

To: Joint Committee

On: 29 June 2018

**Report
by
Director Scotland Excel**

Funding Model Review

1 Introduction

This report provides an overview of potential future funding models for Scotland Excel. It firstly provides further details on the previously reported operating deficit and the continuation of vital care services. The report then provides a high level overview of a number of potential funding opportunities which will partly address the deficit. In conclusion, Scotland Excel recommends a hybrid approach to resolving the financial challenges with further work to be undertaken prior to the December 2018 Joint Committee.

2 Background

The *Revenue Estimates 2018-19* report presented at the Joint Committee on 8th December 2017 highlighted the challenging future financial landscape for local government and the impact on Scotland Excel. It recognised that over the medium term, local government in Scotland is likely to face further contraction in available resources, relating predominantly to the provision of revenue grant from the Scottish Government. In this context, Scotland Excel will continue 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.

The report presented to the Joint Committee stated that “*the indicative medium term financial position, and includes an estimate that Scotland Excel will in 2019/20 (assuming no change in the level of requisition and no reliance on reserves) require to secure additional income or reduce costs by £168,000; rising to £254,000 in 2020/21.*” Additional analysis has been undertaken to review the deficit beyond this period and the pattern of an increasing gap continues in subsequent years (predominantly linked to assumed levels of pay award).

Throughout 2017/18, Scotland Excel has been reviewing opportunities and options to address the issue and to identify additional income. A number of successes have been achieved with projects generating additional benefits to members but each on a “cost recovery” model. Further investigation was sought on the potential for projects to generate a surplus and the use of rebates and supplier levies.

The report presented to the Joint Committee in December 2017 concluded that *“It is likely that the solution to the funding gap outlined will consist of a blend of the options outlined above, along with continued focus on cost efficiencies and sourcing new associate member income in order to avoid increased requisitions. However, the possibility of a requirement for increased requisition income over the medium term cannot be ruled out. It is suggested that Scotland Excel further explore the options outlined above and bring a report back to the June 2018 Joint Committee meeting to provide an indication of how and in what timescale the above options could be implemented.”*

In addition to the operational deficit outlined at committee, there are other areas where ongoing funding gaps exist. The main area of concern is within the Scotland Excel Care portfolio. This report provides further information on the gaps within care and the options explored in order to try and diversify its funding base.

Care Portfolio

Members will be aware of the additional social care services that Scotland Excel has been providing to members encompassing Supported Living, Care at Home and Care Homes for Older People. Funding for these projects has been from Scottish Government funding or project specific additional member fees.

Scotland Excel has been exploring future funding options for these services and has discussed this with a wide range of stakeholders. A number of options has been explored including payment of additional member fees, introduction of rebates and levies and alternative funding sources such as Scottish Government.

To date, no consensus has been reached in this matter and the “funding gap” remains, as does the demand for these important services. In order to seek an alternative and perhaps more palatable funding method, Scotland Excel is examining if the additional sources of income outlined in this paper can be utilised. The services are:

Care Home Services for Older People

Scotland Excel is leading on a wide portfolio of activity for Care Home Services for Older People.

Scotland Excel developed and maintains a cost of calculator which has been co-produced with the sector. This forms the basis of future fee rate setting saving time in lengthy negotiation on all cost elements.

Market Intelligence reports have been developed and are continually updated to support local authorities in assessing the choice of homes available, identifying where quality incentive payments are in place and managing risk through the provision of financial health reports.

Scotland Excel is now moving to deliver the sourcing strategy recommendations following extensive consultation with key stakeholders. The process to deliver this will be co-produced with key stakeholders yielding benefits to local authorities and providers in monitoring and sharing of information. Local authorities will benefit from the reduction in the burden of advertising, contract award and monitoring of nationally negotiated elements, leaving staff free to monitor outcomes at service level. Providers will benefit from the opportunity to share information and highlight achievements, for example, community benefits delivered. This is not presently collated. People using services will benefit from the assurance that the same rate is paid, regardless of geography. Fee elements, which have a direct impact on the service delivery experienced, will be monitored.

The funding for this project comes from annual contributions from 28 of the 32 Scottish local authorities (excludes Highland, North Lanarkshire, Orkney and Shetland). These contributions are confirmed until 2019/2020.

