Officer in a public service organisation:

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

To deliver these responsibilities the Chief Financial Officer:

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

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

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**Continuous Improvement**

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

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

**Assurance**

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

**Alan Russell CPFA**  
Treasurer

**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

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

2014/15	Senior Employees		2015/16		
Total	Name	Post Held	Salary, fees and allowances (i)	Expenses allowance chargeable to UK income tax	Total
£			£	£	£
54,253	Julie Welsh	Director (from 01/09/14)	96,589	-	96,589
73,459	Hugh Carr	Head of Strategic Procurement	74,765	-	74,765
-	Stephen Brannigan	Head of Customer & Business Services (from 25/05/15)	61,178	-	61,178
<b>127,712</b>	<b>Total</b>		<b>232,532</b>	<b>-</b>	<b>232,532</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 2016, whether or not those amounts were actually paid to, or received by, those persons within that period.

### 3. Pension rights

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

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

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

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

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						
Name	Post Held	Accrued Pension benefits as at 31 March 2016		Change in accrued pension benefits since 31 March 2015		Pension contributions made by Scotland Excel during 2015-2016 (i) £
		Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	
Julie Welsh	Director (from 01/09/14)	0.012	0.002	+0.004	+0.001	18,943
Hugh Carr	Head of Strategic Procurement	0.007	0.000	+0.003	+0.000	14,430
Stephen Brannigan	Head of Customer & Business Services (from 25/05/15)	0.001	0.000	+0.001	+0.000	11,807
<b>Total</b>		<b>0.020</b>	<b>0.002</b>	<b>+0.008</b>	<b>+0.001</b>	<b>45,180</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 2015/16, in bands of £5,000.

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

**5. Exit packages**

Scotland Excel had no exit packages in 2015-16.

**Alan Russell CPFA**  
Treasurer

**Julie Welsh**  
Director

## **Independent Auditor's Report**

### **Annual Accounts 2015-16**

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

I certify that I have audited the financial statements of Scotland Excel Joint Committee for the year ended 31 March 2016 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 and Cash flow Statement and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the treasurer and auditor**

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the body as at 31 March 2016 and of the income and expenditure of the body 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 2015/16 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.

**Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Anne McGregor  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

16 September 2016

**Scotland Excel  
Annual Accounts 2015/16**

## Movement in Reserves Statement for the year ended 31 March 2016

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

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

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

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

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

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**Balance Sheet as at 31 March 2016**

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

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

The audited accounts were issued on the 16 September 2016. Balance Sheet signed by:

**Alan Russell CPFA**  
Treasurer  
16 September 2016

## Cash flow Statement for the year ended 31 March 2016

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

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

## **Note 1 Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

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

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

### **Accruals of Expenditure and Income**

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

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

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

**Cash and Cash Equivalents**

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

**Contingent Assets and Liabilities**

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

**Employee Benefits**

**Benefits payable during employment**

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

**Termination benefits**

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

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

**Post employment benefits**

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

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

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

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

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

Note 15 to the Core Financial Statements provides further information.

### **Events after the Balance Sheet date**

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

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

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

### **Prior Period Adjustments**

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

### **Government Grants and other Contributions**

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

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

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

### **Leases**

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

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

### *Operating Leases*

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

### **Property, Plant and Equipment**

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

### **Provisions**

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

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

### **Reserves**

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

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

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

### **VAT**

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

## **Note 2 Accounting Standards Issued not Adopted**

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

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

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

## **Note 3 Critical Judgements in Applying Accounting Policies**

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

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

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

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

<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 £1.721 million. However, the assumptions interact in complex ways. During 2015/16, the appointed actuaries advised that the net pension liability had decreased by £1.579 million as a result of estimates being corrected.

## Note 5 Events after the balance sheet date

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

On 23 June the result of the referendum on membership of the European Union was a majority vote to leave. The UK Government would cease its EU membership from the date of agreement or, failing that, within two years of the notification under Article 50 process to negotiate the terms of the UK's exit, with the possibility of extending this time frame with the agreement of the other 27 member states. There is no immediate impact on Scotland Excel, however, the referendum result has created uncertainty in various areas, for example, employment legislation, procurement, pension liabilities and many more. It is not currently possible to comment on the impact that this may have on the medium term for the Scotland Excel.

## Note 6 Details of Movement in Reserves

### a. Revenue Reserve

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

### b. Pension Reserve

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

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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**

2014/15		2015/16
£		£
58,120	Balance as at 1 April	63,220
(58,120)	Reversal of prior year accrual for short-term accumulating compensated absences	(63,220)
63,220	Recognition of the accrual for short-term accumulating compensating absences at 31 March	60,470
<b>63,220</b>	<b>Balance as at 31 March</b>	<b>60,470</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 7 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement**

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

2014/15		2015/16
£		£
<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>		
(535,000)	Net charges made for retirement benefits in accordance with IAS19	(700,000)
(5,100)	Net charges for employment short-term accumulating absences	2,750
<u>(540,100)</u>		<u>(697,250)</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>		
<u>342,000</u>	Employers contributions payable to the Strathclyde Pension Fund	<u>386,000</u>
<u>(198,100)</u>	<b>Net additional amount required to be debited or credited to the Revenue Reserves balance for the year</b>	<u>(311,250)</u>

## Note 8 Financing & Investment Income

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

## Note 9 Operating Leases

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

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

## Note 10 Debtors

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

## Note 11 Creditors

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

## Note 12 Transfer to Creditors

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

## Note 13 Related parties

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

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

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

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

**Note 14 External audit costs**

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

## Note 15 Retirement Benefits

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

### 15a. Transactions relating to retirement benefits

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

2014/15 £	Note	2015/16 £
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services		
461,000		
-	(i)	586,000
-	(ii)	-
-	(iii)	-
<u>461,000</u>		<u>586,000</u>
<b>Financing &amp; Investment Income &amp; Expenditure</b>		
<u>74,000</u>	(iv)	<u>114,000</u>
<b>535,000</b>		<b>700,000</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
(792,000)		62,000
2,397,000		(1,641,000)
<u>1,605,000</u>		<u>(1,579,000)</u>
<b>2,140,000</b>		<b>(879,000)</b>
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
	(v)	
(1,798,000)		1,265,000
<u>342,000</u>		<u>386,000</u>
<b>Employers Contributions paid to Strathclyde Pension Fund</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 (£314,000).

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

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

**15b. Assets and liabilities in relation to retirement benefits**

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

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

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

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

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**15c. Fund history**

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

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

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

**15d. Basis for estimating assets and liabilities**

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

The principal assumptions used by the actuary have been:

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

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

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

#### 15e. Impact on cashflows

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

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

#### Note 16 Contingent Liabilities and Assets

Prior to the award of a new Framework contract, a legal challenge has been notified in June 2016. Scotland Excel has recognised a contingent liability for potential costs and damages should the court rule in favour of the pursuer.

Similarly, a contingent asset has been recognised for the recovery of costs relating to defending the action should court rule in favour of Scotland Excel.



# Scotland Excel Joint Committee

Proposed 2015/16 Annual  
audit report to Members  
and the Controller of Audit



## Key contacts

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

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

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

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

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# Key messages

## Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements

## Financial management and sustainability

- Scotland Excel incurred a deficit of £0.25m against a budgeted deficit of £0.5m.
- Scottish Government set-up funding now utilised and requisition budget for 2016/17 increased by 9.4% to fund improvement activity. Reserves are sufficient to deal with unforeseen costs in the short-term.
- Scotland Excel is financially sustainable in the short term but uncertain in the medium to long-term. Scenario planning over the medium to long-term would support financial planning and management.

## Governance and transparency

- Governance arrangements were reviewed in 2016 and there is now a clearer and expanded role for chief officers' management group.
- Internal audit concluded reasonable assurance over systems of internal control.
- Registers of interest now in place for all staff

## Outlook

- Long-term financial sustainability is dependent on developing a sustainable funding model.
- The changed remit of the chief officers' management group to support delivery of the operating plan, which includes the goal to deliver and implement a clear and transparent sustainable funding and delivery model for Scotland Excel, aims to help with this challenge.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Scotland Excel. The report is divided into sections which reflect our public sector audit model.
2. The management of Scotland Excel is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of Scotland Excel, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports,

summarised at [appendix II](#) and [appendix III](#), include recommendations for improvements.

6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Scotland Excel understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five-year audit appointment. From 2016/17 the auditor of Scotland Excel will be a new Audit Scotland team. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

# Audit of the 2015/16 financial statements

<b>Audit opinion</b>	<ul style="list-style-type: none"> <li>We have completed our audit of Scotland Excel and issued an unqualified independent auditor’s report.</li> </ul>
<b>Going concern</b>	<ul style="list-style-type: none"> <li>The financial statements of Scotland Excel have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on Scotland Excel’s ability to continue as a going concern.</li> </ul>
<b>Other information</b>	<ul style="list-style-type: none"> <li>We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.</li> </ul>

## Submission of financial statements for audit

10. We received the unaudited financial statements on 6 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and finance staff provided good support to the audit team which assisted the delivery of the audit to deadline.

## Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined

in our Annual Audit Plan presented to the Audit Committee on 17 June 2016.

12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently

had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

14. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements. This was sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

15. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

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

17. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of Scotland Excel we set our planning materiality for 2015/16 at £32,000 (1% of

gross expenditure). Performance materiality was calculated at £24,000, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

18. On receipt of the financial statements we reviewed our materiality levels. Materiality remained at 1% but all pension costs were now included in the calculation. Therefore materiality increased to £39,619 and performance materiality to £29,714. We report all misstatements greater than £1,000.

## Evaluation of misstatements

19. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. There were no monetary errors.

## Significant findings from the audit

20. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
  - Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.

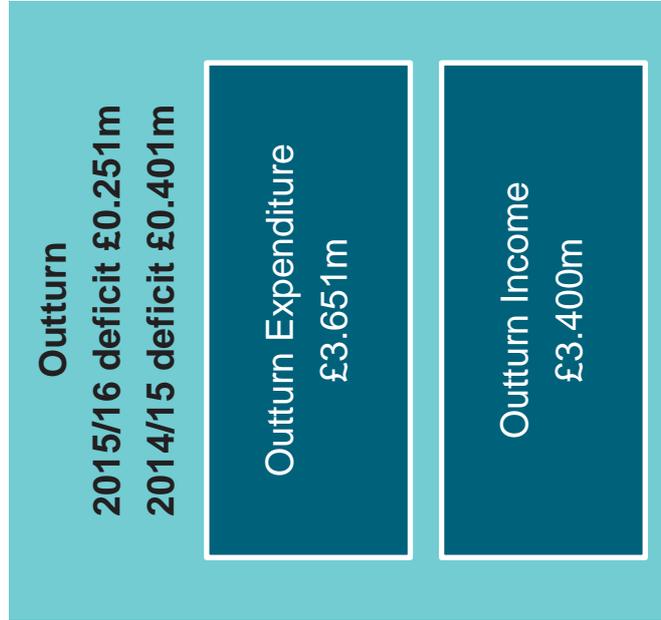
- 
- Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
21. There are no matters, other than those set out elsewhere in this report, to which we wish to draw to your attention.

## **Future accounting and auditing developments**

### **Code of Audit Practice**

22. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on four areas:
- Governance and transparency.
  - Value for money.
  - Financial management.
  - Financial sustainability.
23. In addition, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

# Financial management and sustainability



## Financial management

24. In this section we comment on Scotland Excel's financial outcomes and assess the council's financial management arrangements.
25. Scotland Excel sets an annual budget to meet its service and other commitments for the forthcoming financial year. Regular monitoring

of expenditure and income against agreed budgets is central to effective financial management.

## Financial outcomes

26. Scotland Excel incurred an accounting deficit on the provision of services of £0.562m, as shown in the Comprehensive Income and Expenditure Statement (CIES). The main decrease from 2014/15 is

on contractor costs, due to a planned move away from relying on contractors.

**27.** The deficit as presented in the management commentary (and in the table above), of £0.251m is different because it is prior to items such as pension adjustments and employee leave accrual. As the budget is prepared and monitored against in this way, it is appropriate for the management commentary details to be presented as such.

**28.** Scotland Excel planned for a deficit of £0.506m; the final deficit was £0.251m and is lower due to lower supplies and services costs and lower contractor costs.

### Financial management arrangements

**29.** As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the proper officer has sufficient status within Scotland Excel to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within Scotland Excel
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance.

- members provide a good level of challenge and question budget holders on significant variances.

**30.** We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that Scotland Excel complies with the statement's five principles.

**31.** Revenue budget monitoring reports are regularly submitted to the executive sub-committee. As well as providing comments on income and expenditure to date, the reports forecast the year-end outturn. The accounts include details of final outturn to budget.

**32.** We have noted that over the past four years the budget for *Other income* has always been set at £30,000 but the final amount received is consistently higher than £215,000. Often the income is due to recovery of costs. We recommend Scotland Excel review the budget setting process for *Other Income* to see if they can find a process which would bring the budget figure more in line with the expected activity and recovery of costs. For 2016/17, we can see there is now a separate budget for National Care Home Contract.

### Appendix IV – action plan point 1

## Financial sustainability

**33.** Financial sustainability means that Scotland Excel has the capacity to meet the current and future plans.

**34.** In assessing financial sustainability we are concerned with whether:

- there is an adequate level of reserves

- spending is being balanced with income in the short term
  - long- term financial pressures are understood and planned for
  - investment in services and assets is effective.
35. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

### Pension liability

36. The net liability on Scotland Excel's balance sheet decreased from £3.46m in 2014/15 to £2.195m in 2015/16, a reduction of £1.265m.
37. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.
38. A material net liability can highlight a potential going concern issue however we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

### Reserves

39. Like all joint committees, Scotland Excel has no specific powers to retain reserves to meet future requirements and technically the amounts are due to local authorities. These balances are used to support medium-term financial planning and address any unforeseen costs.

40. Scotland Excel's reserve opening position was split into the balance remaining on Scottish Government set-up costs and amounts due to local authorities. As planned, the Scottish Government balance was utilised during the year. The closing balance of £0.483m is now being used for medium term financial planning; to fund ICT developments (£0.2m) and as unallocated amount of £0.265m for unforeseen costs.

### Financial planning

41. Scotland Excel approved its 2016/17 budget in November 2015 with budgeted expenditure £3.879m. This is funded through requisition income of £3.514m, use of reserves of £0.2m and additional income for national care home contract. The main changes from the previous year are procurement reform being funded from a 9.4% increase in requisition income plus the significant decrease in contractor costs.

42. In June 2014, Audit Scotland reported on [Scotland's public finances](#) and identified that public bodies "face increasingly difficult choices in reducing spending while maintaining service standards and meeting rising demand". The report identified that financial planning improvements were required by public bodies.



43. In the [local government overview](#) report in March 2016, Audit Scotland set out some key questions, which can apply across the Scottish public sector. These include the following:



- Do we have a long-term financial strategy covering at least five years that accounts for future pressures?
- Is our five-year strategy supported by detailed financial plans covering a minimum period of three years?
- How well do our financial plans set out the implications of different levels of income spending and activity?
- How does our financial strategy link to our vision for the future?

44. Local Government bodies continue to have their overall budgets reduced each year which may have a consequential impact on the level of requisition funding available to the Joint Committee over the medium term. At present only the local government grant settlement position for 2016/17 has been announced by the Scottish Government meaning that Scotland Excel has published a budget for financial year 2016/17 only.

