

Scotland Excel Executive Sub Committee

To: Executive Sub Committee

On: 15 May 2015

Report by Director

Associate Member Report

1 Introduction

Following the report submitted to committee in April members requested more detail on the proposals to change the charges for Associate Membership of Scotland Excel. This report provides more detail on the proposed changes to the fee structure for Associate Membership for committee to consider.

2 Background

Scotland Excel's current 60 Associate Member organisations are a mix of community, church and charitable organisations together with a number of local authority "arms length organisations".

The fee income of these groups was circa £26,000 in 2014-15 with the average membership fee being £413

3 Current Position

As Scotland excel's contract portfolio has grown analysis of spend confirms associate members are accessing more contracts. The result is that associates are now gaining significant savings and benefits from their membership and the fees paid do not reflect this.

4 Proposed

It is proposed that Associate Members will be managed in a number of groups categorised by the number of contracts utilised and the expenditure incurred.

The first will be a group of members who will have no fee charged for membership. These will be council arms length organisations (ALEOs) and groups which are approved by the Executive Sub Committee for free membership. Groups may qualify for waiving of membership fee because the use of contracts is of very low value and of infrequent nature. An example of this may be an organisation which purchases a mini bus every three years.

The first level of fee paying groups will pay an annual fee of £500 and these will typically be organisations who access contracts on a regular basis, but whose is not expected to exceed £10,000 per annum across all contracts.

The second level of fees would be applied to groups with annual spend between £10,000 and £50,000 across the contract portfolio. Membership fees for these organisations would be £1000 per annum.

The third level would be groups who access contracts on a regular basis and whose annual spend is over £50,000. Membership fees for these organisations would be £2000 per annum with a charge of 1% of contract spend.

The introduction of the proposed fee structure outlined would, based on available spend data for the previous 12 month period, generate Associate Membership income of £62,000 Appendix 1 shows the number of organisations in each group and indicative fees that would be payable.

There would be a number of steps to introduce and manage the transition.

- All existing member organisations would be contacted with an explanation of the change and the cost for continued membership in the coming year. Groups would have the opportunity to decline the renewal of their membership.
- Part of the communication will be to explain how spend will be monitored and how groups would, depending upon contract spend, move between membership fee groups for the coming financial year.
- A new Service Level Agreement (SLA) would have to be drafted to ensure that the retrospective invoicing of the variable element of the fee was agreed and accepted by member organisations.
- Spend data for Associate Members will be collected quarterly and verified in line with current practice for all Scotland Excel contracts.

For all member organisations there would be regular monitoring to ensure that the fee charged was appropriate and it would be the intention to actively manage those organisations identified with the potential to move up into higher fee generation levels.

It has previously been reported to committee that a number of potential new associate members have been identified either from spend data, enquires or from discussions with organisations which represent groups, for example Employers in Voluntary Housing and the Scottish Federation of Housing Associations who have made enquires on behalf of housing associations. These will be fully explored and brought to committee for approval if an opportunity is identified.

As part of an agreement to support cross sector collaboration the Centres of Expertise; Advanced Procurement for Universities and Colleges (APUC), the NHS and the Scottish Government have access to Scotland Excel contracts. As the contract portfolio has developed, these organisations have been making increasing use of Scotland Excel contracts and the spend of these organisations now accounts for £4.9m per annum.

In the ongoing support of cross sector collaboration it is not proposed to introduce a fee to these organisations; however an alternative source of income from these organisations has been identified. Many of the contracts being utilised by these organisations attract rebates from suppliers and it is proposed that going forward Scotland Excel will collect and retain these rebates from suppliers. This will require discussions between Scotland Excel and these organisations and will include agreement on the departments and the Non Departmental Public Bodies who would be included, setting up any new SLAs and will be reported to committee for approval in due course.

5 Recommendation

The Executive Sub Committee is requested to consider the contents of this report and approve the fee structure proposed under the groupings of membership identified.

ASSOCIATE MEMBER FEE INCOME

ORGANISATIONS WITH NO FEE	12	£0
ORGANISATIONS PAYING £500	38	£19,000
ORGANISATIONS PAYING £1000	3	£3,000
ORGANISATIONS PAYING £2000	7	£14,000
PLUS 1% RETROSPECTIVE CHARGE		£26,000
	TOTAL	£62,000