Funding Received

Financial Year	Total
2017/ 2018	£173,198
2018/ 2019	£173,198
2019/ 2020	£173,198

It is anticipated that future funding requirements for this service will reduce based on lower resource requirements after the initial tender period. This is reflected in the forecast data provided later within this paper.

Care & Support Services

Care at home and supported living services share the main aim of supporting people to live in their own home independently for as long as possible, with the care and support they need being provided in their home environment.

Care at home and supported living services are new areas of collaborative procurement activity for Scotland Excel. The 32 local authorities across Scotland spend over £750 million per annum on these services, with no consistent approach to how these services are commissioned.

Supported living is predominantly provided for people with complex needs such as a learning or physical disability and/or a mental health condition. Supported living also incorporates housing support options as well as care and is normally associated with longer periods of support of up to 24 hours per day. Service providers delivering supported living will likely consider their services to be of a specialist nature.

The market for care at home differs from supported living. Externally purchased care at home services are delivered by some national but many local private sector organisations, whereas the market for supported living services includes a number of large national third sector organisations with a significant share of local authority spend.

Local authorities in Scotland have previously commissioned and procured care at home separately from supported living services. However, differences between these services are lessening and the requirement for services to deliver a person-centred approach means that commissioning and procurement strategies are starting to bring these services together. After engagement with key stakeholders, it proposed that Scotland Excel will develop a national, flexible framework for care and support services, incorporating both care at home and supported living services. The procurement strategy for these services will seek to support a holistic approach to delivering care and support which focuses on the achievement of personal outcomes.

The Scottish Government has grant funded Scotland Excel to March 2019 to take this work forward. The funding was for a two year period only with a small amount of funding at the start of 2016/2017.

Funding Received

Financial Year	Total
2016/ 2017	£20,250
2017/ 2018	£154,750
2018/ 2019	£175,000

3 Funding Opportunities

A number of potential funding opportunities have been identified by Scotland Excel and explored further. They are as follows:

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

A short summary on their background, financial scale and opportunity analysis is included below for each project. Each project has been submitted to our internal business development sub-group and more detailed evidence and criteria reviewed.

3.1 Consultancy Services

Background

Scotland Excel has historically undertaken a number of smaller scale consultancy projects within the sector. These have all been typically on a cost neutral basis. More recently, the organisation has targeted larger scale projects and recently was successful in its bid to support Fife council in their transformation programme and in this case, incorporated a small surplus.

This project will seek to develop and formalise the chargeable consultancy services that could be offered to members and the wider public sector including the affordable housing sector. No offering will be made beyond the public sector.

Chargeable services will be beyond the standard support provided to members as part of their core requisition.

Consultancy services will encompass areas such as:

- Provision of a benchmarking service to non-members.
- Undertaking a procurement exercise on behalf of another body.
- Provision of change services e.g. business improvement exercises.
- Transformation programmes of various scales.
- Bespoke exercises for members and non-members e.g. Options Appraisals.

Project Financials

Growth in this area has been limited in the past due to resources and strategy to focus on core members. Future projects will be costed based on full recovery of costs and the addition of a transparent and modest surplus.

Contribution to deficit

The project is anticipated to provide a financial return early in period 2019/20. A prudent approach has been taken to develop and grow this income stream over the coming years and is shown in table 1.

Table 1.

Fiscal	Surplus
2019/20	£70,000
2020/21	£70,000
2021/22	£70,000
2022/23	£80,000
2023/24	£90,000

Risks

Risks associated with this project are failure to make an entry into this market and failure to deliver to agreed and contracted commitments. Internal risks are also present including attraction and retention of suitable resources. Ongoing work is underway to address these potential risks.

Competition and competitive advantage

There is a high degree of competition in this market from both the private and public sectors. Competitors within the public sector include the Improvement Service, National Shared Services and the Scottish Procurement Alliance (a body linked to London Housing Consortium) within the housing sector.