45. There is currently no 2017/18 budget in place due to the level of uncertainty over a range of financial risks including pay awards and budget settlements. We recommend that in the absence of longer term financial settlements, scenario planning is carried out to support Scotland Excel's strategy.

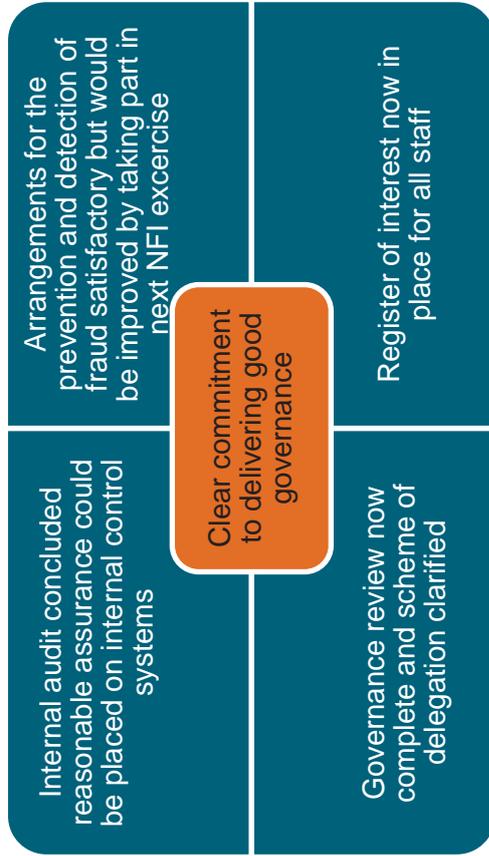
#### **Appendix IV – action plan point 2**

### **Conclusion on financial sustainability**

46. Overall we conclude that the financial position is sustainable in the short term but long-term financial sustainability is a key risk, as recognised by Scotland Excel in its risk register. While the 9.4%

increase was agreed for 2016/17 there will continue to be pressures on funding. Amongst different measures, the changed remit of the Chief Officers Management Group to support delivery of the operating plan, which includes the goal to deliver and implement a clear and transparent sustainable funding and delivery model for Scotland Excel, aims to help with this process.

# Governance and transparency



to understandable, relevant and timely information about how the joint committee is taking decisions and how it is using its resources. Overall we concluded that Scotland Excel is open and transparent.

## Corporate Governance

- 50. In our annual audit plan we reported that the Chief Officers' group had not convened since 23 March 2015 with monitoring having been carried out by the Executive sub-committee. The Director was reviewing Scotland Excel's governance model as part of the operating plan 2015/16.
- 51. Following the review, in June 2016 members approved a new scheme of delegation. The Chief Executive officers Management Group will now have a greater role in supporting delivery of Scotland Excel's overall business plan objectives and in providing strategic direction for Scotland Excel.

## Internal control

- 52. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
- 53. With Renfrewshire Council (the council) being the host for Scotland Excel, all financial transactions of Scotland Excel are processed through the financial systems of the council and are subject to the

- 47. Members and management of Scotland Excel are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
- 48. Scotland Excel has demonstrated a strong commitment to setting in place clear governance arrangements during a time of financial challenge and uncertainty.
- 49. Citizens should be able to hold Scotland Excel to account about the services it provides. Transparency means that citizens have access

same controls and scrutiny of the council including regular reviews of internal audit.

54. Internal audit issued two reports for 2015/16. The *Review of the contract monitoring arrangements* was given satisfactory level of assurance. The Annual Report provided overall reasonable assurance on the adequacy and effectiveness of Scotland Excel's internal control, risk management and governance arrangements.

### Internal audit

55. Internal audit provides members and management of Scotland Excel with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

56. Our review of internal audit concluded that they operate in accordance with the Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures in place. Per our audit plan, in respect of our wider governance and performance audit work we reviewed the findings of internal audit's annual report and Review of contract monitoring arrangements.

### Arrangements for the prevention and detection of fraud

57. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud within Scotland Excel are satisfactory, but could be improved by participating in the National Fraud Initiative (NFI). No system can eliminate the risk of fraud entirely.

58. Scotland Excel is not part of this year's NFI; a counter-fraud exercise led by Audit Scotland, overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error. These exercises are undertaken every two years. <http://www.audit-scotland.gov.uk/work/nfi.phpf>.

59. We recommend Scotland Excel liaise with Renfrewshire Council Internal Audit (who manage the process for Renfrewshire Council) and consider being involved in the next exercise in 2016/17.

### Appendix II – action plan point 3

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## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

60. The arrangements for the prevention and detection of corruption in Scotland Excel are satisfactory. During 2015/16 all members of staff completed a register of interest and these are available on request from Scotland Excel. We are not aware of any specific issues that we need to record in this report.

## Transparency

61. When assessing transparency we consider questions such as:
- Are meetings held in public?
  - Are papers and corporate documents available online and there is only limited use of taking papers in private?
  - Are financial statements clearly presented and budget monitoring papers concise and clear?
  - Is a register of interests available on the website?
62. We concluded that the financial statements are clear and accounts income and expenditure clearly linked to budgeted figures, as described in the management commentary.
63. Meetings of Scotland Excel are held in public and papers available from the Renfrewshire Council website. The Scotland Excel website also publishes information on consultations and progress with the strategic development plan.

# Best Value

64. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. Scotland Excel should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

## Performance management arrangements

65. Overall we conclude that performance management arrangements are clear and plans linked through to the strategic plan.

66. In June 2015, members approved a three-year strategic plan which covers the period 2015-2018 and each year there is an annual operating plan to cascade objectives and activities throughout the organisation in order to deliver agreed goals.

67. In June 2016 the Director presented her year-end report on the 2015/16 Operating plan. The traffic light system was used to provide a quick guide to activity, alongside more detailed narrative. Of the 22 activities, 15 were assessed as green, four as amber and three as red. Examples of performance include:

- flexible workforce model now been developed to resource current contract delivery plan
- enhanced procurement and contract management provided for the National Care Home Contract

- new national procurement capability assessment programme now in place, with workshops being held for local authorities to help them prepare for the new assessments
  - a sustainability procurement strategy was planned for 2015/16 but will now developed in 2016/17; the focus for 2015/16 was to develop statutory guidance on sustainable procurement
68. Scotland Excel estimates that savings of £15.5m were achieved through their work in 2015, representing a return of £5 for every £1 invested in the organisation.

69. The operating plan is reviewed and updated each year and the 2016/17 operating plan was also taken to the June 2016 meeting. A set of ten key performance indicators (KPIs) will be monitored during 2016-17, including number and value of contracts delivered v plan and number of PCIP assessments completed v schedule and number of Community Benefits realised

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

## National performance audit reports

71. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued

specifically covering local government topics. These are outlined in appendix III.

- 72.** While these reports might not directly cover the work of Scotland Excel there may be lessons learned or helpful information on wider issues. Last year we reported there were no formal processes in place to update members on these reports and disseminate the impact for Scotland Excel.
- 73.** Scotland Excel has started quarterly horizon scanning review meetings for the senior management team, which cover the macro external factors that impact on the organisation and its members. Audit Scotland national reports, where relevant to customers and their environment, will be considered as part of the meetings.

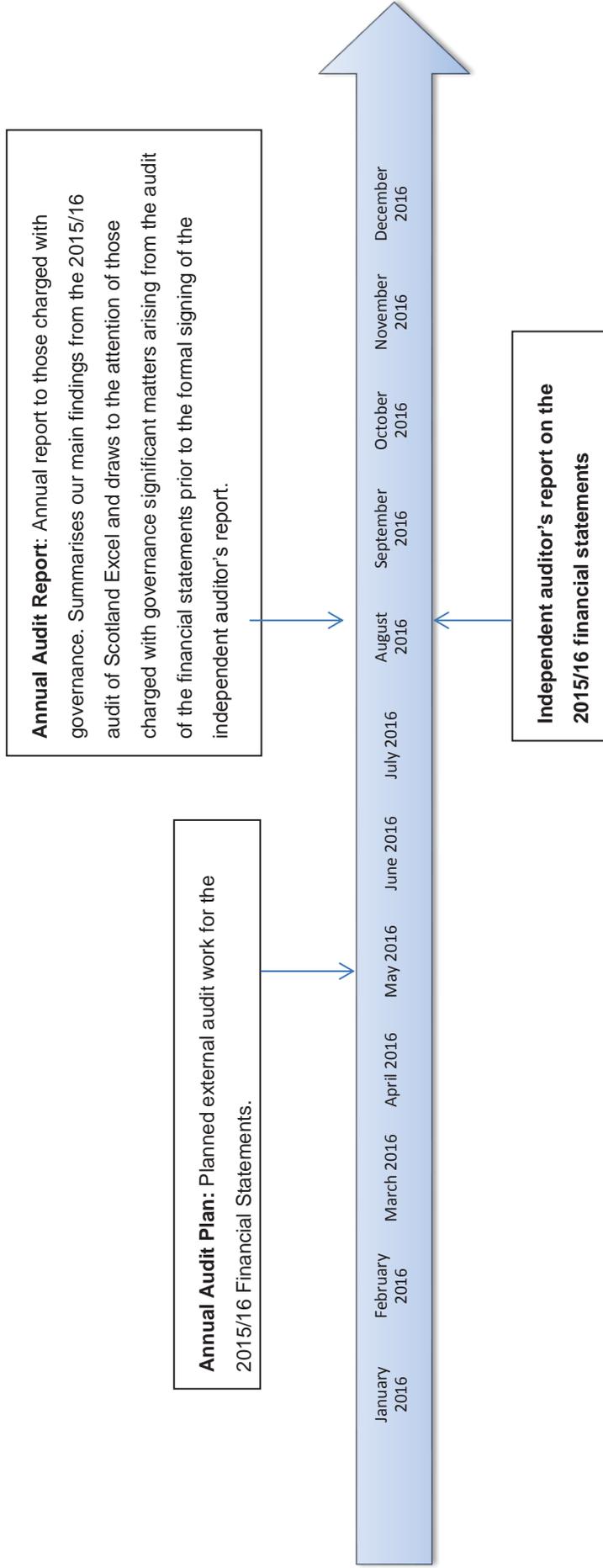
# Appendix I: Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk		Assurance procedure	Results and conclusions
<b>Risk of material misstatement in financial statements</b>			
<p><b>Risk of management override of control</b></p> <p>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.</p> <p><b>Risk</b></p> <p>Management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries</li> <li>Review of accounting estimates for bias</li> <li>Evaluating significant transactions that are outside the normal course of business.</li> </ul>	<ul style="list-style-type: none"> <li>No issues have arisen as part of our audit work that would indicate management override of controls affecting the outturn or year-end position.</li> </ul>	
<b>Wider dimension issues and risks</b>			
<p><b>Financial sustainability</b></p> <p>In previous years we reported that the funds available for procurement improvement activity were being gradually utilised and new models were needed to resource this type of work. The 2016/17 budget has been approved and</p>	<ul style="list-style-type: none"> <li>Review final outturn position against budget and assess reserves position</li> <li>Enquire about, and consider arrangements for, financial planning for 2017/18 onwards and provide update in annual report on the audit</li> </ul>	<ul style="list-style-type: none"> <li>Set-up funding now utilised.</li> <li>General revenue reserve is £0.465m, 13% of 2016/17 budget so sufficient to deal with unforeseen costs.</li> <li>2016/17 operating plan includes commitment to explore new approaches</li> </ul>	

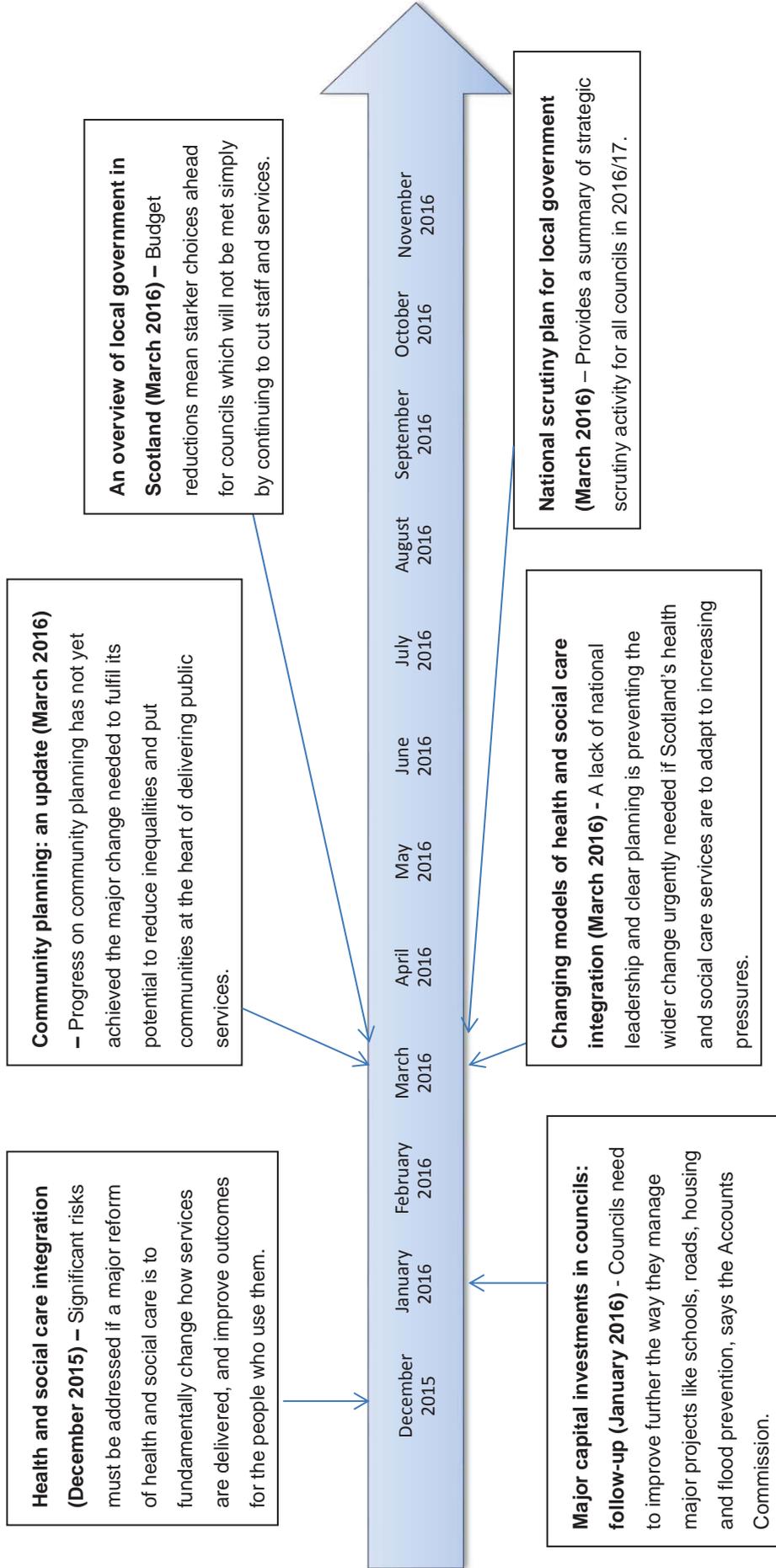
Audit Risk	Assurance procedure	Results and conclusions
<p>included a 9.4% increase to fund the improvement/reform activity. However, the longer-term financial models and planning is to be developed and, as the tight financial climate continues, Scotland Excel risks not getting the long-term financial support from member authorities.</p>	<ul style="list-style-type: none"> <li>• Director was reviewing arrangements in 2016</li> <li>• Discuss plans with Director; assess and report update in annual report on the audit.</li> </ul>	<p>to funding and resourcing emerging procurement opportunities including chargeable services, partnership working and portfolio restructuring.</p>
<p><b>Governance arrangements:</b> The Chief Officers' group is part of the governance arrangements for Scotland Excel but it has not convened since 23 March 2015; the monitoring role has been carried out by the Executive sub-committee. There is a risk there are unclear lines of accountability, and therefore a lack of proper oversight and chief officer input into Scotland Excel.</p>		<ul style="list-style-type: none"> <li>• Review of governance arrangements report taken to members in June 2016.</li> <li>• Group will now have a greater role in supporting delivery of Scotland Excel's overall business plan objectives. Annual nominations for its membership shall be sought from Solace Scotland.</li> </ul>

