

## Minute of Meeting Scotland Excel Joint Committee

Date	Time	Venue
Friday, 29 June 2018	10:45	City Chambers, Glasgow City Council, 80 George Square, Glasgow, G2 1DU

### Present

Provost Bill Howatson (Aberdeenshire Council); Councillor Alasdair Rankin (City of Edinburgh Council); Councillor Stephen Thompson (Dumfries & Galloway Council); Councillor Gary Bouse (Falkirk Council); Bailie MacLeod and Councillor Martin McElroy (both Glasgow City Council); Councillor Alister Mackinnon (Highland Council); Councillor Jim Clocherty (Inverclyde Council); Councillor Paul Di Mascio (North Lanarkshire Council); Councillor Barbara Foulkes (Orkney Council); Councillor Callum Purves (Perth & Kinross Council); Councillor John Shaw (Renfrewshire Council); Councillor Simon Mountford (Scottish Borders Council); Councillor Amanda Westlake (Shetland Islands Council); Councillor Peter Henderson (South Ayrshire Council); Councillor Eileen Logan and Councillor Colette Stevenson (both South Lanarkshire Council); Councillor Ian Dickson (West Dunbartonshire Council) and Councillor John McGinty (West Lothian Council).

### Chair

Councillor Shaw, Convener, presided.

### In Attendance

J Welsh, Director, S Brannagan, Head of Customer & Business Services, H Carr, Head of Strategic Procurement (all Scotland Excel); A Russell, Director of Finance & Resources; M Conaghan, Legal & Democratic Services Manager, A McMahon, Chief Auditor, D Low, Senior Committee Services Officer and K O'Neill, Assistant Democratic Services Officer (all Renfrewshire Council).

## **Apologies**

Councillor Alastair Bews (Aberdeenshire Council); Councillor John Reynolds (Aberdeen City Council); Councillor Graham Hutchison (City of Edinburgh Council); Baillie Willie Sawers (Dundee City Council); Councillor Gordon Jenkins (East Ayrshire Council); Councillor John Jamieson (East Dunbartonshire Council); Councillor John McMillan (East Lothian Council); Councillor Tony Buchanan (East Renfrewshire Council); Councillor Altany Craik (Falkirk Council); Councillor Ross Vettraino (Fife Council); Councillor Matthew Reiss (Highland Council); Councillor Derek Milligan (Midlothian Council); Councillor Donald Gatt (The Moray Council); Councillor Todd Ferguson (North Ayrshire Council); and Councillor Alison Laurie (Stirling Council).

## **Declarations of Interest**

Councillor Shaw declared an interest in item 8 of the agenda – Extension of Lease and Office Extension – as he was a member of the host authority in which the offices were based. However, he considered the interest to be insignificant in terms of the Councillors' Code of Conduct and intimated that he would remain in the meeting for this item.

### **1 Minute of Joint Committee**

There was submitted the Minute of the meeting of the Joint Committee held on 8 December 2017.

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

### **2 Minutes of Executive Sub-committee**

There were submitted the Minutes of the meetings of the Executive Sub-committee held on 8 December 2017, 26 January, 23 March, 27 April and 1 June 2018.

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

### **3 Membership of Scotland Excel Executive Sub-committee**

There was submitted a report by the Clerk relative to the membership of the Executive Sub-committee seeking approval for the appointment of members to the Executive Sub-committee for the period to June 2019.

The report indicated that the Procedural Standing Orders provided that the Executive Sub-committee should comprise a maximum of 13 members including the Convener and Vice Convener of the Joint Committee. Where possible the membership of the Executive Sub-committee should reflect the geographic diversity of the constituent authorities.

**DECIDED:**

(a) That it be agreed that the Executive Sub-committee continue to comprise of elected members from Renfrew Council (Convener), North Lanarkshire Council (Vice Convener), Aberdeenshire Council, Angus Council, City of Edinburgh Council,

Comhairle nan Eilean Siar, Dumfries and Galloway Council, Fife Council, Glasgow City Council, Highland Council, North Ayrshire Council, Shetland Islands Council and South Lanarkshire Council; and

(b) That membership of the Executive Sub-committee be next reviewed at the meeting of the Joint Committee to be held in June 2019.