Scotland Excel has a number of competitive advantages including:

- Existing knowledge and relationships with members and associate members.
- Not for Profit and Public-Sector status allowing a more open and transparent relationship with customers.
- Policy of sharing knowledge and retaining Intellectual Property within the public sector.
- Existing skill base and capability of Scotland Excel staff

3.2 New Build Housing

Background

In its Programme for Government 2017/18, the Scottish Government committed that 35,000 of the 50,000 new build houses to be constructed by 2021 will be for social rent. The commitment will deliver a 67% increase in affordable housing supply. Local government and the affordable housing sector will be required to undertake considerable procurement activity to meet this ambitious house building programme. After extensive stakeholder engagement, Scotland Excel has initiated a project to meet this procurement demand through a new funding approach, which involves participating members contributing to the total project cost. This new funding approach provides a much needed framework with a number of additional benefits to the wider public sector, and a financial return to those organisations investing in the project.

A detailed business case was presented to stakeholders and investing councils which provided all project costs, return on investment, project risks etc. Scotland Excel has elected to also invest in the project and will utilise the anticipated return towards the Scotland Excel deficit outlined above.

Project Financials

The project costs were calculated as £500k over a two-year period. These project costs will be covered by the 12 investing councils including Scotland Excel.

Contribution to deficit

The project is anticipated to provide a financial return early in period 2020/21. A prudent approach has been taken to spend on the framework and is based on current knowledge of house build plans as published by the Association of Local Authority Chief Housing Officers (ALACHO). Currently, Scottish Government affordable homes funding has only been confirmed until 2021, therefore rebate estimates beyond this point have been based on lower historical build figures. It is anticipated, however, that funding and therefore spend will continue at the similar level rather than revert to these lower levels. The contribution to deficit is shown in table 2.

Table 2.

Fiscal	SXL Rebate
2019/20	£0
2020/21	£95,390
2021/22	£95,390
2022/23	£16,155
2023/24	£16,155

Risks

The main risk for the framework is that members choose not to utilise it once it is in place. Additional risks are related to the uncertainty of future Scottish Government funding of new build housing.

Competition and competitive advantage

A number of alternative frameworks are available within the market place including the Scottish Procurement Alliance, Scape and frameworks developed by individual local authorities and housing associations that are offered for wider use.

The Scotland Excel approach has a competitive advantage against these alternatives:

- Offering specification/design standardisation to increase speed of development, realise efficiencies and ensure ease of use
- Offering standard templates/contract forms to ensure ease of use
- Encouraging the use of local suppliers/workforce via sub-contracting arrangements
- Providing a vehicle for the delivery and recording of community benefits such as apprenticeships
- Providing contract management activity

3.3 Learning & Development

Background

Scotland Excel has historically delivered an award-winning service to the wider public sector. In the past two years, the organisation has reviewed its strategy in this area and is now taking a wider, deeper and work-based approach to organisational learning. The creation of our new 5-year Learning and Development strategy has the aim of Scotland Excel being the public sector partner of choice for procurement and related disciplines. It takes a multi-disciplinary learning approach and learning programmes are currently segmented by procurement, leadership & management and project management.

Our new approach seeks to utilise internal capabilities, technology and strategic partnerships to deliver learning, additional member benefits and a financial return that can also support the organisational deficit.

Project Financials

The project costs have been integrated into delivery costs so that the project is self-funding. Investment for growth is reviewed on a regular basis and investment made when sufficient demand and tangible opportunities exist.

Contribution to deficit

The project is anticipated to provide a financial return in 2019/20 and is shown in table 3.

Table 3.

Fiscal	Surplus
2019/20	£53,000
2020/21	£53,000
2021/22	£55,000
2022/23	£60,000
2023/24	£62,000

Risks

There are a number of internal risks for the project around operational delivery, but the team are confident these can be overcome. The main risk is that the wider public sector does not utilise the learning and development services due to budget constraints or other reasons such as mismatch between supply and demand. Scotland Excel has addressed this to-date by ensuring that costs are

minimized, and tangible learning and development needs drive the development of a timely and effective offering. A further risk is the availability of suitable resource qualified to deliver against the portfolio of learning subjects.

Competition and competitive advantage

Competition for the Learning and Development offering comes from a number of areas including Higher Education, National Shared Services and private providers. Scotland Excel has actively addressed this competition by seeking out gaps or strategic partnerships to optimise the service to the public sector.

The programme has a number of competitive advantages:

- It has an established Academy with 4 active cohorts.
- Multi-disciplinary expertise across 3 major disciplines.
- Expanding portfolio - both the number of disciplines and the grade of qualification.
- The first public sector Chartered Manager Assessment Centre in Scotland.
- The first Chartered Institute of Procurement and Supply (CIPS) accredited public-sector Procurement work-based-learning programme in Scotland.
- Benchmarked cost-effectiveness.
- Quick return on investment from the application of knowledge in work-based practice.