# Appendix II: Summary of local audit reports 2015/16





# Appendix III: Summary of Audit Scotland national reports 2015/16





## Appendix IV: Action plan

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	32	<p><b>Budgets for Other income</b></p> <p>In recent years Other income (i.e. non-requisition income) has been significantly different from that budgeted.</p> <p>There is a risk that the budgets are not reflecting all the different work and level of activity at Scotland Excel and budgets not being clear to members.</p> <p><b>Recommendation</b></p> <p>We recommend the budget process is reviewed to better identify all anticipated third party funding for projects.</p>	<p>Budget monitoring reports are taken to meetings of the executive sub-committee and contain updates on non-requisition income.</p> <p>Process has already started with National Care Home contract separately shown.</p> <p>Budget and reporting process for 2017/18 will review process for identifying and estimating non-requisition income and potentially put in place in-year budget adjustments.</p>	<p>Treasurer and Director</p> <p>31 December 2016</p>

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2.	45	<p><b>Medium-term financial planning</b></p> <p>Only budget details for 2016/17 have been published. No medium or long term plans have been provided to members with options or scenarios on savings.</p> <p>There is a risk there is insufficient information to inform decision-making.</p> <p><b>Recommendation</b></p> <p>We recommend that scenario planning is carried out and key messages from that planning presented to members.</p>	<p>We considered there was too much uncertainty for future funding to set indicative budgets for 2017/18 onwards. Implications of funding changes are discussed between senior officers and finance team.</p> <p>Financial plans and risks will continue to be closely monitored and updated, with financial issues being included as appropriate and reported to members regularly.</p>	<p>Treasurer</p> <p>31 December 2016</p>
3.	59	<p><b>National Fraud Initiative</b></p> <p>Scotland Excel has not been included in the NFI counter fraud exercise in recent years and there is a risk that fraud cases are being missed.</p> <p><b>Recommendation</b></p> <p>We recommend that senior officers liaise with Renfrewshire Council internal audit to put in place arrangements to be part of the next exercise.</p>	<p>The Director will liaise with internal audit to plan for Scotland Excel to be included in the next NFI exercise.</p>	<p>Director</p> <p>Treasurer</p> <p>Chief Internal Auditor</p> <p>31 October 2016</p>

## **Scotland Excel**

**To: Executive Sub Committee**

**On: 16<sup>th</sup> September 2016**

**Report  
by  
Director Scotland Excel**

### **Request for Associate Membership of Scotland Excel by Highland and Island Airports Limited**

#### **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**

Highlands and Islands Airports Limited (HIAL) is a company wholly owned by the Scottish Ministers and is sponsored by the Scottish Government Transport Directorate. The company's purpose is to maintain the safe operation of its airports, and to support economic and social development in the Highlands and Islands. HIAL currently operates 10 airports in the Highlands and Islands of Scotland, located at Barra, Benbecula, Campbeltown, Islay, Inverness, Kirkwall, Stornoway, Sumburgh, Tiree and Wick. In December 2007, HIAL assumed responsibility for the operation of Dundee Airport and now operates it via a wholly owned subsidiary company, Dundee Airport Limited

HIAL administrates the Air Discount Scheme (ADS) on behalf of the Scottish Ministers. The aim of the ADS is to support remote communities in the Highlands

and Islands through discounted air services and support economic development, accessibility and social inclusion, at an affordable price for residents.

To ensure the efficient and cost effective delivery of these services HIAL has 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 that the organisation wishes to access. Membership commences once committee has approved the application and a Membership Agreement between Scotland Excel and the organisation is signed. The Membership Agreement protects Scotland Excel and Renfrewshire Council in the event of default by the Associate Member in any contract.

Scotland Excel monitors all requests from organisations to become associate members to ensure that all legal requirements are met. In this case HIAL qualify for membership as they, in accordance with the Local Authorities (Goods and Services) Act 1970, are a public body.

### **4 Recommendation**

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

## Scotland Excel

To: Executive Sub Committee

On: 16<sup>th</sup> September 2016

### Report by Director Scotland Excel

#### Request for Associate Membership of Scotland Excel by Transition Extreme Sports, Aberdeen

## 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

Transition Extreme opened in 2007, and has a variety of facilities for the local community including an indoor climbing wall, skate park, cafe, recreational space, learning zone, martial arts and meeting facilities. there is something for everyone.

As a modern social enterprise and Scottish charity Transition Extreme uses urban sports and their cultures to attract and engage the local youth population. As a leading youth charity Transition Extreme offers a number of youth and community programmes including alternative, outreach and Extreme Arts Academies to support young people disengaged from traditional forms of education.

Transition Extreme engages young people in regeneration areas at local skate parks throughout Aberdeen City and Shire, supporting initiatives to reduce crime, substance abuse and antisocial behaviour

### **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 that the organisation wishes to access. Membership commences once committee has approved the application and a Membership Agreement between Scotland Excel and the organisation is signed. The Membership Agreement protects Scotland Excel and Renfrewshire Council in the event of default by the Associate Member in any contract.

Scotland Excel monitors all requests from organisations to become associate members to ensure that any legal requirements are met. In this case Extreme Sports Aberdeen qualify for membership as they, in accordance with the Local Authorities (Goods and Services) Act 1970, section 1B, 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 the Extreme Sports Aberdeen's application to join Scotland Excel as an associate member be approved, at an annual fee of £500, subject to completion and signing of the agreement document.

## Scotland Excel

**To: Executive Sub Committee**

**On: 16<sup>th</sup> September 2016**

### Report by Director Scotland Excel

#### Report on Scotland Excel Chief Executive Officers Management Group (CEOMG)

#### 1. Introduction and Purpose

This paper seeks approval for the membership of Scotland Excel's Chief Executive Officers Management Group (CEOMG), a key governance body for the organisation.

#### 2. Background

The CEOMG has been part of Scotland Excel's governance since its inception in 2008.

In May 2016 a paper was taken to the SOLACE branch meeting to seek nominations for membership of Scotland Excel's CEOMG.

Following that meeting five nominations were received:

Annemarie O'Donnell	Glasgow City Council
Mary Pitcaithly	Falkirk Council
Angela Scott	Aberdeen City Council
Cleland Sneddon	Argyll & Bute Council
Joyce White	West Dunbartonshire Council

Sandra Black would continue as Chair in line with governance arrangements.

Appointments to the CEOMG would normally be approved by Scotland Excel's Joint Committee, however authority was delegated to the Executive Sub Committee at the Joint Committee meeting on 17 June 2016.

### **3. Recommendations**

It is recommended that:

- The Executive Sub Committee approves the membership of the CEOMG as detailed in Section 2

## Scotland Excel

To: Executive Sub Committee

On: 16<sup>th</sup> September 2016

Report  
by  
Director Scotland Excel

*Supporting councils in challenging financial times.*

**Workstream: Rebate Management**

### 1. Introduction

This report is an update on one of the workstreams that Scotland Excel is undertaking to support its members in the current challenging financial climate. The rebate workstream is one of a number of areas which Scotland Excel is developing. This paper is intended as a “thought piece” to seek views, encourage debate and to agree strategic direction.

### 2. Background

At its Joint Committee on June 2016, members overwhelmingly called for further investment in, and wider recognition, of the value of Scotland Excel. Whilst this is welcomed by the organisation, it is also vital to operate an efficient organisation that continues to deliver exceptional customer value.

It is important that Scotland Excel continue to recognise the need to deliver exceptional value to its member councils. In order to communicate this value, an annual report will now be produced and sent to each council. Appendix 1 is an example of the type of information that will be provided. This first report is a prototype and represents the key total value statistics from Scotland Excel. Individual member council reports will also be produced using the same format.

As part of its previous review of funding operations, Scotland Excel considered the use of procurement rebates as a possible funding mechanism. After discussion with stakeholders, it was felt that **existing** rebates currently received by members should be left untouched. Subsequent to this agreement, Scotland Excel has recently implemented a framework for groceries with a **new** rebate attached.

In order to provide a degree of mitigation towards the annual requisition fee it is proposed that Scotland Excel manage new rebates and provide as an annual return to councils. Appendix 2 represents the value of this service to member councils. The table is based on council’s previous annual spend on this commodity and therefore may be higher or lower than the estimates provided. Forecast spend data agreed with councils indicated a higher level of spend for 2016/17.

Rebate returns for Angus, Dundee and Perth & Kinross are covered within the Tayside Contracts rebate.

It should be noted that due to previous non participation in the groceries contract, estimated rebate values for five councils are not shown in the above table. It is however anticipated that a number of these organisations will participate in this new framework. Subsequent new framework rebates would also address this situation.

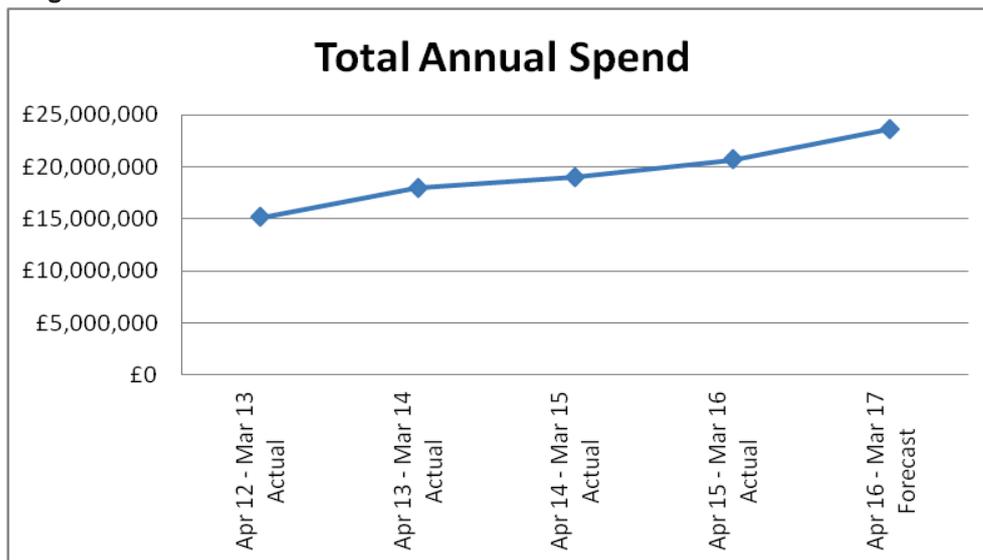
Scotland Excel would work with the relevant suppliers to collect rebates earned and issue to finance departments within the respective councils. Should councils make alternative arrangements counter to contractual agreements e.g. direct pricing discounts, then the amount will be verified and no payment therefore issued.

Implementation of this proposal will return £135k to councils which equates to an average 4.5% discount from requisition. Scotland Excel anticipates that once it manages this new rebate on behalf of members it can create further value by detailed analysis of spend in order to maximise rebate return.

It is further emphasised that this rebate amount is **completely new** to councils and is **not** currently received by members.

Scotland Excel has selected this contract for a number of reasons including timing, stability, predictability and availability of data. Diagram 1 represents the past four years spend by members and the forecast spend information provided by councils for period 16-17.

Diagram 1



The detailed contract spend for each member council is included in Appendix 3.

Scotland Excel has utilised the council 15/16 actual spend data and the contractually agreed rebate percentage (0.75%) in order to calculate the predicted rebate shown in table 1 above. This is seen as both a conservative and prudent approach in order to provide confidence in the proposed figures.

Implementation of this proposal would mean that there is no change to Scotland Excel requisitions in 2017/18.

We have taken the following steps to support any implementation of this proposal:

- Consultation with Financial Directors
- Consultation with Chief Executives
- Consultation with Procurement Managers

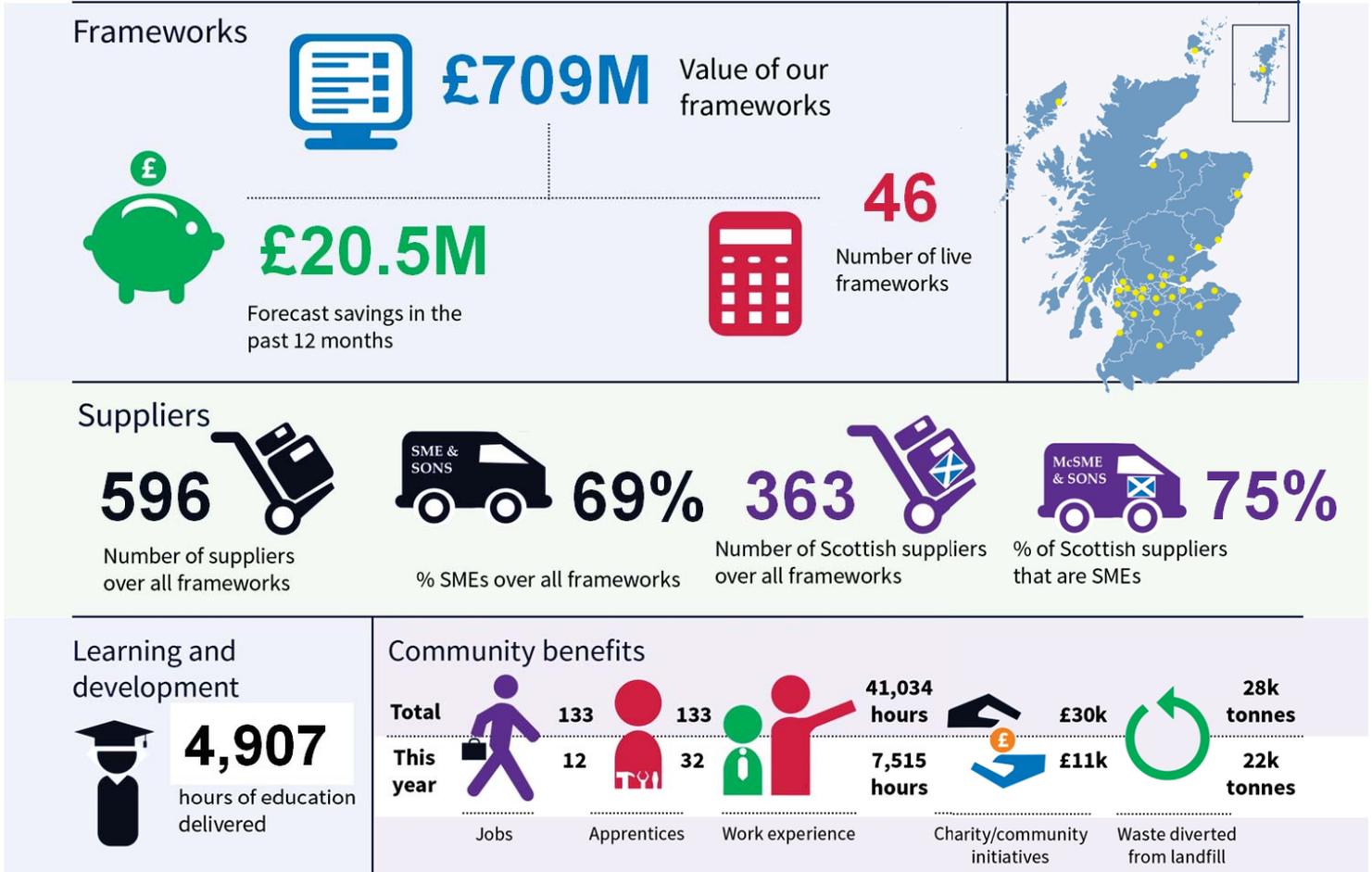
### **3. Recommendations**

It is recommended that members note this report. A detailed proposal will be brought for approval to the Joint Committee on 9<sup>th</sup> December 2016.