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

There was submitted a report by the Treasurer relative to the unaudited annual accounts for the Joint Committee for 2017/18 which were attached to the report.

The report intimated that the accounts for the year ended 31 March 2018 had been completed and forwarded to Audit Scotland for audit. The accounts showed a surplus for the year of £273,059 against a budgeted deficit of £166,000, returning an underspend of £439,059. Excluding project expenditure and income the Joint Committee returned a deficit of £76,266 compared to a budgeted deficit of £166,000, returning an underspend of £89,734.

In accordance with the Local Authority Accounts (Scotland) Regulations 2014 the unaudited accounts had only been signed by the Treasurer as Proper Officer. The audited accounts would be signed by the Convener, the Director of Scotland Excel and the Treasurer in accordance with the regulations.

**DECIDED:** That the unaudited annual accounts for the year ended 31 March 2018 be noted and that the accounts be further presented to the Executive Sub-committee on completion of the audit.

#### **Sederunt**

Councillor Bouse entered the meeting prior to consideration to the following item of business.

#### **5a Internal Audit Reporting Arrangements**

There was submitted a report by the Chief Auditor, Renfrewshire Council relative to internal audit reporting arrangements.

The report intimated that Audit Scotland in their report to members on the annual audit for 2016/17 identified that “internal audit reports were not provided to members of the Joint Committee”. This had presented the Chief Auditor with an opportunity to review and formalise the internal audit reporting arrangements for the Joint Committee.

It was noted that in line with the Public Sector Internal Audit Standards, Internal Audit must communicate the results of each engagement to the Joint Committee. The report outlined the details and outcomes of the Chief Auditor’s considerations in relation to the Joint Committee reporting arrangements for completed audit engagements and follow-up work.

**DECIDED:** That the reporting arrangements put in place to communicate the results of internal audit work to the Joint Committee be noted.

## **Sederunt**

Councillor McElroy entered the meeting prior to consideration to the following item of business.

### **5b Internal Audit Report Summary - Contract Management (Tendering)**

There was submitted a report by the Chief Auditor, Renfrewshire Council relative to the Internal Audit report summary on the arrangements in place for tendering.

The report intimated that in line with the Public Sector Internal Audit Standards, Internal Audit must communicate the results of each engagement to the Joint Committee. Internal Audit had undertaken a review of the arrangements in place for tendering and the report provided a summary of the work undertaken, the audit findings and the action being taken by management to address the recommendations made. The appendix to the report provided a summary of the overall assurance rating for the engagement and the number of recommendations in each category and the committee summary for the engagement.

It was proposed that future reports should contain greater detail relative to risk reporting. The Convener proposed that he discuss the issues raised with the Chief Auditor, Renfrewshire Council. This was agreed.

#### **DECIDED:**

(a) That the Internal Audit report summary for the review of Contract Management (Tendering) be noted; and

(b) That the Convener discuss the issues raised during consideration of this item with the Chief Auditor, Renfrewshire Council.

### **5c Internal Audit Annual Report 2017/18**

There was submitted a report by the Chief Auditor, Renfrewshire Council relative to the Internal Audit annual report on Scotland Excel 2017/18. The report intimated that the public sector internal audit standards required that the Chief Auditor prepare an annual report on the internal audit activity's purpose, authority and responsibility as well as performance relative to its plan. The report must also provide an audit opinion on the overall adequacy and effectiveness of the internal control environment of the audited body.

The annual report for the Joint Committee was attached as an appendix to the report and outlined the role of internal audit, the performance of the internal audit team and the main findings from the internal audit work undertaken in 2017/18 and contained an audit assurance statement.