3.4 Rebates

Background

The use of volume rebates has 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, where others have offered successful returns on a one-off basis. A recent example of an effective implementation was the introduction of a new rebate in the contract for the supply and distribution of groceries. In this case, the rebate of c.£135k funded a team to deliver small value contracts, the delivery of which yielded a forecast efficiency of c.£700k from contracts delivered in the first year alone.

There are some challenges associated with the regular use of rebates as an income stream. These are largely associated with the lack of certainty within buying patterns, and the perception that suppliers will inflate prices to covered costs incurred. However, using historical data, coupled with an acute understanding of market conditions in which the sector operates, there is clear belief that this can be overcome. Additionally, 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.

It is the intention therefore to include a rebate review as part of the internal contract governance process, and consider applicability of the inclusion of rebates as standard practice going forward.

Project Financials

The inclusion and monitoring of contract rebates will be an integral part of the role of the contract manager. As such, it is not anticipated that this will attract additional overheads. However, there may be a need to supplement the current administration support to ensure an effective rebate recovery process is maintained.

Contribution to deficit

The project is anticipated to provide a financial return early in period 2020/21. It is provided in table 4.

Table 4.

Fiscal	Surplus
2019/20	£0
2020/21	£55,000
2021/22	£100,000
2022/23	£572,000
2023/24	£811,000

Risks

The main risks associated with this inclusion is lack of stakeholder buy in, both from councils and the market, and the lack of guaranteed sales volumes. These will be mitigated by wide customer and market engagement, and detailed analysis of previous buying patterns to enable effective forecasting of future demand.

Competition and competitive advantage

A number of buying organisations, both public and private sector, employ the use of rebates/supplier levies to generate income; as such, this is not a new concept. Also, given the significant purchasing power associated with local government collaborative activity, coupled with the low value by percentage planned to be introduced, it is not expected that this would introduce an additional threat to Scotland Excel as the partner of choice.

3.5 Associate Member Expansion

Background

At the time of publication, Scotland Excel had 68 associate members. This includes 20 Housing Associations which have joined in the past year. This project will seek to take a much more proactive approach to the identification and enrolment of associate members to Scotland Excel. The project will make use of the existing affordable housing team to accelerate this within their sector. Additionally, the project will develop a model of associate support and development that supports core members, associate members and is productive for Scotland Excel. Additional income of £80,000 has been secured in 2018/19 over that budgeted and it is viewed that further income is achievable.

A proposal to support this project will be made to the Joint Committee in December 2018. This proposal will seek to set out the legacy of the Affordable Housing programme funded by Scottish Government until the end of this fiscal period.

Project Financials

The December 2018 proposal will demonstrate the growth in associate membership that and associated costs in order to provide a surplus towards the Scotland Excel deficit.

Contribution to deficit

The project is anticipated to provide a financial return in period 2019/20 and is contingent on acceptance of the future proposal, as outlined in table 5.

Table 5.

Fiscal	Surplus
2019/20	£50,000
2020/21	£55,000
2021/22	£55,000
2022/23	£60,000
2023/24	£60,000

Risks

The main risks for the project are failure of a sector to embrace the opportunity of associate membership or sectors where an alternative sector procurement provider is already present and imbedded. The strategic direction of Scotland

Excel's frameworks will also impact associate growth. The Scotland Excel Associate strategy sets out the markets where growth is anticipated.

Competition and competitive advantage

Scotland Excel's inherent strategy and ethos provides a number of key competitive advantages:

- Offering a range of frameworks that are legally compliant with significant cost savings for potential associate members.
- Freeing up local resource spent tendering to allow greater focus on local service and core business
- Delivering standard terms and conditions
- Delivering cost savings and social value back into the local communities
- Provision of additional related services
- Provision of learning & development opportunities to new associate staff.

4 Review of Options

Table 6 provides a summary of the total funding gap including the operating deficit (assuming a 2% pay award in each year) and care services. Also included is an estimate of the costs of the office expansion – a separate report to the Joint Committee is included at agenda item 8 of this meeting. It should be noted that the operational deficit figures for 2021/22 and beyond are clearly more difficult to ascertain and therefore proportionate estimates made.