## Appendix 1: Performance Infographic

### Key Value Statistics – May 2016





## Appendix 2: Standard Rebate

<b>STANDARD REBATE</b>			
<b>Council</b>	<b>Requisition</b>	<b>Rebate Value</b>	<b>Rebate %age</b>
Aberdeen City Council	£140,607	£6,638	4.7%
Aberdeenshire Council	£156,621	£11,968	7.6%
Angus Council	£82,591		
Argyll & Bute Council	£67,842	£3,580	5.3%
City of Edinburgh Council	£276,829	£5,889	2.1%
Clackmannanshire Council	£48,605	£1,370	2.8%
Comhairle nan Eilean Siar	£36,111	£1,348	3.7%
Dumfries & Galloway Council	£100,395	£3,806	3.8%
Dundee City Council	£99,296		
East Ayrshire Council	£85,835	£3,304	3.8%
East Dunbartonshire Council	£77,160	£3,383	4.4%
East Lothian Council	£74,806	£2,146	2.9%
East Renfrewshire Council	£69,647	£2,472	3.6%
Falkirk Council	£103,989	£5,239	5.0%
Fife Council	£213,737		
Glasgow City	£333,882		
Highland Council	£143,652	£8,800	6.1%
Inverclyde Council	£63,793	£2,966	4.6%
Midlothian Council	£66,090	£2,524	3.8%
North Ayrshire Council	£93,410	£4,709	5.0%
North Lanarkshire Council	£198,471	£12,687	6.4%
Orkney Islands	£33,061		
Perth & Kinross Council	£99,076	£264	0.3%
Renfrewshire Council	£112,758	£5,795	5.1%
Scottish Borders Council	£81,351	£4,371	5.4%
Shetland Islands	£33,914		
South Ayrshire Council	£80,817	£2,200	2.7%
South Lanarkshire Council	£186,501	£10,745	5.8%
Stirling Council	£69,522		
The Moray Council	£71,138	£2,596	3.6%
West Dunbartonshire Council	£68,763	£3,468	5.0%
West Lothian Council	£113,930	£8,190	7.2%
Tayside Contracts	£0	£14,792	5.3%
	£3,484,200	£135,253	4.5%



### Appendix 3: Council Spend Data

Council	Apr 12 - Mar 13 Actual	Apr 13 - Mar 14 Actual	Apr 14 - Mar 15 Actual	Apr 15 - Mar 16 Actual	Apr 16 - Mar 17 Forecast
Aberdeen City Council	£737,981	£823,006	£909,516	£939,225	£896,840
Aberdeenshire Council	£1,145,037	£1,399,355	£1,599,006	£1,750,207	£1,591,839
Angus Council	£0	£0	£0	£0	£0
Argyll & Bute Council	£430,382	£452,497	£493,256	£506,548	£585,196
City of Edinburgh Council	£253,868	£1,187,438	£1,216,391	£1,232,665	£1,252,757
Clackmannanshire Council	£87,725	£176,047	£190,621	£193,902	£197,719
Comhairle nan Eilean Siar	£110,731	£105,353	£112,346	£190,693	£151,532
Dumfries & Galloway Council	£524,678	£569,185	£547,774	£538,515	£1,004,230
Dundee City Council	£0	£0	£0	£0	£65,941
East Ayrshire Council	£399,346	£422,096	£433,513	£467,469	£432,611
East Dunbartonshire Council	£331,236	£359,583	£353,261	£478,660	£349,977
East Lothian Council	£330,208	£355,725	£400,441	£440,726	£398,826
East Renfrewshire Council	£280,225	£302,411	£349,670	£349,824	£345,744
Falkirk Council	£599,013	£669,506	£728,344	£784,425	£713,050
Fife Council					£2,703,896
Glasgow City					
Highland Council	£1,080,956	£1,088,022	£1,272,881	£1,245,118	£1,360,000
Inverclyde Council	£354,846	£363,639	£384,900	£419,685	£384,413
Midlothian Council		£86,878	£524,709	£535,478	£524,287
North Ayrshire Council	£539,290	£549,917	£659,653	£702,048	£645,880
North Lanarkshire Council	£1,525,189	£1,796,715	£1,505,442	£2,015,615	£1,841,858
Orkney Islands					
Perth & Kinross Council	£64,708	£20,786	£43,901	£56,128	£98,999
Renfrewshire Council	£703,076	£722,318	£750,039	£819,968	£743,075
Scottish Borders Council	£482,162	£517,088	£557,607	£618,387	£585,729
Shetland Islands					
South Ayrshire Council	£252,486	£275,653	£313,011	£311,310	£431,235
South Lanarkshire Council	£1,932,479	£2,169,301	£1,924,036	£1,956,713	£1,856,700
Stirling Council					£581,746
The Moray Council	£339,789	£355,231	£367,595	£367,231	£411,279
West Dunbartonshire Council	£419,537	£471,415	£484,372	£490,672	£475,247
West Lothian Council	£709,657	£953,072	£973,530	£1,173,529	£970,091
Tayside Contracts	£1,472,015	£1,765,444	£1,927,831	£2,092,899	£2,000,439
<b>Grand Total</b>	<b>£15,106,619</b>	<b>£17,957,680</b>	<b>£19,023,645</b>	<b>£20,677,638</b>	<b>£23,601,136</b>



## Scotland Excel

**To: Executive Sub Committee**

**On: 16<sup>th</sup> September 2016**

### Report by Director Scotland Excel

**Tender: Supply and Delivery of Catering Sundries**

**Schedule: 09-15**

**Period: 01 August 2016 – 31 July 2020**

#### 1. Introduction and Background

This framework will provide councils with a mechanism to procure a range of Catering Sundries products including disposable cups, tableware, food containers, food packaging, cookware, crockery, cutlery, glassware, utensils and other table service wares, for use within council catering environments including schools, cafes and restaurants, corporate and civic locations, leisure centres, community centres and social work premises.

The renewal incorporates a number of enhancements to the current framework including a wider range of sustainable products, added value and community benefits.

#### 2. Scope, Participation and Spend

As part of strategy development for this framework a core product review was conducted against the current framework incorporating the updated range of products as summarised in Table 1. The lotting structure aligns with councils' requirements and the current structure of the market place. The lotting strategy continues to maximise opportunities for SMEs.

**Table 1: Lotting Structure**

<i>Lot No</i>	<i>Description</i>	<i>No of Products</i>	<i>Estimated % of Spend</i>
1	Catering Disposables	128	57%
2	Catering Sundries	165	36%
3	Trolleys	7	3%
4	Insulated Containers	21	4%

As detailed in Appendix 1, 31 councils and Tayside Contracts have confirmed their intention to participate in this framework.

The forecast council spend of £3.17 million per annum across all 4 lots is based on the historical spend of councils. However, this framework was advertised at £6 million per annum to allow for increased participation and to take account of the increasing energy prices in the manufacture of paper, metals and plastic and the additional spend through the potential introduction for free school meals for primary children in the life of this framework.

### **3. Procurement Process**

It was agreed at the regional Commercial User Intelligence Groups (UIGs) that there was no requirement to hold strategy and recommendation UIGs' for this the tender as this was the third generation framework and the risks attached to the framework were low. However, the established UIG was consulted at every stage of the framework life cycle. A technical group was assigned to evaluating the three technical method statements. The councils' confirmed participation, spend and logistical information through surveys, slides. The group were informed on the evaluation, recommendation and implementation of this framework to ensure that it fully met the requirements of all participating councils.

A Prior Information Notice (PIN) was published on 24 December 2015 via the Public Contracts Scotland advertising portal, which resulted in expressions of interest from 30 organisations. Meetings with potential bidders' including incumbent and new suppliers were held to discuss markets trends, sustainability and innovation.

This framework was advertised on the Official Journal of the European Union (OJEU) and the Public Contracts Scotland (PCS) portal on the 7 April 2016. The tender process was conducted using the Public Contracts Scotland Tender (PCS-Tender) system.

The procurement process followed an open tendering procedure. At the first stage tender responses were assessed against financial capability, technical/professional capability and business probity requirements. Bidders' were required to pass this stage to be eligible for award. At the second stage of the process, the offers were evaluated against the following criteria and weightings.

Technical	18%
-----------	-----

Commercial	82%
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Within the technical section, bidders' were required to evidence their knowledge and experience by responding to 3 method statements with covered areas including sustainability, added value and community benefits.

Within the commercial section, bidders' were invited to offer on a lot by lot basis for a net delivered price for each of the core products used by councils.

A key objective for the renewal framework was to facilitate the availability of sustainable products such as biodegradable plates and bowls in order to assist councils in achieving recycling targets and accreditation where required and provide price stability to minimise the impact on council budgets.

Bidders' were also invited to offer discounts per lot for the supply of non-core items.

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

The tender document was downloaded by 34 organisations, with 14 tender responses received.

All respondents passed the first stage quality assessment.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of the compliant offers received was completed. Appendix 3 confirms the scoring achieved by each bidder.

#### **5. Recommendations**

Under EU procurement legislation a framework agreement can be concluded with a single supplier or more than one supplier. If the framework agreement is concluded with more than one supplier, the minimum number of suppliers must be three (provided there is a sufficient number of suppliers satisfying the selection criteria and meeting the award criteria).

Based on the evaluation undertaken, and in line with the criteria and weightings set out above, it is recommended that a multi supplier framework agreement is awarded to 10 suppliers across the 4 lots as outlined in Appendix 3.

As well as offering best value, the 10 recommended suppliers represent a mix of small, medium and large organisations, with 5 of the recommended suppliers having SME status. (Refer Appendix 2).

#### **6. Benefits**

##### **Savings**

Based on their individual current quantities of core and non core products (where applicable) purchased, Scotland Excel conducted benchmarking exercises for each council comparing current prices paid against those of the recommended suppliers. The result of this benchmarking demonstrated an average saving of 7%.

The overall savings outlined in Appendix 1 of this report is based on the estimated spend levels that were provided at the contract development stage.

##### **Price Stability**

For all lots, suppliers have agreed to hold both core and non - core pricing for the first 12 months of the contract and thereafter reviewed annually. Any requests for price increases from suppliers will be in accordance with the defined Scotland Excel process and evaluated against a range of appropriate market analysis indices.

## **Sustainable Procurement Benefits**

This framework included scored elements relating to sustainability.

Bidders' were invited to offer solutions to assist councils in meeting sustainability targets. Solutions offered by suppliers included product/service design, using carriers who consolidate delivery journeys thereby reducing carbon emissions, annual reviews to ensure reduction of waste is maintained and improved and to work with manufacturers to ensure minimum packaging of goods.

## **Community Benefits**

Bidders' were asked to detail community benefits that they will commit to deliver to Councils during the lifetime of the contract. Suppliers will report the community benefits to Scotland Excel on a quarterly basis. A range of community benefits offered by suppliers include:

- Sponsorship
- Work Experience
- Donations

## **Fair work practices including living wage**

Bidders' were also required to provide details of their commitment to paying the Scottish living wage. The recommended bidders' pay the national living wage to all their staff with the exception of a small number of first and second year level apprentices whose rates of pay are dictated by the Scottish Joint Industry Board and Scottish Electrical Charitable Trust. Of the 10 suppliers that are proposed for award

- Four bidders' confirmed that they were accredited living wage employers
- One bidders' confirmed that they committed to gaining accreditation over the initial two years period of the framework
- Three bidders' confirmed that they were not accredited living wage employers but pay the living wage to all employees (except volunteers, apprentices and interns)
- Two bidders' confirmed that they do not currently pay the living wage to all employees.

Scotland Excel includes monitoring fair work practices and living wage within its contract and supplier management programme. Scotland Excel will encourage all awarded suppliers who are not currently paying employees the living wage to meet the Scotland Excel working practices policy.

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

Each supplier will be invited to a mobilisation meeting to outline the operation of the framework, roles and responsibilities including community benefits commitments. Both suppliers and participating members will be issued with a mobilisation pack containing all required details to launch the framework.

This framework will be contract managed in line with the Scotland Excel level 2 contract management model. This model includes quarterly management information reviews, six monthly core product reviews and six monthly supplier management meetings.

## **8. Summary**

This framework for the supply and delivery of catering supplies aims to maximise collaboration, promote added value, sustainability and deliver best value.

The new light touch approach used for contacting User Intelligence members was received well by all Councils.

A range of benefits can be reported in relation to continued savings, price stability and community benefits. Enhancements in this third generation of the framework include; core product reviews every 6 months to ensure that council requirements are being met and to increase the availability of sustainable products in order to assist councils in achieving recycling targets.