**DECIDED:** That the Internal Audit annual report for 2017/18 be noted.

## 6 Funding Model Review

There was submitted a report by Director of Scotland Excel relative to potential future funding models for Scotland Excel. The report provided further details on the previously reported operating deficit and the continuation of vital care services.

The report intimated that Scotland Excel continued to seek operational savings to manage its financial position flexibly in order to maintain its aim of minimising the level of requisition required and to develop value propositions for member authorities to ensure that best value was achieved.

In addition to the operational deficit outlined to the Joint Committee at its meeting held on 8 December 2017, there were other areas where ongoing funding gaps existed, the main area of concern was within the Scotland Excel Care portfolio. The report provided further information on the gaps within care and the options explored to diversify its funding base.

Potential funding opportunities in relation to consultancy services; new build housing; learning and development; rebates; and associate membership expansion had been identified by Scotland Excel and a short summary on their background, financial scale and opportunity analysis was detailed in section 3 of the report.

A summary of the total funding gap including the operating deficit, assuming a 2% pay award in each year, and care services was detailed in table 6 of the report. Options had been identified to address the deficit faced by Scotland Excel over the coming fiscal periods and these were detailed in section 4 of the report.

Scotland Excel had taken an ambitious and prudent approach to securing the financial sustainability of the organisation over the next five years. It anticipated that in the same period, the organisation would see its contract portfolio value rise from the current £1 billion to circa £2.5 billion which in turn would deliver further value and savings to members. The organisation would also deliver a number of key services to members in order to support councils' wider ambitions and continue to be its partner of choice.

### **DECIDED:**

(a) That the proposed hybrid approach, as outlined in option C of section 4 of the report, be approved to meet the deficit whereby the funding opportunity projects detailed in section 3 of the report are progressed by Scotland Excel in addition to potential flexible use of reserves and potential requisitions increases;

(b) That it be agreed that the Care Home for Older People project continue to be directly funded from the participating councils;

(c) That it be agreed that Scotland Excel officers continue to work with the Treasurer to identify methods to address the short to mid-term deficit; and

(d) That it be noted that an update would be submitted to the next meeting of the Joint Committee to be held on 7 December 2018 along with the annual Revenue Estimates. The paper would provide an update on the steps taken and any further steps required to ensure ongoing financial sustainability.

## **7 Review of Governance Structure of Scotland Excel**

Under reference to item 4 of the Minute of the meeting of this Joint Committee held on 8 December 2017 there was submitted a report by the Director of Scotland Excel relative to options on the future governance structure of Scotland Excel.

The report intimated that the purpose of the review was to consider possible governance options and identify the most appropriate governance structure for generating sustainable future revenue streams to support new service development and minimise potential increases to member requisitions. As part of the review a number of scenarios had been tested and these were detailed in section 2 and Appendix 1 of the report.

The Executive Sub-committee and the Chief Executive Officers Management Group had been consulted and were of the view that, whilst none of the options should be ruled out without due consideration, the powers within the existing model should only be amended to address limitations that were adversely impacting on the efficient operation of Scotland Excel. Both also indicated that any changes should not dilute the focus of Scotland Excel's core activities and were of the opinion that option 1 and option 2 would, in principle, be more acceptable and would be more readily implemented.

It was noted that the current model met the substantial majority of the scenarios tested and the recommended option was option 1, to maintain the current governance model. In reaching this conclusion it had been determined that the current Scheme of Delegations should be updated to correct some minor anomalies and these were outlined in Appendix 2 to the report. The amended Scheme of Delegations formed Appendix 3 to the report.

### **DECIDED:**

(a) That the recommendation to maintain the current Joint Committee structure with an updated Scheme of Delegation as detailed at Appendix 3 be approved; and

(b) That it be noted that Scotland Excel would continue to review governance as necessary to ensure it was fit for purpose.

