

To: Executive Sub Committee

On: 31st May 2019

**Report
by
the Director**

Draft Funding Model Update

1. Introduction

This paper provides members with a draft update on the progress made on generating additional funding since the Joint Committee on December 2018. This update covers April 2019 – June 2019.

2. Background

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

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

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

3. **Funding Stream Updates**

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

1. Consultancy Services

Scotland Excel is working on a number of consultancy projects with a pipeline of projects to commence in 2019. This has been an area of growth for the organisation.

Fife Transformation Programme: The programme is approaching its first year anniversary and is on schedule. The programme consists of a number of projects across many aspects of the council's operation. Significant project focus and resourcing is now on the identification and delivery of savings. In addition to savings, the project is prioritising skills development across the existing Fife procurement team to support transition in late 2020.

City Property (Glasgow) LLP: Scotland Excel was engaged by this organisation to operate a mini competition within Crown Commercial Service's Estates Professional Services framework. The scope covers 1800 commercial properties owned by City Properties (Glasgow) LLP and a full property management service for The Lochs shopping centre in Easterhouse. The initial project will complete in mid-2019. Scotland Excel is in discussion with the organisation to provide further services.

Cycling Scotland: The project is designed to put in place a Dynamic Purchasing System (DPS) that will create a list of training suppliers which can be engaged to provide cycling proficiency training at a professional level within the local authority or school. The DPS will be in place by August 2019.

East Renfrewshire Council: Scotland Excel undertook two small pieces of work on behalf of East Renfrewshire Council in the last fiscal year. The work was focussed on providing feedback on the organisation's procurement approach. East Renfrewshire has now commissioned Scotland Excel to undertake a project that is anticipated to start in June 2019 for twelve months.

Aberdeen City Council: This project has now reached completion. The project sought to identify procurement savings across Aberdeen City Council and had two Scotland Excel resources based within the council for a year. Scotland Excel continues to provide ongoing support as part of its standard service offering but no longer has dedicated staff working on the project.

Tayside Procurement: The Tayside Procurement programme is in the initiation stage and has recently appointed two project resources for the programme. The programme involves Scotland Excel working with a collaborative group consisting of Dundee City Council, Perth & Kinross Council and Angus Council and other local partner organisations, to provide a customer centric transformation programme. The project is two years in duration.

The June 2018 Joint Committee approved a surplus target of £70k for Consultancy Services in 2019/20. Based on the current projects underway and scheduled projects, we expect to meet this target. It is anticipated that there is potential to exceed the target which will support the overall target should any of the other funding opportunities fail to meet the agreed targets.

2. Learning & Development – The Academy

The Academy continues to make good progress since the last Joint Committee having concluded 2 programmes in project management, with 13 active programmes spanning procurement, leadership & management and project management. The new PDA in Project Management is co-delivered between The Academy and the Improvement Service.

The Academy is scheduled to launch a new Strategic Leadership & Management Masters-level programme and a new Management Coaching & Mentoring programme in June 2019.

A marketing campaign was launched recently to help build The Academy's profile and create demand for the portfolio of programmes.

The Academy has now been approved to deliver a new Business Analysis, Decision Making & Innovation programme, accredited by the Scottish Qualification Authority (SQA). This HND & Degree level programme fulfils a national gap for business analysts across the public-sector; and supports our collective need for innovation "doing more with less through new ways of working". This programme expands our co-delivery model with the Improvement Service, scheduled for an August 2019 launch.

In parallel to delivering 13 active programmes, we are designing and writing content for 4 programmes – Advanced Practitioner, Strategic Leadership & Management, Management Coaching & Mentoring and Business Analysis, Decision Making & Innovation.

Scotland Excel continues to invest in the Academy to develop the longer term opportunity and provide a more holistic service for local government and the wider public sector. The June 2018 Joint Committee approved a target of £53k for Consultancy Services in 2019/20. Scotland Excel is confident it will reach this target.

3. Associate Member - Expansion

The two-year Scottish Government Affordable Housing project was completed in March 2019. This programme provided Scotland Excel with an opportunity to grow its associate membership in this sector and resulted in an additional £80k of income. Discussions continue with Scottish Government about a further programme in this sector.

At the December 2018 Joint Committee, members approved Scotland Excel's recommendation of a continued focus and dedicated resourcing into the growth of Associate membership. The organisation is formulating a new Associates strategy and anticipates further growth in the housing sector and a new focus into the third sector.

The June 2018 Joint Committee approved a target of £50k for Associate Member expansion in the current financial year. Initial indications are that this will continue to be a challenging target but appropriate measures are being implemented to support its achievement.

4. New Build Housing

Extensive stakeholder engagement has been undertaken with individual contractors, purchasers, Scottish Government, Homes for Scotland, Construction Innovation Centre, Offsite Solutions Scotland (organisation comprising offsite contractors and manufacturers in Scotland) and Construction Industry Training Board (CITB). User intelligence groups were also held with member councils and a strategy produced.

Following an extensive development period and a restricted procurement exercise, 22 tender bids were received from contractors in May. These offers are now being evaluated by the Scotland Excel team and our local authority expert technical panel. This work is scheduled to be concluded in July to enable an award recommendation to be taken to the Executive Sub Committee for approval in August.

The new framework comprises five lots for different project sizes and includes provisions which encourage sustainable and energy efficient housing, advertising of sub-contracting, delivery of community benefits and use of supported businesses and social enterprises.

The New Build framework is scheduled to deliver a contribution to planned surpluses in financial year 2020/21.

5. Rebates

The use of volume rebates within appropriate contracts was approved at the June 2018 Joint Committee. Rebates have been used to varying degree of success across the Scotland Excel portfolio to date. Some frameworks have

had a rebate embedded within the commercial agreement, such as within construction materials, whilst others have offered successful returns on a one-off basis. There is also the view that if rebates are maintained at very modest levels, for example less than c.0.75%, there is no adverse effect on pricing. As part of the internal contract governance process, the applicability of the inclusion of rebates is now standard practice.

Further analysis has been undertaken to review the Scotland Excel portfolio and consider rebate suitability.

The Rebates project is scheduled to deliver a contribution to planned surpluses in financial year 2020/21.

4. **Recommendations**

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