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



## Appendix 1 - Savings

Member Name	Participation on 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	17/10/2016	£151,103	Contract MI - Confirmed by Member	3.7%	5,609	Benchmarked Current Contract
Aberdeenshire Council	Yes	17/10/2016	£172,298	Contract MI - Confirmed by Member	11.2%	19,275	Benchmarked Current Contract
Angus Council	Yes	17/10/2016	£14,378	Contract MI - Confirmed by Member	2.5%	£354	Benchmarked Current Contract
Argyll & Bute Council	Yes	17/10/2016	£54,805	Contract MI - Confirmed by Member	3.0%	£1,590	Benchmarked Current Contract
City of Edinburgh Council	Yes	17/10/2016	£190,039	Contract MI - Confirmed by Member	9.9%	£18,919	Benchmarked Current Contract
Clackmannanshire Council	Yes	17/10/2016	£46,172	Contract MI - Confirmed by Member	-0.8%	-£376	Benchmarked Current Contract
Comhairle nan Eilean Siar	Yes	17/10/2016	£11,813	Contract MI - Confirmed by Member	1.2%	£155	Benchmarked Current Contract
Dumfries & Galloway Council	Yes	17/10/2016	£89,201	Contract MI - Confirmed by Member	2.5%	£2,195	Benchmarked Current Contract
Dundee City Council	Yes	17/10/2016	£5,723	Contract MI - Confirmed by Member	3.9%	£225	Benchmarked Current Contract
East Ayrshire Council	Yes	17/10/2016	£91,447	Contract MI - Confirmed by Member	6.0%	£5,498	Benchmarked Current Contract
East Dunbartonshire Council	Yes	17/10/2016	£76,683	Contract MI - Confirmed by Member	12.4%	£9,551	Benchmarked Current Contract
East Lothian Council	Yes	17/10/2016	£33,821	Contract MI - Confirmed by Member	4.0%	£1,363	Benchmarked Current Contract
East Renfrewshire Council	Yes	17/10/2016	£120,908	Contract MI - Confirmed by Member	4.1%	£4,932	Benchmarked Current Contract
Falkirk Council	Yes	17/10/2016	£12,060	Contract MI - Confirmed by Member	12.2%	£4,722	Benchmarked Current Contract
Fife Council	TBC	17/10/2016	£231,618	Contract MI - Confirmed by Member	5.2%	£12,136	Benchmarked Current Contract
Glasgow City Council	No	N/A	N/A	N/A	0.0%	£0	Benchmarked Current Contract
Highland Council	Yes	17/10/2016	£80,762	Contract MI - Confirmed by Member	10.0%	£8,089	Benchmarked Current Contract
Inverclyde Council	Yes	17/10/2016	£42,836	Contract MI - Confirmed by Member	12.4%	£5,373	Benchmarked Current Contract
Midlothian Council	Yes	17/10/2016	£46,726	Contract MI - Confirmed by Member	5.5%	£2,548	Benchmarked Current Contract
North Ayrshire Council	Yes	17/10/2016	£120,771	Contract MI - Confirmed by Member	12.6%	£15,250	Benchmarked Current Contract
North Lanarkshire Council	Yes	17/10/2016	£281,775	Contract MI - Confirmed by Member	10.2%	£28,677	Benchmarked Current Contract
Orkney Islands Council	Yes	17/10/2016	£4,780	Contract MI - Confirmed by Member	1.4%	£65	Benchmarked Current Contract
Perth & Kinross Council	Yes	17/10/2016	£50,560	Contract MI - Confirmed by Member	1.0%	£486	Benchmarked Current Contract
Renfrewshire Council *	Yes	17/10/2016	£184,770	Contract MI - Confirmed by Member	11.3%	£19,848	Benchmarked Current Contract
Scottish Borders Council	Yes	17/10/2016	£96,745	Contract MI - Confirmed by Member	7.6%	£7,598	Benchmarked Current Contract
Shetland Islands Council	YES	17/10/2016	£2,180	Contract MI - Confirmed by Member	6.6%	£142	Benchmarked Current Contract
South Ayrshire Council	Yes	17/10/2016	£67,580	Contract MI - Confirmed by Member	11.6%	£7,841	Benchmarked Current Contract
South Lanarkshire Council	Yes	17/10/2016	£310,972	Contract MI - Confirmed by Member	5.4%	£17,161	Benchmarked Current Contract
Stirling Council	Yes	17/10/2016	£26,464	Contract MI - Confirmed by Member	5.4%	£1,419	Benchmarked Current Contract
The Moray Council	Yes	17/10/2016	£30,542	Contract MI - Confirmed by Member	3.3%	£7,455	Benchmarked Current Contract
West Dunbartonshire Council	Yes	17/10/2016	£46,279	Contract MI - Confirmed by Member	4.5%	£1,377	Benchmarked Current Contract
West Lothian Council	Yes	17/10/2016	£299,799	Contract MI - Confirmed by Member	6.8%	£3,148	Benchmarked Current Contract
Tayside Contracts	Yes	17/10/2016	£226,714	Contract MI - Confirmed by Member	3.5%	£7,826	Benchmarked Current Contract
<b>Totals</b>			<b>£1,920,255</b>		<b>7.0%</b>	<b>£220,451</b>	

\* Renfrewshire Council had a change of supplier through the tender process resulting in the 2014-15 benchmarking figures being unrepresentative when calculating the % Estimated Forecast Savings and Estimated Annual Savings. The Council will be completing their own benchmarking after award.



## Appendix 2 - SME Status

<b>Tenderer's Name</b>	<b>SME Status</b>	<b>Location</b>	<b>Lots Tendered</b>
Alliance Disposables Ltd	Large	Crewe	Lot 1, Lot 2, Lot 3, Lot 4
BFS Group Limited	Large	Glasgow	Lot 2, Lot 3, Lot 4
Brake Bros Limited	Large	Ashford	Lot 1, Lot 2, Lot 3, Lot 4
Bunzl Catering Supplies	Large	Epsom	Lot 1
Lockhart Catering Equipment Limited	Large	Glasgow	Lot 2, Lot 3, Lot 4
GMC Corsehill Ltd	Small	Irvine	Lot 1, Lot 2, Lot 3, Lot 4
Instock Disposables Limited	Large	Aberdeen	Lot 1, Lot 2, Lot 3, Lot 4
Lovat's Catering Equipment Limited	Small	Kirkcaldy	Lot 3, Lot 4
Marshall Wilson Packaging Limited	Small	Glasgow	Lot 1, Lot 2
Nisbets Plc	Large	Bristol	Lot 1, Lot 2, Lot 3, Lot 4
Reward Manufacturing Company Limited	Small	Skipton	Lot 3
Reynards (Scotland) Ltd	Medium	Manchester	Lot 1
Tri-Star Packaging Supplies Ltd	Large	Enfield	Lot 1
Unico Limited	Large	Falkirk	Lot 1



### Appendix 3 - Scoring and Recommendations

Lot 1 - Catering Sundries	Final Technical Score	Final Commercial Score	Final Score
Alliance Disposables Ltd*	82.00	13.50	95.50
Instock Disposables Limited*	80.90	13.25	94.15
Bunzl Catering Supplies*	76.24	13.25	89.49
Unico Limited*	76.15	12.00	88.15
GMC Corsehill Ltd*	66.02	18.00	84.02
Tri-Star Packaging Supplies Ltd*	71.20	9.50	80.70
Brakes Plc*	62.20	16.25	78.45
Nisbets Plc	47.93	18.00	65.93
Reynards UK Ltd	59.75	4.50	64.25
Marshall Wilson Packaging Ltd	54.26	4.50	58.76

Lot 3 - Trolleys	Final Technical Score	Final Commercial Score	Final Score
Nisbets Plc *	82.00	18.00	100.00
Bunzl Uk Ltd ta Lockhart Catering	41.35	16.25	57.60
GMC Corsehill Ltd	38.83	18.00	56.83
Lovats Catering	34.09	9.25	43.34
Brakes PLC	24.17	16.25	40.42
Alliance Disposables Ltd	21.91	13.50	35.41
Instock Disposables Limited	20.41	13.25	33.66
Reward Manufacturing Co Ltd	20.70	7.00	27.70
Bidvest	16.72	9.00	25.72

Lot 2 - Catering Disposables	Final Technical Score	Final Commercial Score	Final Score
Nisbets Plc*	82.00	18.00	100.00
Bunzl Uk Ltd t/a Lockhart Cateri	64.89	16.25	81.14
Brakes*	63.94	16.25	80.19
Bidvest Catering Supplies*	65.16	9.00	74.16
Alliance Disposables Ltd*	57.78	13.50	71.28
Instock Disposables Limited*	57.66	13.25	70.91
GMC Corsehill Ltd*	46.07	18.00	64.07
Marshall Wilson Packaging Ltd	54.03	4.50	58.53

Lot 4 - Insulated Containers	Final Technical Score	Final Commercial Score	Final Score
Nisbets Plc*	82.00	18.00	100.00
Brakes*	61.76	16.25	78.01
Bunzl Uk Ltd ta Lockhart Catering*	60.27	16.25	76.52
Instock Disposables Limited*	59.03	13.25	72.28
Alliance Disposables Ltd*	55.27	13.50	68.77
Bidvest	52.34	9.00	61.34
Lovats Catering	50.90	9.25	60.15
GMC Corsehill Ltd	41.21	18.00	59.21

\*denotes recommended for award



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 16<sup>th</sup> September 2016**

**Report  
by  
Director Scotland Excel**

**Tender: Domestic Furniture and Furnishings**

**Schedule: 08/15**

**Period: 1 November 2016 until 31 October 2018 with an option to extend for up to two 12 month periods until 31 October 2020**

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

The current framework for Domestic Furniture, Furnishings and White Goods will expire on 31 October 2016. This proposed renewal framework will operate from 1 November 2016 until 31 October 2018 with an option to extend for up to two 12 month periods until 31 October 2020.

This framework will provide councils and other participating bodies a mechanism to procure a comprehensive range of domestic furniture and furnishings to enable people to live independently or to be supported in temporary accommodation via the Scottish Welfare Fund. The Scottish Welfare Fund is worth around £35 million per annum and is split between community care grants and crisis loans, with 70% of the community care grants awarded through the fund provided via the existing framework.

Key objectives for the renewal are to:

- offer reuse domestic furniture as well as new domestic furniture;
- ensure councils have sufficient competition and flexibility to effectively manage their requirements;
- enhance product specifications to guarantee the ongoing supply of robust, safe and suitable goods; and
- promote added value through community benefits and maximise opportunities for supported businesses.

## 2. Scope, Participation and Spend

As part of the strategy development, the User Intelligence Group (UIG) endorsed the inclusion of two lots as summarised in Table 1. This lotting strategy was designed to more closely align with council requirements whilst also recognising the structure of the relevant market place.

**Table 1: Lotting Structure**

<i>Lot No.</i>	<i>Description</i>	<i>No. of products</i>
1	New Domestic Furniture	193
2	Reuse Domestic Furniture	34

Lot 1 was structured to allow councils a 'one stop shop' approach to ensure urgent requirements are fulfilled and minimise any disruption to the daily lives of people receiving the goods. Bidders were required to submit a price for a minimum of 95% of the core list items including supply, delivery, installation and disposal service elements.

Lot 2 was specifically structured to encourage third sector organisations and SME's within the reuse market to competitively tender. To align with the reuse market, the lot was split into four product categories: flooring, hard furnishings, soft furnishings and white goods, and bidders could offer for one, any, or all of the product categories.

As detailed in Appendix 1, 29 councils have confirmed their intention to participate in this framework. Dundee City, East Ayrshire, Orkney Islands and Shetland Islands have confirmed that they will not participate. East Ayrshire, Orkney Islands and Shetland Islands have their own local arrangements in place and Dundee City has an arrangement in place with a local supported business.

In addition to councils, Advanced Procurement for Universities and Colleges (APUC), River Clyde Homes and Scottish Prison Service (SPS) have confirmed participation in this framework.

To allow for potential migration from existing supply arrangements during the life of the framework, all 32 councils, associate members and the other above-named organisations were included in the Contract Notice for this framework.

The forecast annual spend for participating councils and associate members is £17.6m, equating to £70.4m over the term of the framework, including the extension period. To reflect previous Scottish Welfare Funding spend patterns, other council department participation, other public sector participation and

potential increased expenditure due to the inclusion of reuse domestic furniture, the framework was advertised at £80m for the full term of the framework.

### **3. Procurement Process**

A User Intelligence Group (UIG) consisting of representatives from participating councils endorsed the procurement strategy on 9 December 2015.

A working group of technical council representatives was formed to review technical specifications and evaluate the tender. Product safety was identified as a priority area by the UIG therefore Scotland Excel actively engaged with Trading Standards Officers from the West of Scotland Safety Group and employed an external safety consultant to ensure the framework provides safe products. The safety consultant focused on four key areas:

- Review of core list specifications for Lot 1 and Lot 2
- Review of specification documents for Lot 1 and Lot 2
- Review of contract management processes
- Review of special conditions of contract

As a result of this detailed review the specification of a number of core products was improved to ensure the highest safety standards, this included, for example, mandating that only fully qualified electricians may be used to install electric cookers.

Furthermore, Scotland Excel worked in partnership with Sustainable Procurement Limited to scope key sustainability elements, including the production of reuse domestic furniture specifications and development of supply chains, particularly in respect to supported businesses.

Two Prior Information Notices (PIN) were published for this tender, on 26 October 2015 and 18 January 2016, with the second PIN specifically targeting reuse furniture suppliers and supported businesses. In total, 21 supplier meetings were held and these meetings helped inform the procurement strategy. During these meetings elements such as specifications, ability to service, market trends, community benefits and sustainability were discussed. Scotland Excel also engaged with relevant sector representative bodies, including the Community Resource Network Scotland (CRNS) and the British Association for Supported Employment (BASE).

To ensure maximum competition, the UIG agreed that an open tender process should be followed to establish the renewal framework. This tender was advertised on the Official Journal of the European Union and the Public Contracts Scotland portal on 11 April 2016. The tender process was conducted using the Public Contracts Scotland Tender system (PCS-T).

The procurement process followed a two stage tendering procedure. At the first stage, tender responses were assessed against financial capability, technical/professional capability and business probity requirements. Bidders were required to pass this stage to be eligible for award. At the second stage of the process, the offers were evaluated against the following criteria and weightings:

**Lot 1**

- Technical 30%
- Commercial 70%

**Lot 2**

- Technical 40%
- Commercial 60%

Within the technical section, bidders were required to evidence their knowledge and experience by responding to lot specific method statements covering service delivery, logistics and response, quality control, environmental sustainability, community benefits and supported businesses.

Within the commercial section, bidders were invited to offer on a lot by lot basis. Fixed pricing for 24 months was required for both lots. Bidders were also assessed on additional fixed pricing and early settlement discounts and were invited to offer discounts per lot for the supply of non-core items and sole supply.

**4. Report on Offers Received**

The tender document was downloaded by 52 organisations, with 11 tender responses received. One response was non compliant as the bidder failed to submit a commercial offer and one response was withdrawn.

Two of the compliant tender responses received were from consortiums consisting of 7 and 17 members.

The offers received provided full council coverage for Lot 1 however no offers were received for six councils under Lot 2. Scotland Excel will continue to liaise with these councils following award of this framework, including offering guidance with any future local procurement processes for reuse domestic furniture.

A summary of all offers received is provided in Appendix 2.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of the nine compliant offers received was completed. Appendix 3 confirms the scoring achieved by each bidder.

## 5. Recommendations

Under the Public Contracts (Scotland) Regulations 2012, which apply to this tendering process but were superseded by new regulations on 18 April this year, if the framework agreement is concluded with more than one supplier, the minimum number of suppliers must be three (provided there is a sufficient number of suppliers satisfying the selection criteria and meeting the award criteria).

Based on the evaluation undertaken, and in line with the criteria and weightings set out above, it is recommended that a multi supplier framework agreement is awarded to six suppliers across the two lots as outlined in Appendix 3.

These six recommended suppliers offer best value and represent a mix of small and third sector organisations. The 24 organisations that make up the two recommended consortiums are composed of 23 charities and 1 social economy business. The range of suppliers recommended provides competitive options for all participating councils as well as offering a degree of choice and capacity.

## 6. Benefits

### Savings

Scotland Excel conducted a benchmarking exercise based on current spend forecast of councils, comparing current prices paid with the lowest priced supplier submitted against the new framework, and the result of this benchmarking is listed in Appendix 1. The benchmarking shows that this framework is cost neutral to councils which is a very competitive outcome when considered alongside the increased product specifications outlined in section 3.

There is still however substantial scope for councils to achieve savings through this framework; by merely switching their top five products to alternative new furniture suppliers, councils will save 1.8%, approximately £320k per annum. Further savings can also be achieved by purchasing reuse domestic furniture.

In addition to the mandatory 24 month fixed pricing period for lot 1 and lot 2, a number of suppliers have offered further fixed pricing of between 6 and 12 months. One supplier has offered a single source discount of 1% and three suppliers have offered non-core product discounts.

### Sustainable Procurement Benefits

With the assistance of Sustainable Procurement Limited, funded by Zero Waste Scotland and The Scottish Government, sustainability was embedded into all elements of this tender from inclusion of a reuse furniture lot to the development of the specification and evaluation of offers.

