

## Scotland Excel

**To: Joint Committee**

**On: 21 June 2019**

**Report  
by  
the Director**

### **Funding Model Update**

#### **1. Introduction**

This paper provides members with an 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 to maintain the aim of minimising the level of requisition required, and also to develop value propositions for member authorities to ensure that best value is achieved. A number of funding opportunities were also identified by Scotland Excel and approved by the Joint Committee. These were:

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

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

### 3. **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 several consultancy projects with a pipeline of projects to commence in 2019. This has been an area of growth for the organisation.

The June 2018 Joint Committee approved a surplus target of £70k for Consultancy Services in 2019/20. Based on current and scheduled projects we expect to meet this target, and anticipate that there may be the opportunity to exceed this in the event that other funding opportunities fail to meet current expectations.

The following projects are currently underway:

***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 resource is now focussing on the identification and delivery of savings. In addition to savings, the programme is prioritising skills development to support handover from Scotland Excel to the Fife procurement team 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. City Properties (Glasgow) LLP provide management development and disposal of Glasgow City Council's Non-Operational Land and Property Assets. The scope of the work covers 1800 commercial properties and a full property management service for The Lochs shopping centre in Easterhouse. The initial project will complete in mid-2019, and Scotland Excel is in discussion with the organisation regarding the provision of further services.

***Cycling Scotland:*** The project is designed to put in place a Dynamic Purchasing System (DPS) which is an electronic procurement process, similar to a framework agreement, but remains open to allow new suppliers to join. The DPS 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 financial 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 staff members 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 staff 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 duration of the project is two years.

## 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.

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 surplus target of £53k for The Academy in 2019/20. Scotland Excel is confident it will reach this target.

The new Professional Development Award 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 Higher National Diploma & Degree level programme fills 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.

### 3. Associate Member - Expansion

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

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 Associate Member strategy, and anticipates further growth in the housing sector and a new focus on the third sector.

### 4. New Build Housing

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

Extensive engagement has been undertaken with individual contractors and purchasers, as well as a number of other key stakeholder groups. User intelligence groups were also held with member councils and a comprehensive procurement strategy was produced.

Following an extensive development period and a restricted procurement exercise, 22 tender bids were received from contractors in May 2019. These offers are now being evaluated by the Scotland Excel team in conjunction with the 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 opportunities, delivery of community benefits and use of supported businesses and social enterprises.

## 5. Rebates

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

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

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

## 4. **Funding Methodologies**

Scotland Excel seeks to implement transparent funding mechanisms that support our members and the goal of financial sustainability. The most developed of these methodologies is within consultancy services. Scotland Excel has developed a standard approach to costing these services:

- Staff are charged at a fully burdened cost (including standard overheads and IT).
- Recruitment costs are charged at cost.
- Virtual resource is provided where a member can procure a set number of staff days covering all Scotland Excel staff. This is discounted from the standard daily rate to recognise the volume and planned aspect of this option.
- All component costs (including those listed above) are totalled, and a standard 10% surplus is added.

When projects are initiated, a project cost centre is created and all financial transactions relating to that project are tracked. This ensures that all costs and income related to the project are kept separate and the financial impact of the project is fully understood.

This is a transparent approach that provides a very competitive offering whilst also supporting value for money for member councils.

## 5. **Recommendations**

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