## **8 Extension of Lease and Office Expansion**

Under reference to item 5 of the Minute of the meeting of this Joint Committee held on 8 December 2017 there was submitted a report by the Director of Scotland Excel relative to the proposal to extend the lease for office accommodation and also to increase the space being provided to Scotland Excel by Renfrewshire Council.

The report intimated that at the meeting of the Joint Committee held on 8 December 2017 it had been agreed that the lease be extended for a period of one year to February 2019 to allow Scotland Excel to consider options and prepare recommendations for the Joint Committee.

The existing office space had been optimised to provide the maximum number of desks for staff and agile working, including hot-desking, had been implemented. However, the need for additional space had become more critical.

Scotland Excel had been in discussion with colleagues at Renfrewshire Council to

explore options and costs for potential expansion within Renfrewshire House and had commissioned GVA, a leading real estate advisory company with experience in the public sector to, explore alternative accommodation. Details of the options appraisal of alternative accommodation from GVA were outlined in section 4 of the report. Based on the GVA report and Scotland Excel analysis, Scotland Excel had worked with colleagues within Renfrewshire Council to explore options for extending the current one-year lease and expanding its footprint within Renfrewshire House and details were outlined in section 4 of the report.

Section 5 of the report detailed the cost of extending the current one-year lease in Renfrewshire House to five-years. It was noted that the office expansion should be fully funded from income generate from projects and that the expansion should not place an additional financial burden on the core services or core requisition paid by members.

**DECIDED:** That the signing of a new five-year lease incorporating a three-year break-point and the plans for future office expansion be approved.

## **9 Additional Drawdown of Reserves 2018/19**

There was submitted a report by the Director of Scotland Excel relative to an additional drawdown of reserves in 2018/19.

The report intimated that within the financial statements for 2017/18, an underspend of £90,030 had been reported for the period. The Director of Scotland Excel advised that the correct figure was £89,734.

In addition to the drawdown of reserves approved by Joint Committee at meetings held on 30 June and 8 December 2017, the report sought the allocation of the remaining underspend to the 2018/19 budget to an additional phase of furniture replacement.

**DECIDED:** That the drawdown of the remaining £20,000 from reserves to fund the project detailed in the report be approved.

## **10 Care Home Services for Older People**

There was submitted a report by the Director of Scotland Excel relative to care home services for older people including details on the planned transition of operational management responsibility for the National Care Home Contract (NCHC) from the Convention of Scottish Local Authorities (CoSLA) to Scotland Excel.

The report intimated that in Scotland care home provision was delivered by more than 300 providers across more than 800 care homes for older people. Councils across Scotland spent £492 million on these services with 59% of this expenditure, £291 million, distributed across 20 providers.

The NCHC was a model set of terms that detailed the service specification and payment mechanisms for councils when purchasing care home care. Councils contract individually with care homes using the NCHC model set of terms and monitored services delivered to the individual as part of their statutory responsibilities.

CoSLA, supported by Scotland Excel, negotiated a national rate for nursing and residential care with provider representatives annually. Given the significant expenditure incurred in this critical sector and the market share held by a small number

of providers operating across Scotland, 28 councils were currently funding Scotland Excel until March 2020 to progress three work streams, cost of care calculator; market intelligence, particularly around financial health; and sourcing strategy. The report detailed the progress across all workstreams.

With the development of the cost of care calculator, the need for an annual political negotiation had been removed, with the calculator mechanism for future rate setting. On this basis, Scotland Excel and CoSLA had agreed that the future operational management of the NCHC should be transitioned to Scotland Excel. The transition of responsibilities would take effect in advance of the award of contract for the 2019/20 financial year.

**DECIDED:** That the update on activities associated with care home services for older people, in particular the transition of operational management of the NCHC to Scotland Excel, be noted.

## **Sederunt**

Councillor Foulkes and Councillor Westlake left the meeting during discussion of the following item of business.

### **11 Proposed Contract Rebate/Supplier Levy Strategy**

There was submitted a report by the Director of Scotland Excel relative to the proposed contract rebates/supplier levy strategy and setting out an approach that Scotland Excel would adopt to embed rebate/supplier levy additions into appropriate contracts.