A sustainability method statement assessed suppliers in relation to their corporate approach to sustainability to maximise recycling, reuse and redistribution. A range of sustainable measures were outlined by suppliers including: a target to divert 0% of waste to landfill by 2019, a reduction of fuel consumption by 10%, re-distribution and recycling of furniture that has not reached its end of life with local organisations and social enterprises, repair of unwanted items for donation to charity and sustainability supplier selection criteria to ensure a sustainable supply chain.

Bidders were asked to detail community benefits initiatives they would commit to deliver during the lifetime of the framework. An encouraging and innovative range of community benefit commitments were offered by bidders including:

- Recruitment of long-term unemployed and people from disadvantaged groups to offer two, one year, work experience placements.
- 14 modern apprentices.
- Minimum of 50% of new starts to be drawn from unemployed, members of disadvantaged groups or otherwise socially marginalized groups.
- A minimum of 25% of new starts to be young people between 18 and 24.
- Establishment of a link with a community organisation in each local authority area they do business with.
- 10 x 1 week work placements per annum.
- 3000 hours work experience across target groups.
- 2 x 6 week paid internships in each year of the contract.
- Third sector and SME's will make up 98% of supply chain by 31 October 2018.

These commitments will be reported through ongoing contract management returns. Results reported on community benefits will be disseminated to councils on a six monthly basis.

#### Supported Business Commitment

Supported businesses deliver employment, development and training opportunities for disadvantaged or disabled persons and to help them, whenever possible, into mainstream employment. As well as providing vital employment opportunities for disabled persons, supported businesses produce quality goods and services.

As part of an innovative strategy to incorporate supported businesses into the supply base, bidders were scored on subcontracting commitments to supported businesses. The recommended suppliers have committed up to £80,000

annual subcontracting opportunities to supported businesses, with some undertaking to actively look to increase commitments during the framework period.

Scotland Excel will work closely with awarded suppliers to encourage continued and increased adoption of these organisations into their supply chain throughout the framework life.

#### Fair Work Practices including the Living Wage

Bidders were asked to confirm their approach to fair work practices and Scottish living wage status. Of the six recommended suppliers:

- two are accredited living wage employers; and
- two are not accredited living wage employers, but pay the living wage to all employees (except volunteers, apprentices and interns).

Two suppliers on this framework have not committed to paying employees the living wage, one of which is a third sector organisation. Scotland Excel includes monitoring Fair Work Practices and Living Wage within its contract and supplier management programme and will work with all awarded suppliers who have not yet secured accreditation by the Living Wage Foundation to encourage them to achieve this.

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

In accordance with Scotland Excel's established contract and supplier management programme, this framework has been classified as a level 1 arrangement in terms of both risk and spend requiring as a minimum six monthly supplier meetings and the UIG will be convened on a regular basis throughout the framework period.

Scotland Excel will host a council and supplier mobilisation event which will allow the awarded suppliers to present to councils on their service delivery under the framework. In addition, suppliers and councils will be issued with a mobilisation pack containing all required details to launch the framework.

As part of regular contract management, commitments to Living Wage, supported businesses, and community benefits will all be managed and reported on a six monthly basis. Supplier performance will be regularly monitored and measured against compliance to contract terms and conditions with a particular focus on products meeting specifications, and customer service measures such as: delivery, number of complaints in proportion to number of transactions and compliance with price variance process.

## **8. Summary**

This framework for Domestic Furniture and Furnishings aims to maximise collaboration, promote added value and deliver best value. A range of benefits can be reported in relation to savings, price stability, safety of products, community benefits and supported businesses.

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

## Appendix 1 - Participation, Spend and Savings Summary – Domestic Furniture and Furnishings 08/15

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 November 2016	£1,800,000	Contract MI - Confirmed by Member	-1.8%	-£32,202	Benchmarked Current Contract
Aberdeenshire Council	Yes	01 November 2016	£600,000	Contract MI - Confirmed by Member	-1.5%	-£8,722	Benchmarked Current Contract
Angus Council	Yes	01 November 2016	£300,000	Contract MI - Confirmed by Member	0.8%	£2,533	Benchmarked Current Contract
Argyll & Bute Council	Yes	01 November 2016	£16,750	Contract MI - Confirmed by Member	-0.5%	-£1,668	Benchmarked Current Contract
City of Edinburgh Council	Yes	01 November 2016	£1,379,588	Contract MI - Confirmed by Member	-3.0%	-£41,405	Benchmarked Current Contract
Clackmannanshire Council	Yes	01 November 2016	£381,000	Contract MI - Confirmed by Member	0.2%	£768	Benchmarked Current Contract
Comhairle nan Eilean Siar	Yes	01 November 2016	£23,261	Member Provided	0.1%	£30	Average Saving
Dumfries & Galloway Council	Yes	01 November 2016	£4,530	Contract MI - Confirmed by Member	-2.0%	-£92	Benchmarked Current Contract
Dumdee City Council	No	-	-	-	-	-	-
East Ayrshire Council	No	-	-	-	-	-	-
East Dunbartonshire Council	Yes	01 November 2016	£70,740	Contract MI	3.1%	£2,172	Benchmarked Current Contract
East Lothian Council	Yes	01 November 2016	£300,000	Contract MI - Confirmed by Member	-1.2%	-£3,690	Benchmarked Current Contract
East Renfrewshire Council	Yes	01 November 2016	£253,161	Contract MI - Confirmed by Member	-2.5%	-£6,258	Benchmarked Current Contract
Falkirk Council	Yes	01 November 2016	£1,000,000	Contract MI - Confirmed by Member	3.3%	£33,133	Benchmarked Current Contract
Fife Council	Yes	01 November 2016	£1,396,348	Contract MI - Confirmed by Member	2.2%	£30,112	Benchmarked Current Contract
Glasgow City Council	Yes	01 November 2016	£58,926	Contract MI - Confirmed by Member	2.2%	£1,298	Benchmarked Current Contract
Highland Council	Yes	01 November 2016	£760,556	Contract MI - Confirmed by Member	-3.3%	-£24,959	Benchmarked Current Contract
Inverclyde Council	Yes	01 November 2016	£52,885	Contract MI - Confirmed by Member	-4.7%	-£2,493	Benchmarked Current Contract
Midlothian Council	Yes	01 November 2016	£124,967	Contract MI - Confirmed by Member	-7.4%	-£9,187	Benchmarked Current Contract
North Ayrshire Council	Yes	01 November 2016	£1,025,000	Contract MI - Confirmed by Member	-1.0%	-£10,518	Benchmarked Current Contract
North Lanarkshire Council	Yes	01 November 2016	£1,800,000	Contract MI - Confirmed by Member	4.5%	£80,550	Benchmarked Current Contract
Orkney Islands Council	No	-	-	-	-	-	-
Perth & Kinross Council	Yes	01 November 2016	£420,000	Contract MI - Confirmed by Member	5.5%	£23,020	Benchmarked Current Contract
Renfrewshire Council	Yes	01 November 2016	£928,700	Contract MI - Confirmed by Member	0.2%	£1,857	Benchmarked Current Contract
Scottish Borders Council	Yes	01 November 2016	£65,000	Contract MI - Confirmed by Member	-3.7%	-£2,413	Benchmarked Current Contract
Shetland Islands Council	No	-	-	-	-	-	-
South Ayrshire Council	Yes	01 November 2016	£870,000	Contract MI - Confirmed by Member	1.0%	£8,678	Benchmarked Current Contract
South Lanarkshire Council	Yes	01 November 2016	£1,860,000	Contract MI - Confirmed by Member	2.8%	£51,739	Benchmarked Current Contract
Stirling Council	Yes	01 November 2016	£355,000	Contract MI - Confirmed by Member	6.5%	£23,226	Benchmarked Current Contract
The Moray Council	Yes	01 November 2016	£249,518	Contract MI - Confirmed by Member	-8.0%	-£19,893	Benchmarked Current Contract
West Dunbartonshire Council	Yes	01 November 2016	£196,627	Contract MI - Confirmed by Member	2.2%	£4,384	Benchmarked Current Contract
West Lothian Council	Yes	01 November 2016	£1,000,000	Contract MI - Confirmed by Member	-7.7%	-£77,103	Benchmarked Current Contract
Tayside Contracts	Yes	01 November 2016	£0	-	0.1%	£0	Average Saving
River Clyde Homes	Yes	01 November 2016	£46,795	Contract MI - Confirmed by Member	0.1%	£61	Average Saving
<b>Totals</b>			<b>£17,642,601</b>		<b>0.1%</b>	<b>£22,936</b>	



**Appendix 2 - SME Status**

<b>Tenderer's Name</b>	<b>Status</b>	<b>Location</b>	<b>Lots Tendered</b>
CF Services Limited	Small	East Kilbride	1
Community Resources Network Scotland#	Third Sector	Stirling	2
Elite Bedding Company Limited	Small	Glasgow	1
First Furnishings Limited	Small	Broxburn	1
Homes Complete Limited	Small	Glasgow	1
New Two Limited#	Small	Glasgow	1
Kings Wholesale Fabrics Limited(NC)	Small	Glasgow	2
Spruce Carpets Ltd	Third Sector	Glasgow	2
The Furnishing Service Limited	Small	East Kilbride	1
Underley Furnishings Limited T/A Furnished Homes	Small	Glasgow	1

# Denotes Consortium

(NC) Denotes non-compliant supplier



**Appendix 3 - Scoring and Recommendations**

<b>Lot 1: New Domestic Furniture</b>			
<b>Tenderer</b>	<b>Technical Score</b>	<b>Commercial Score</b>	<b>Total Score</b>
The Furnishing Service Limited*	26.0	65.4	91.4
First Furnishings Limited*	26.4	63.2	89.6
New Two Limited##	16.5	67.4	83.9
CF Services Limited*	26.0	54.2	80.2
Underley Furnishings Limited	14.3	54.6	68.9
T/A Furnished Homes	3.5	46.4	49.9
Homes Complete Limited	13.0	35.5	48.5
Elite Bedding Company Limited			

<b>Lot 2: Reuse Domestic Furniture</b>			
<b>Tenderer</b>	<b>Technical Score</b>	<b>Commercial Score</b>	<b>Total Score</b>
Kings Wholesale Fabrics Limited(NC)	Non compliant	Non compliant	Non compliant
<b>Category: Flooring</b>			
<b>Tenderer</b>	<b>Technical Score</b>	<b>Commercial Score</b>	<b>Total Score</b>
Spruce Carpets Ltd*	35.8	58	93.8
Community Resources Network Scotland##	31.8	38.2	70
<b>Category: Hard furnishings</b>			
<b>Tenderer</b>	<b>Technical Score</b>	<b>Commercial Score</b>	<b>Total Score</b>
Community Resources Network Scotland##	31.8	56	87.8
<b>Category: Soft furnishings</b>			
<b>Tenderer</b>	<b>Technical Score</b>	<b>Commercial Score</b>	<b>Total Score</b>
Community Resources Network Scotland##	31.8	56	87.8
<b>Category: White goods</b>			
<b>Tenderer</b>	<b>Technical Score</b>	<b>Commercial Score</b>	<b>Total Score</b>
Community Resources Network Scotland##	31.8	56	87.8

# Denotes consortium

\*Denotes recommended supplier

(NC) Denotes non-compliant supplier



## **Scotland Excel**

**To: Executive Sub Committee**

**On: 16<sup>th</sup> September 2016**

**Report  
by  
the Clerk**

### **Demolition Services Contract**

#### **1. Introduction**

1.1 On 4 March 2016 the Head of Strategic Procurement advised that following a tender exercise, challenges had been received from two partially successful bidders. It was determined that the contract be not awarded and that the contract be re-tendered.

1.2 The contract was duly re-tendered with a closing date of 14 April 2016 at 12 noon.

1.3 In the course of assessing the tenders received, Scotland Excel had to advise a tenderer that its tender could not be processed further and a judicial challenge was then received to that decision which has suspended the award process.

#### **2. Present Position**

2.1 In accordance with the standing arrangements the proceedings raised in the Court of Session have been dealt with by solicitors acting for the insurers providing Scotland Excel with the policy cover for claims of this nature.

2.2 Members will recall that the policy cover is subject to an excess of £50,000 for which the Member Councils will be liable if the Council's case is unsuccessful.

2.3 The tenderer's case is considered to be weak in the light of the EU procurement rules and previous similar cases taken to court.

2.4 The raising of the proceedings has delayed the award of the framework already beyond its scheduled date and further delays are anticipated.

#### **3. Conclusion**

3.1 That the position be noted and the Sub-Committee await a further report in due course.

#### **4. Background Information**

- 4.1 At the closing date of 14 April 2016 a total of 31 offers were received of which 29 were complete and compliant to be further assessed. Two offers were discovered to be fundamentally incomplete in failing to provide pricing information at all at the appropriate place in the tender documents.
- 4.2 Clear warnings had been given in the documents that a failure to complete a commercial offer would result in an incomplete offer and the tender not being considered.
- 4.3 One tenderer, Dem-Master Demolition Ltd, having failed to provide any pricing information at all in its tender has decided to challenge the Scotland Excel decision to exclude it from further evaluation by raising proceedings in the Court of Session and, by that action, has triggered an automatic suspension of the contract award process until the court determines the issue.
- 4.4 Taking into account the relevant procurement rules and the previous court decisions on challenges in similar circumstances it is considered that the legal position of Scotland Excel is strong and the challenger's position is correspondingly weak.
- 4.5 Many other tenderers in this and previous tendering exercises have had no difficulty in supplying the pricing information requested by Scotland Excel.
- 4.6 It is a fundamental principle that a tenderer cannot be allowed to remedy a blank in its tender submission after the tender closing date (the equivalent of a late offer) as this would give it an unfair advantage over other bidders who, having submitted a complete, compliant offer, are entitled to be treated fairly and transparently by the authority inviting tenders.