Table 6

Project	Fiscal Period				
	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Deficit	-£168,000	-£254,000	-£334,000	-£414,000	-£494,000
Care Home for Older People	£0	-£97,955	-£99,914	-£101,912	-£103,951
Supported Living and Care at Home	-£169,394	-£172,782	-£176,238	-£179,762	-£183,358
Proposed office expansion	-£50,000	-£50,000	-£50,000	-£50,000	-£50,000
Total	-£387,394	-£574,737	-£660,152	-£745,675	-£831,308

A number of options have been identified to address the deficit faced by Scotland Excel over the coming fiscal periods.

Option A – Efficiencies and Requisition

The introduction of efficiencies and potential member requisition increases was suggested as a possible route in the December 2017 Joint Committee report.

Scotland Excel continues to review its operating model for introduction of efficiencies that reduce operating expenses. This has been across all areas of the annual budget including staffing and secondary costs. 83% of the annual budget is spent on staff and 10% on the provision of premises and Service Level Agreements. Operational deliverables from staff have been a key focus for a number of years with increased services delivered from the core budget. Further work has also been undertaken with regard to premises and service level agreement. Scotland Excel will continue to review its operational model and seek further efficiencies wherever possible.

Scotland Excel accepts and recognises that it is not palatable to increase requisition costs for members whilst the local government sector operates in an ever-challenging environment. Despite this it is important to consider the potential impact and contribution this would make to the deficit. Table 7 provides an indication of the potential impact of a requisition increase.

Table 7

Increase %age	Annual Contribution to Deficit
0.5%	£17,421
1.0%	£34,842
1.5%	£52,263
2.0%	£69,684
2.5%	£87,105
3.0%	£104,526

The table demonstrates a small range of increases and is not a recommendation on the nature or scale of a requisition increase. It is however apparent when considering the data provided in table 6 that requisition increases would have to be significant to alleviate the total deficit.

Option B – Income generation

This option is whereby Scotland Excel proceed with the projects outlined in section 3 and endeavor to develop a number of services/projects that provide an operating surplus.

The total forecasted annual contribution to deficit is shown in table 8.

Table 8

Project	Fiscal Period				
	2019/20	2020/21	2021/22	2022/23	2023/24
1. Consultancy Services	£70,000	£70,000	£70,000	£80,000	£90,000
2. New Build Housing	£0	£95,390	£95,390	£16,155	£16,155
3. Learning and Development	£53,000	£53,000	£55,000	£60,000	£62,000
4. Rebates	£0	£55,000	£100,000	£572,000	£811,000
5. Associate Member Expansion	£50,000	£55,000	£55,000	£60,000	£60,000
Surplus	£173,000	£328,390	£375,390	£788,155	£1,039,155

It is evident that despite the healthy and positive potential contribution that the five projects could add to meet the deficit, it is insufficient to cover the total deficit outlined in table 6 in the medium term. This is represented by table 9.

Table 9

Project	Fiscal Period				
	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Deficit	-£168,000	-£254,000	-£334,000	-£414,000	-£494,000
Care Home for Older People	£0	-£97,955	-£99,914	-£101,912	-£103,951
Supported Living and Care at Home	-£169,394	-£172,782	-£176,238	-£179,762	-£183,358
Proposed office expansion	-£50,000	-£50,000	-£50,000	-£50,000	-£50,000
Total	-£387,394	-£574,737	-£660,152	-£745,675	-£831,308
Income	£173,000	£328,390	£375,390	£788,155	£1,039,155
Estimated surplus/deficit	-£214,394	-£246,347	-£284,762	£42,480	£207,847

Based on the above figures a different approach will be required to address the issue than solely income generation.

Option C – Hybrid approach to funding

Scotland Excel takes a hybrid approach to tackling the total deficit. This option incorporates the options presented in Options A, Options B and also continues the current arrangements for funding the older people care home work whereby participating councils fund this directly.

In both options demonstrated above, the deficits over 2019/20 to 2021/22 are the most immediate and difficult to resolve. The lag involved in the introduction of a number of the income generation projects and the growth in projected costs (mainly attributable to anticipated pay awards) results in a projected deficit position over the medium term.