The report intimated that to date, Scotland Excel had relied almost exclusively on member requisitions to cover operating costs. The funding update provided summarised the current financial position and five-year projection for Scotland Excel. Within this, options to generate additional income were outlined, including the incorporation of volume rebates into appropriate contracts and current projections were that this could generate approximately £800,000 by 2023/24.

Despite the differences in approach, both methodologies could potentially derive additional income from contract expenditure. For volume rebates, a special condition was added to a contract where a defined percentage of the contract spend was paid by the supplier to the contracting authority. For supplier levy, a defined percentage was added to supplier invoices and as such paid by the buyer at the point of call-off.

It was noted that a key advantage of levies over rebates was that there was less of a time interval between contract call-off and recovery of the monies earned and that a key challenge when either was being considered was overcoming the risk that incorporating a rebate or a levy could adversely affect pricing on the contract. However, market analysis would suggest that if the level was maintained below around 0.75%, there was less of a likelihood of an adverse price variance.

It was anticipated that not all contract arrangements would lend themselves to incorporating rebates or levies. At contract strategy development, the inclusion of rebates would be considered on the basis of the nature of the contract, the goods or service provided, the market conditions and the anticipated supply base. Agreed outcomes would then become an integral part of the contract strategy, which would be subject to the normal level of review and consultation with the User Intelligence Group

(UIG), and subsequently embedded into the tender documents. At the point of contract award, the rebate inclusion would become part of the terms and conditions of contract, and as such delivery would become a contractual commitment.

Some category activity within the current contract portfolio covered market segments in which the use of rebates was commonplace. The current contract for electrical and plumbing materials had generated an annual rebate in excess of £200,000 and this had been distributed to councils. The report proposed that any additional rebates generated would be held by Scotland Excel to support current and anticipated financial constraints, and to suppress the need to increase member requisitions for future development activity.

It was not intended that a rebate provision would be included within social care contracts and development of the social care contract offering was likely to be supported by rebates generated for other contract areas.

It was anticipated that further development and expansion of the scope of rebate inclusion across the portfolio provided support to enable the organisation to establish a sustainable financial position.

**DECIDED:** That the approach summarised for the inclusion of a rebate or supplier levy mechanism across appropriate areas of the contract portfolio be endorsed.

## **12 Operating Plan Update 2017/18**

There was submitted a report by the Director of Scotland Excel relative to the progress made against operating plan activities during 2017/18.

The report intimated that in June 2015 the Joint Committee approved a new three-year corporate strategy and rolling annual operating plan. Quarterly reports were being produced to track Scotland Excel's performance against operating plan activities and these reports summarised the progress made against the key priorities identified each year using a 'traffic light' symbol which provided a quick guide to the status of each action. Appendix 1 to the report provided the year-end update report on progress undertaken and updates on ten key performance indicators (KPIs) included within the plan.

The report highlighted that progress reports would be produced at the end of each quarter and submitted to the Executive Sub-committee at their next scheduled meeting. Half yearly and annual reports would also be submitted to future meetings of the Joint Committee.

**DECIDED:** That Scotland Excel's performance in the delivery of the operating plan 2017/18 be noted.

## **13 Corporate Strategy 2018/23 and Operating Plan 2017/18**

There was submitted a report by the Director of Scotland Excel relative to the development of a new corporate strategy 2018/23 and operating plan 2018/19, copies of which were appended to the report.

The report intimated that the new corporate strategy built on the progress made by Scotland Excel over the past three years and had been developed in close consultation

with local authority stakeholders and Scotland Excel staff. It aligned with the challenges facing local government and the wider public sector, responded to procurement and commercial requirements of members, and recognised Scotland Excel's need to secure sustainable funding and growth.