4 August 2016



# Operating Plan

2016 – 2017

Q1 Progress Report



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

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

Activity	Year 2 Priorities	RAG status	Progress summary
(a) Develop and implement a contract plan aligned to the strategic priorities of member authorities	<ul style="list-style-type: none"> <li>Develop a contract delivery plan for joint committee approval in Dec 2016</li> <li>Manage a flexible workforce model to resource contract delivery</li> <li>Develop a plan for delivering the adult supported living and care at home strategy</li> <li>Develop a proposal to secure ongoing funding to support older people's care home services</li> <li>Develop proposals for partnering with other procurement organisations as appropriate</li> <li>Hold biannual Commercial UIGs and interim steering group meetings</li> <li>Communicate strategies for all key category areas</li> </ul>		<ul style="list-style-type: none"> <li>Work is underway to develop a contract delivery plan for 2017-18 informed by feedback from Commercial User Intelligence Group (UIG) and steering group meetings.</li> <li>The workforce planning tool developed to manage procurement resources is being reviewed and updated fortnightly to support the 2016-17 contract delivery plan.</li> <li>A strategy has been developed to provide procurement support for two areas of social care - adult supported living and care at home - which cost local authorities c. £600m per annum. Options for funding and resourcing this opportunity are in development.</li> <li>Scotland Excel is continuing to provide procurement and contract management support for older people's care home services on behalf of a number of councils. The project is progressing well and plans to secure continued funding beyond March 2017 will be developed in Q3.</li> <li>Discussions have taken place with Yorkshire Purchasing Organisation (YPO) and Crown Commercial Services (CCS) to identify common contract areas. A meeting with councils and CCS is planned for September to discuss opportunities for aligning contract development.</li> <li>Commercial UIGs for senior procurement stakeholders were held in Edinburgh, Paisley (including video conferencing) and Dundee during May/June. A steering group meeting has been scheduled for 31 August.</li> <li>Overviews of the category strategies were presented to senior procurement stakeholders at the Commercial UIGs in May/June. The strategies are now being formatted for publication on the Scotland Excel website.</li> </ul>

<p>(b) Develop and implement a strategy and plan for the delivery of contract and supplier management</p>	<ul style="list-style-type: none"> <li>• Implement a project to pilot the national CSM tool</li> <li>• Develop a plan to roll out CSM across the portfolio</li> <li>• Produce annual contract management reports for all contracts</li> </ul>		<ul style="list-style-type: none"> <li>• A project is underway to pilot the contract and supplier management (CSM) module, available as part of the Scottish Government's national e-commerce tools, for use within the Scotland Excel contract portfolio. Four contracts have been selected for the pilot, which is expected to be completed in January.</li> <li>• A plan to roll out a CSM solution across the portfolio will be developed and implemented in Q4 based on the pilot results</li> <li>• Annual contract management reports continue to be produced for all contracts, including a benchmark of savings against market indices and an updated risk matrix.</li> </ul>
<p>(c) Develop and implement a strategy and plan for improving supplier performance</p>	<ul style="list-style-type: none"> <li>• Deliver an integrated programme of supplier development activity</li> </ul>		<ul style="list-style-type: none"> <li>• The results of the CSM pilot will inform the development of an integrated supplier development programme from Q4. In the interim, a template is available within the CSM tool to support supplier development activity.</li> </ul>
<p>(d) Manage the rollout of a new national procurement capability assessment to the local government sector</p>	<ul style="list-style-type: none"> <li>• Complete the rollout of the current PCIP programme</li> <li>• Analyse and report on PCIP results</li> <li>• Schedule PCIPs for members not participating in 2016</li> <li>• Work with partners to agree the way forward for PCIPs</li> </ul>		<ul style="list-style-type: none"> <li>• Procurement &amp; Commercial Improvement Programme (PCIP) assessments were completed for five councils during Q1. The remaining 13 assessments scheduled for 2016 will be completed by 03 November.</li> <li>• A report on the current PCIP programme will be produced by December.</li> <li>• Consultation with councils which deferred their PCIP assessment will begin in September. A second cycle of assessments is tentatively planned for February to June 2017.</li> <li>• Scotland Excel is continuing to work with cross-sector partners on future plans for PCIP. A 'lessons learned' workshop is taking place on 21 September to review the current assessment programme.</li> </ul>
<p>(e) Develop and implement a programme to lead and support the development of procurement and commercial capability</p>	<ul style="list-style-type: none"> <li>• Agree and resource development requirements with sector stakeholders</li> <li>• Develop and deliver a development programme to March 2017</li> <li>• Deliver an Annual Conference to support development in Q4</li> </ul>		<ul style="list-style-type: none"> <li>• A meeting was held with the sector steering group in May to discuss development requirements. It has been agreed that each council will receive three days of development support.</li> <li>• A change programme is being created to fulfil each council's development needs, and will include a portfolio of tools, learning opportunities and workshops that satisfy common requirements. The programme is on target for a September launch.</li> <li>• Planning for the annual conference will begin during Q3.</li> </ul>

<p>(f) Develop and implement a 'procurement academy' to support professional capability and encourage new entrants to public procurement</p>	<ul style="list-style-type: none"> <li>• Develop and implement a blended learning strategy</li> <li>• Finalise recommendations for delivering the social care commissioning PDA</li> <li>• Develop and implement plans for recruiting 2 interns and a modern apprentice during 2016-17</li> </ul>		<ul style="list-style-type: none"> <li>• A blended learning pilot, combining professional eLearning tools with a programme of regional workshops, is underway and will be completed by 23 September. The findings from the pilot will inform the blended learning strategy to be brought to the December joint committee meeting. The first full programme is expected to run from November 2016 to October 2017.</li> <li>• Recommendations for delivering the social care Professional Development Award (PDA), developed in 2013 by a partnership led by Scotland Excel, will be presented in Q2.</li> <li>• Plans for recruiting two interns to support procurement projects are in development. Options for funding a modern apprentice will be considered in Q3.</li> </ul>
<p>(g) Develop and implement a shared service offering for councils which meets their requirements in a changing public sector landscape</p>	<ul style="list-style-type: none"> <li>• Develop a shared services strategy</li> <li>• Incorporate additional shared service income into annual funding proposals</li> </ul>		<ul style="list-style-type: none"> <li>• Initial discussions have taken place with senior stakeholders and a shared service model has been drafted. This will be incorporated into a strategy which will be presented at the December joint committee meeting</li> <li>• Funding proposals for 2016-17 are being developed and will be presented at the December joint committee meeting.</li> </ul>



# Goa1 2: Being sustainable in everything we do

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

Activity	Year 2 Priorities	RAG status	Progress summary
(a) Develop and implement strategies for responding to procurement and/or public sector legislation	<ul style="list-style-type: none"> <li>Develop an action plan to ensure internal compliance with legislation</li> <li>Identify legislative areas to be incorporated within L &amp; D plans for the sector</li> <li>Monitor risks/ opportunities arising from the Community Empowerment Act</li> <li>Develop a plan for engaging with IJBs/NSS</li> <li>Develop a plan for delivering waste category strategy recommendations</li> </ul>		<ul style="list-style-type: none"> <li>Development of an action plan in progress and will be completed during Q2. Initial actions are focusing on the use of the new European Single Procurement Document (ESPD) in tenders.</li> <li>Scotland Excel is working with partners in the Scottish Government's Professional Practice and Development Strategic Forum (PPDSF) to provide legislative support to the procurement community, and hosted a cross-sector ESPD workshop in April.</li> <li>Q1 review has indicated that there are currently no risks or opportunities arising for the sector from the Community Empowerment Act</li> <li>An engagement plan for Integrated Joint Boards (IJBs) will be completed in Q2.</li> <li>A waste category strategy has been completed to support activities until 2021. Implementation of the strategy will begin in Q2, and the strategy will be updated annually</li> </ul>
(b) Ensure Scotland Excel's collaborative frameworks support local and national government policy priorities	<ul style="list-style-type: none"> <li>Continue to support fair working practices and other policy areas</li> <li>Continue to support policy aspects of social care frameworks</li> <li>Continue to represent the sector at the CRDG and support the roll out of recommendations</li> </ul>		<ul style="list-style-type: none"> <li>Scotland Excel's approach to supporting fair work practices is being incorporated into a sustainable procurement strategy which will be brought to the December joint committee meeting.</li> <li>Policy considerations are embedded within the social care category strategy. Procurement strategies produced in Q1 to renew the fostering and secure care frameworks are aligned to current policy, and recognise that national policy is under review in both of these areas.</li> <li>Scotland Excel has established a steering group of sector representatives to input to the work of the Construction Review Delivery Group (CRDG). The first meeting will take place in September.</li> </ul>

<p>(c) Ensure Scotland Excel's collaborative frameworks support positive local economic outcomes</p>	<ul style="list-style-type: none"> <li>• Continue to encourage local business participation through procurement processes, partnerships and events</li> <li>• Embed community benefits in procurement processes</li> <li>• Develop and implement a new reporting approach for community benefits</li> <li>• Consider opportunities for supported businesses and/or third sector in contract strategies</li> </ul>		<ul style="list-style-type: none"> <li>• Scotland Excel is continuing to develop procurement strategies to support participation by local businesses and, in June, took part in the Supplier Development Programme (SDP) National Meet the Buyer event and the Federation of Small Businesses (FSB) Ayrshire Procurement Expo.</li> <li>• The new groceries framework, which went live in May, incorporates a commitment from suppliers to delivering benefits within each council area. This innovative approach ensures the value generated by community benefits can be realised across Scotland.</li> <li>• A new reporting template to capture community benefit data from suppliers is being developed. This will support clearer identification and categorisation of benefits, and will be issued to suppliers in Q2.</li> <li>• The new domestic furniture framework tender issued in April incorporates supply chain opportunities for supported businesses, and includes a recycled furniture lot which has attracted bids from the third sector.</li> </ul>
<p>(d) Ensure Scotland Excel's collaborative frameworks support local government environmental duties and policies</p>	<ul style="list-style-type: none"> <li>• Continue work with partners to develop policies and programmes in support of a National Brokerage model</li> <li>• Continue to embed environmental considerations through procurement processes</li> </ul>		<ul style="list-style-type: none"> <li>• Scotland Excel is part of the steering group developing a National Brokerage model. Around half of councils have signed up the National Householder Waste Charter which supports the recovery of valuable waste. Consideration is being given to how our waste frameworks can be aligned to the aims of the Charter.</li> <li>• Scotland Excel is continuing to encourage suppliers to minimise the environmental impact of procurement through consideration of packaging, materials, logistics and recycling. The new domestic furniture has included specifications for recycled furniture as part of the tender.</li> </ul>
<p>(e) Champion the development and dissemination of best practice in sustainable procurement</p>	<ul style="list-style-type: none"> <li>• Publish Scotland Excel's sustainable procurement strategy</li> <li>• Deliver stakeholder support for new legislative duties through L &amp; D plans</li> <li>• Continue to represent the sector within the Scottish Government's Best Practice working group</li> <li>• Develop and implement a consistent approach to horizon scanning</li> </ul>		<ul style="list-style-type: none"> <li>• Scotland Excel's sustainable procurement strategy is in development and will be published in Q2.</li> <li>• A number of requests for development support change projects that develops legislative knowledge</li> <li>• Scotland Excel continues to work with partners in the Scottish Government's Practice working group. The group focused on the implementation of ESPD during Q1</li> <li>• Senior managers will hold quarterly meetings to identify and discuss key events in the external environment which may impact the organisation and/or the sector. The first meeting has been scheduled for September.</li> </ul>

# Goa1 3: Placing customers at the heart of our business

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

Activity	Year 1 Priorities	RAG status	Progress summary
(a) Develop and implement a portfolio of account management services that meet the collective and individual needs of local authority customers	<ul style="list-style-type: none"> <li>Implement phase 2 of account management improvements</li> </ul>		<ul style="list-style-type: none"> <li>Account management plans are in place for all councils, and a new reporting format has been introduced for quarterly Business Reviews. The report includes an infographic on key national and local performance statistics which demonstrate the value of membership.</li> </ul>
(b) Develop and implement a stakeholder engagement strategy that support the delivery of first class customer experience across all of our services	<ul style="list-style-type: none"> <li>Publish a stakeholder engagement strategy</li> <li>Implement a survey and report on customer satisfaction</li> <li>Initiate a customer care forum to support ongoing improvements to customer service</li> <li>Develop a centralised contact data resource</li> <li>Develop a 'future digital' strategy including options for an online customer collaboration platform</li> </ul>		<ul style="list-style-type: none"> <li>The stakeholder engagement project, initiated as part of Scotland Excel's transformation programme, continues to progress well. The outputs of the project will be incorporated into a stakeholder engagement strategy published in Q3.</li> <li>An in-depth customer satisfaction survey is scheduled for implementation in Q3, with a report available by the end of Q4.</li> <li>A cross-functional customer care forum will be established in Q4 to monitor the ongoing delivery of stakeholder engagement strategy recommendations and respond to improvement opportunities identified through customer surveys/feedback.</li> <li>A list of c. 1,500 procurement and technical contacts has been created as a first step to centralising contact management within the organisation. Work is underway to improve data integrity before other contacts are added. Implementation of an interim tool for managing contact data is targeted for Q3.</li> <li>A 'future digital' strategy will be developed in Q4, encompassing recommendations for future web development and online collaboration.</li> </ul>

<p>(c) Develop and implement a corporate communications strategy that enhances and protects Scotland Excel's corporate reputation</p>	<ul style="list-style-type: none"> <li>• Update the marketing and communications strategy and plan</li> <li>• Complete and launch the new Scotland Excel website</li> <li>• Continue to monitor and manage all communications risks arising from contracts/business activities</li> </ul>		<ul style="list-style-type: none"> <li>• The marketing and communications strategy and plan drafted earlier this year is being updated to reflect the 2016-17 operating plan, and will be published in Q2.</li> <li>• Scotland Excel's new website was launched on 28 June. In response to the customer feedback, the site includes significant enhancements to the members' area to allow users to 'self-serve' a wide range of procurement and contract information.</li> <li>• Scotland Excel is continuing to mitigate communication risks through appropriate handling of media enquiries in line with policy.</li> </ul>
<p>(d) Develop and implement a model for associate members which delivers clear business and financial benefits to Scotland Excel and the membership base</p>	<ul style="list-style-type: none"> <li>• Review the associate member fee structure</li> <li>• Develop and implement an associate member strategy</li> <li>• Develop an associate membership offering for the social landlord sector</li> </ul>		<ul style="list-style-type: none"> <li>• The associate member fee structure is being reviewed as part of strategy development to ensure that it reflects the value being delivered to high spending members and partners.</li> <li>• An associate member strategy is in development and will be presented to the joint committee in December.</li> <li>• To capitalise on recent engagement with social landlords, a clear membership offering will be developed to meet the needs of this sector in Q3.</li> </ul>
<p>(e) Develop and implement a programme for engaging with the wider public sector to ensure Scotland Excel has the right partnerships in place to support the needs of its customers</p>	<ul style="list-style-type: none"> <li>• Host and/or attend forums to gather sector views and share information</li> <li>• Represent the sector within the national public procurement programme</li> <li>• Continue to review engagement plans for Scotland Excel's wider stakeholder landscape</li> </ul>		<ul style="list-style-type: none"> <li>• Scotland Excel is continuing to hold regular meetings and workshops for sector stakeholders. In Q1, this included Commercial IUGs and a procurement capability steering group, as well as attending Scottish Local Government Procurement Forum meetings.</li> <li>• Scotland Excel is continuing to attend represent sector interests at national procurement/commissioning meetings. In Q1, this included government forums for procurement practice and secure care.</li> <li>• Plans for engaging with key organisations in Scotland Excel's wider stakeholder landscape have been developed as part of stakeholder engagement project. A schedule is being developed to support their ongoing review by the Senior Management Team.</li> </ul>

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

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

Activity	Year 1 Priorities	RAG status	Progress summary
(a) Develop and implement a strategy to support staff recruitment, retention, development, performance and engagement	<ul style="list-style-type: none"> <li>Develop and implement an organisation wide rolling resource plan</li> <li>Develop a recruitment management strategy</li> <li>Review the careers microsite and develop proposals for improvement/replacement</li> <li>Develop plans to enhance employee performance management, training and development</li> <li>Develop proposals for a new staff intranet</li> </ul>		<ul style="list-style-type: none"> <li>An organisation wide resource planning model has been developed based on the format used for procurement teams. This is currently being tested before roll out.</li> <li>Recruitment policies have been updated to ensure a consistent approach across the organisation, and will be incorporated into a strategy during Q2.</li> <li>The careers microsite will be refreshed to reflect the new design of the corporate website during Q2. Opportunities to enhance content and/or functionality will be considered as part of the recruitment strategy.</li> <li>Following the implementation of an interim performance management programme in 2015-16, a project will be initiated during Q3 to develop and implement a more detailed organisational development strategy.</li> <li>The SXL intranet is being reviewed as part of the general infrastructure review. A first draft report on infrastructure development proposals will be completed in Q2.</li> </ul>
(b) Develop and implement programmes to support the continuous improvement of business performance, systems and processes	<ul style="list-style-type: none"> <li>Agree and deliver 2016-17 transformation projects</li> <li>Develop a proposal for a spend data management and reporting tool</li> </ul>		<ul style="list-style-type: none"> <li>Four transformation projects – leading change, governance, business intelligence and organisational development – were closed during Q1. The stakeholder engagement and funding projects are continuing into 2016-17, and a second organisational development project will be initiated in November.</li> <li>Internal workshops were held during Q1 to scope requirements. It has been established that there are a number of data and reporting tools available through a UK Government framework that that may meet requirements and meetings have been set up with three suppliers.</li> </ul>