In addition to the options outlined, the flexible use of reserves should be considered to address the shorter term projected deficits. In agreeing the 2018/19 budget, members agreed to flexibly manage an anticipated £70,000 underspend from 2017/18 into 2018/19, with closing general reserves anticipated to remain at circa £200,000 (circa 5-6% of turnover). Members will note from the unaudited annual accounts that the general reserve was slightly higher at the end of 2017/18; and there are also reserve balances which have accumulated from projects; which takes total reserves to £658,000.

The reserves balance associated with projects is fully committed to support these projects moving forward, however there is potential to flexibly manage these resources in conjunction with the general reserve balance to address, in the short term, part of the projected deficit with this funding being replaced in the medium term from the surpluses forecast. It is estimated that potentially up to £120,000 could be utilised on a one-off basis in this fashion.

In addition to the above, the existing members who utilise and have provided initial funding for the Care Home for Older People service are asked to continue funding this work.

The results of this option are demonstrated in Table 10.

Table 10

Project	Fiscal Period				
	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Deficit	-£168,000	-£254,000	-£334,000	-£414,000	-£494,000
Care Home for Older People	£0	-£97,955	-£99,914	-£101,912	-£103,951
Supported Living and Care at Home	-£169,394	-£172,782	-£176,238	-£179,762	-£183,358
Proposed office expansion	-£50,000	-£50,000	-£50,000	-£50,000	-£50,000
Total	-£387,394	-£574,737	-£660,152	-£745,675	-£831,308
Income options	£173,000	£328,390	£375,390	£788,155	£1,039,155
Associate member income secured 2018/19	£80,000				
Care Home for Older People - Member funded		£97,955	£99,914	£101,912	£103,951
Estimated surplus/deficit	-£134,394	-£148,392	-£184,848	£144,393	£311,797
Opening reserves (general and project)	£ 360,000	£ 240,000	£ 240,000	£ 240,000	£ 360,000
Use of reserves	£ 120,000	£ -	£ -	-£ 120,000	£ -
Closing reserves	£ 240,000	£ 240,000	£ 240,000	£ 360,000	£ 360,000
Remaining surplus/deficit	-£14,394	-£148,392	-£184,848	£24,393	£311,797

(Note – the reserves analysis above is indicative and will require further development to fully incorporate the timing of project spend. It also assumes no other risks materialise which impact on the level or availability of general reserves from their current minimum recommended level.)

Despite the significant work to identify additional funding elements, a gap remains within the budget forecasting. It is therefore anticipated that requisition increases in the region of 1-3% may be required to bridge the deficit position outlined in specific financial years, however the average increase over the medium term period is likely to be marginal. Further work will continue supported by the Treasurer to update the forecast outturn and reserves position, and further work will continue to explore any alternative options.

The level of requisition will require to be formally agreed at the December 2018 Joint Committee. No assumptions on requisition increases have been incorporated into the financial modelling provided.

5 Next steps

It is apparent from the details in table 10 that further work is required to address the situation. Although the options highlighted in Option C go towards addressing the longer-term issue, they do not address the short to medium term forecast deficit.

Once a direction is agreed by members at the Joint Committee in June 2018, Scotland Excel will extend its existing work with key stakeholders to further communicate the approach and to provide assurances on the robust future financial performance of the organisation.

6 Conclusion/Recommendation

Scotland Excel has taken an ambitious and prudent approach to securing the financial sustainability of the organisation over the next 5 years. It anticipates that in the same period, the organisation will see its contract portfolio value rise from the current £1bn to c.£2.5bn which in turn will deliver further value and savings to members.

The organisation will also deliver a number of key services to members in order to support councils' wider ambitions and continue to be its partner of choice.

Committee members are requested to:

1. Approve the proposed hybrid approach in Option C to meeting the deficit whereby the funding opportunity projects outlined in section 3 are progressed by Scotland Excel in addition to potential the flexible use of reserves and potential requisitions increases.
2. Agree that the *Care Home for Older People* project continues to be directly funded from the participating councils.
3. Agree that Scotland Excel officers continue to work with the Treasurer to identify methods to address the short to mid-term deficit.
4. Note that an update paper will be presented to the December 2018 Joint Committee along with the annual Revenue Estimates. This paper will provide an update on the steps taken since the June 2018 joint committee and any further steps required to ensure ongoing financial sustainability.