The four business goals which informed Scotland Excel's strategic direction had been updated to reflect the experience and influence gained and these were detailed in the report. The strategy now covered a five-year period to support a longer-term view of the organisation's future and would be reviewed at the end of year three and updated, if required. This year's operating plan set out an ambitious agenda which would lay the foundations for delivering the aims of the strategy over the next five years.

Progress reports would be produced quarterly and half-yearly and annual reports would be submitted to meetings of the Joint Committee with reports for the interim quarters submitted to the Executive Sub-committee. Reports would also track performance against strategy outcomes using fourteen key performance indicators currently being finalised.

It was noted that the title of the report should read Corporate Strategy 2018/23 and Operating Plan 2018/19 and not Corporate Strategy 2018/23 and Operating Plan 2017/18 as stated; further that in relation to the corporate strategy, the figure referred to in paragraph 2 of page 204 of the report should read £750,000 and not £750m as stated.

**DECIDED:**

(a) That it be noted that the title of the report should read Corporate Strategy 2018/23 and Operating Plan 2018/19 and not Corporate Strategy 2018/23 and Operating Plan 2017/8 as stated;

(b) That in relation to the corporate strategy, the figure referred to in paragraph 2 of page 204 of the report should read £750,000 and not £750m as stated; and

(c) That the proposed Corporate Strategy 2018/23 and Operating Plan 2018/19, as amended, be approved.

## **14 Annual Procurement Report**

There was submitted a report by the Director of Scotland Excel relative to Scotland Excel's first annual procurement report, a copy of which was appended to the report.

The report intimated that where a public organisation was required to prepare a procurement strategy or review an existing one, it must also publish an annual procurement report. The Procurement Reform (Scotland) Act 2014 set out what, as a minimum, each annual procurement report must contain. Annual procurement reports must be published as soon as reasonably practicable after the end of the financial year and should be relevant and proportionate; provide transparency of purchasing activities; and address all matters contained in the organisations procurement strategy.

Scottish Ministers would produce an Annual Report on Procurement in Scotland based on information contained in the annual procurement reports from public organisations.

**DECIDED**: That the content of the annual procurement report, as appended to the report, be noted and published on Scotland Excel's website.

## **Sederunt**

Provost Howatson left the meeting during discussion of the following item of business.

### **15 Community Benefits and Fair Work Practices Update**

There was submitted a report by the Director of Scotland Excel providing an update on the community benefits facilitated and delivered from the Scotland Excel portfolio of framework agreements for the period to 30 March 2018 together with an update on Fair Work Practices.

The report intimated that the requirement to include community benefits in the delivery of goods and services was an integral element within Scotland Excel frameworks. Community benefits were reviewed with suppliers at contract management review meetings and reported to local authority procurement managers at business review meetings. The system used to capture and record community benefits had been updated to address the requirements of the statutory guidance made under the Procurement Reform (Scotland) Act 2014 and to further support the drive to deliver sustainable procurement.

Table 1 to the report detailed a summary of the social value added across the portfolio since 2013. The appendix to the report detailed the community benefits by council for 2017/18.

In relation to Fair Work Practices, the report intimated that Scotland Excel commenced formal consideration within tenders in early 2015 and that the respective position on bidders' work practices had been outlined within contract approval reports submitted to the Executive Sub-committee. The report detailed the overall position across Scotland Excel's portfolio.

The next community benefits data collection, analysis and review cycle would be completed in line with management information processes to cover the period to the end of September 2018. The results would be reviewed with the supply base and where appropriate would be incorporated into supplier performance objectives.

**DECIDED**: That the report be noted and the measures proposed to monitor delivery of community benefits for the 2018/19 financial year be supported.

### **16 Organisation Information Report**

There was submitted a report by the Director of Scotland Excel relative to staff absence rates, special leave given to staff and hospitality granted by the organisation in 2017/18.

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

## **17 Date of Next Meeting**

**DECIDED:** That it be noted that the next meeting of the Joint Committee would be held at 10.45 am on 7 December 2018 within the City Chambers, Glasgow City Council.