	<ul style="list-style-type: none"> <li>• Develop a proposal to migrate the ICT infrastructure to a cloud environment</li> <li>• Establish a Policy Review Group to support ongoing procurement policy and process improvements</li> <li>• Continue to develop academic, business and professional partnerships to support innovation and best practice</li> <li>• Develop an action plan to respond to IIP assessment recommendations</li> </ul>		<ul style="list-style-type: none"> <li>• A comprehensive assessment of ICT infrastructure requirements has been undertaken in conjunction with supplier, SCC. Initial costs for migrating to a cloud-based infrastructure exceeded available budget and work is ongoing to consider other options.</li> <li>• A Policy Review Group has been established to continue the work of the governance project team. Terms of reference have been approved and priority areas for initial review are being considered.</li> <li>• Scotland Excel has developed partnerships with five Scottish university business schools and three professional bodies to deliver a blended learning pilot.</li> <li>• Scotland Excel has been awarded a silver standard Investors in People (IIP) accreditation following reassessment in Q1. An action plan will be developed in Q2 to respond the recommendations of the IIP report.</li> </ul>
<p>(c) Ensure that Scotland Excel delivers its plans through effective governance, risk management and policies</p>	<ul style="list-style-type: none"> <li>• Refresh CEOMG participation and remit</li> <li>• Continue to monitor and update the corporate risk management plan</li> <li>• Develop and implement a rolling plan for updating corporate policies</li> <li>• Produce quarterly performance management reports for governance meetings</li> </ul>		<ul style="list-style-type: none"> <li>• A paper calling for new Chief Executive Officers Management Group (CEOMG) members was presented to SOLACE in May, with nominations closing at the end of June. A change to the remit of this governance group has been proposed to allow a more strategic focus. The proposed membership will be submitted for approval to the executive sub-committee meeting in September.</li> <li>• Scotland Excel's risk management plan continues to be updated on a monthly basis. The format has been adapted to include residual risk and movement in response to feedback from joint committee members.</li> <li>• A review and update of HR policies was completed during Q1. A rolling plan for reviewing all corporate policies is in development.</li> <li>• Quarterly performance management reports are being produced to prove updates on progress against the 2016-17 operating plan. The reports also include corporate KPI infographics.</li> </ul>

<p>(d) Develop and implement a strategy for gathering, analysing and distributing business intelligence within Scotland Excel and across the sector</p>	<ul style="list-style-type: none"> <li>• Embed data management processes developed as part of the business intelligence project</li> <li>• Agree feasibility of offering external services in response to the findings of the business intelligence project</li> </ul>		<ul style="list-style-type: none"> <li>• Revised processes including the use of a new Management Information tracker and checklist are in use.</li> <li>• Following completion of the business intelligence project, it has been agreed that there is no opportunity to extend business intelligence services to the sector within the current strategy period due to ICT development constraints.</li> </ul>
<p>(e) Develop and implement a clear, transparent and sustainable funding and delivery model for Scotland Excel</p>	<ul style="list-style-type: none"> <li>• Develop and agree 2017-18 funding proposals at the Dec joint committee</li> <li>• Develop proposals for a flexible associate/partnership resourcing model</li> <li>• Continue to explore options for funding models which support sustainability and growth over the longer term</li> </ul>		<ul style="list-style-type: none"> <li>• Work is underway to produce 2017-18 funding proposals which include an option to use rebates from new Groceries framework to offset a proposed reduction in requisition fees.</li> <li>• A proposal to increase workforce flexibility through ongoing partnerships with procurement/commissioning specialists is in development. This has already proved an efficient way of engaging specialist expertise for social care projects.</li> <li>• Scotland Excel is continuing to explore a range of options for future funding including rebates, associate member income, project-based fee income and other sources.</li> </ul>

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

## Key Performance Indicators

KPI	Link to outcomes	Q1 Status
No. & value of contracts delivered v plan	<ul style="list-style-type: none"> <li>Our services support the effective and efficient delivery of public services</li> </ul>	<ul style="list-style-type: none"> <li>7 contracts delivered, renewed or extended from 26 targeted</li> <li>£712m portfolio value against £770m target by year end</li> </ul>
Percentage & value of savings v target (excluding social care)	<ul style="list-style-type: none"> <li>Our customers are satisfied with our services and achieve a measurable return on their investment</li> </ul>	<ul style="list-style-type: none"> <li>Average rolling savings of 5.5% achieved during the 2015-18 strategy period against a 5% target</li> <li>£4.46m estimated saving in the last recorded quarter (Jan-Mar 2016)</li> </ul>
No. of PCIP assessments completed v schedule	<ul style="list-style-type: none"> <li>Our expertise supports continuous improvement in procurement performance</li> </ul>	<ul style="list-style-type: none"> <li>5 assessments completed from a schedule of 18</li> </ul>
No. of Scottish suppliers & percentage SMEs	<ul style="list-style-type: none"> <li>Our services help to deliver positive and sustainable outcomes for communities and service users</li> </ul>	<ul style="list-style-type: none"> <li>361 Scottish suppliers of which 75% are SMEs</li> </ul>
No. of community benefits realised to date	<ul style="list-style-type: none"> <li>Our services support the implementation of national and local policy priorities</li> </ul>	<ul style="list-style-type: none"> <li>133 jobs</li> <li>133 apprenticeships</li> <li>41,034 hours work experience</li> <li>£30k community/charity initiatives</li> <li>28k tonnes waste diverted from landfill</li> </ul>
Customer satisfaction statistics & trends	<ul style="list-style-type: none"> <li>Our customers are satisfied with our services and achieve a measurable return on their investment</li> </ul>	<ul style="list-style-type: none"> <li>Available from Q4</li> </ul>
Website usage statistics & trends	<ul style="list-style-type: none"> <li>Our customers receive relevant communication and support</li> </ul>	<ul style="list-style-type: none"> <li>Available from Q2</li> </ul>
Media coverage v target	<ul style="list-style-type: none"> <li>Our reputation demonstrates the value of collaboration</li> </ul>	<ul style="list-style-type: none"> <li>18 media items placed from a target of 25</li> </ul>
Income from associate members v target	<ul style="list-style-type: none"> <li>Our reputation demonstrates the value of collaboration</li> </ul>	<ul style="list-style-type: none"> <li>£58.3k income against a £30k target</li> </ul>
Staff turnover v headcount	<ul style="list-style-type: none"> <li>Our people, policies, processes and technology optimise our value</li> </ul>	<ul style="list-style-type: none"> <li>0% staff turnover</li> <li>58 permanent staff</li> </ul>

## Scotland Excel

To: Executive Sub- Committee

On: 16<sup>th</sup> September 2016

Report  
by  
Director Scotland Excel

### Employee Absence Management Report

#### 1. Introduction and purpose of the report

In response to the Renfrewshire Council Internal Audit team recommendation, the Joint Committee has requested that a report on organisational sickness absence be submitted on a quarterly basis highlighting the absence rate in the organisation. The absence rate is also a key performance indicator within the business plan section on organisational development and as such is monitored closely.

#### 2. Scotland Excel Absence Management Target

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

#### 3. Overview of Attendance

In line with audit recommendations, the attached report has been prepared for the Executive Sub Committee. The report details:

- Breakdown of current month, last six months and last 12 months absence figures
- Illustration of 12 months in days
- Illustration of last 12 months in percentages and full-time equivalent (FTE)

The report includes the latest absence details for period to August 2016. The rate of absence across the organisation has shown a reduction to 2.2% from July when it reached 4.4% due to a number of long term absences. Despite the recent long term absences the figures for 6 and 12 months remain below the 4% target.

The reduction over the last quarter brings the absence rates for:

- previous 1 month to 2.2% (31 days / 1.35 FTE)
- previous 6 months to 3.1% (237 days / 1.84% FTE)
- previous 12 month period to 2.3% ( 343.5 days / 1.33 FTE)

Scotland Excel will continue its positive practices, including working with Occupational Health and other support services, to support attendance and in

particular to support the members of staff who have significant health issues and will work with commitment to maintain the absence rate below the 4% target.

**4. Recommendation**

The Executive Sub Committee is requested to note the contents of report.

# Absence Report

## Organisation Level

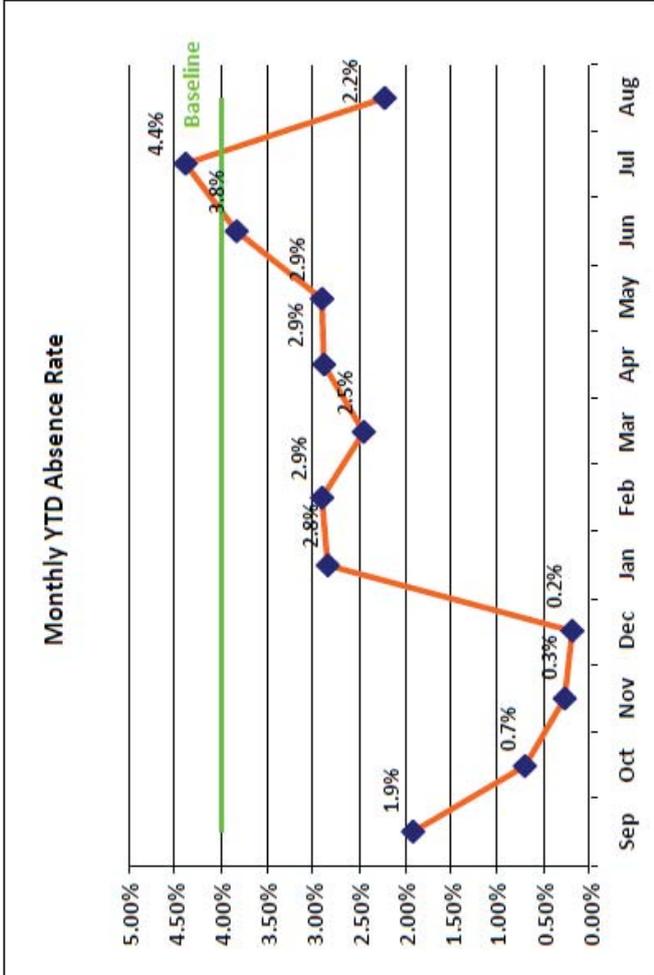
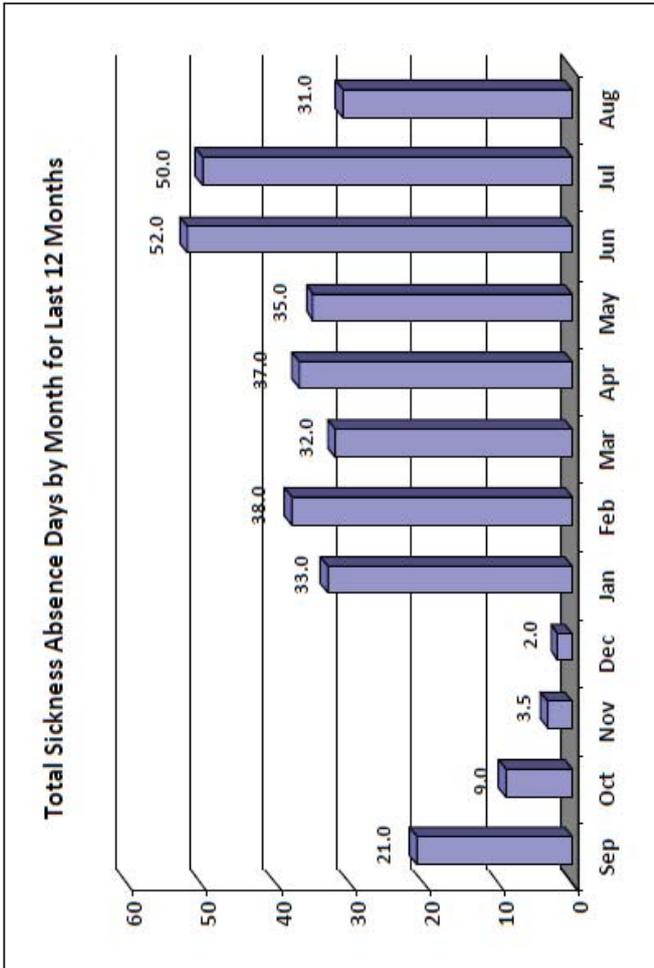
Month Ending: 31 August 2016



Current Month				Last 6 Months				Last 12 Months							
Self Certified Sick	Doctor Certified Sick	Total Sick Leave	Sickness Absence Rate	Special Leave	Self Certified Sick	Doctor Certified Sick	Total Sick Leave	Sickness Absence Rate	Special Leave	Self Certified Sick	Doctor Certified Sick	Total Sick Leave	Sickness Absence Rate	Special Leave	
1	30	31	2.2%	2	37	200	237	3.1%	7	93.5	250	343.5	2.3%	27.5	
<b>Total:</b>															

No of Employees (Permanent and Temporary): 76      Average no of Sickness Absence Days per Employee: 4.5

No of Leavers included: 8





## Scotland Excel

**To: Executive Sub-committee**

**On: 16<sup>th</sup> September 2016**

### Report by the Clerk

#### Meetings of Scotland Excel Executive Sub-committee in 2017

#### 1. Summary

- 1.1 The purpose of this report is to seek approval for the proposed dates for meetings of the Scotland Excel Executive Sub-committee in 2017.

#### 2. Recommendation

- 2.1 That, if required, meetings of Scotland Excel Executive Sub-committee be held on:-

<b>Date</b>	<b>Time</b>	<b>Venue</b>
27 January 2017	10.45 am	Scotland Excel Meeting Room 1, Renfrewshire House
10 February 2017	10.45 am	Scotland Excel Meeting Room 1, Renfrewshire House
3 March 2017	10.45 am	Scotland Excel Meeting Room 1, Renfrewshire House
30 June 2017	TBC	City Chambers, Glasgow City Council (required to be immediately after Joint Committee or later date)
15 September 2017	10.45 am	Scotland Excel Meeting Room 1, Renfrewshire House
13 October 2017	10.45 am	Scotland Excel Meeting Room 1, Renfrewshire House
17 November 2017	10.45 am	Scotland Excel Meeting Room 1, Renfrewshire House
8 December 2017	9.45 am	City Chambers, Glasgow City Council (prior to meeting of Scotland Excel Joint Committee)

### **3. Background**

#### **3.1 In terms of Scotland Excel's Procedural Standing Orders:-**

42(a). The Executive Sub-committee shall meet not less than four times in every calendar year. The time, dates and venues for all subsequent meetings will be approved by the Executive Sub-committee.

#### **3.2 One of the main functions of the Executive Sub-committee is to consider reports on the award of contracts being let on behalf of Scotland Excel, therefore, the dates for the Executive Sub-committee meetings require to be fixed by referral to the planned award dates for these contracts. It is expected that all contract awards planned for 2017 can be accommodated within the timetable of meetings detailed in this report.**