

Scotland Excel

To: Executive Sub Committee
On: 16th September 2016

Report
by
Director Scotland Excel

Supporting councils in challenging financial times.

Workstream: Rebate Management

1. Introduction

This report is an update on one of the workstreams that Scotland Excel is undertaking to support its members in the current challenging financial climate. The rebate workstream is one of a number of areas which Scotland Excel is developing. This paper is intended as a “thought piece” to seek views, encourage debate and to agree strategic direction.

2. Background

At its Joint Committee on June 2016, members overwhelmingly called for further investment in, and wider recognition, of the value of Scotland Excel. Whilst this is welcomed by the organisation, it is also vital to operate an efficient organisation that continues to deliver exceptional customer value.

It is important that Scotland Excel continue to recognise the need to deliver exceptional value to its member councils. In order to communicate this value, an annual report will now be produced and sent to each council. Appendix 1 is an example of the type of information that will be provided. This first report is a prototype and represents the key total value statistics from Scotland Excel. Individual member council reports will also be produced using the same format.

As part of its previous review of funding operations, Scotland Excel considered the use of procurement rebates as a possible funding mechanism. After discussion with stakeholders, it was felt that **existing** rebates currently received by members should be left untouched. Subsequent to this agreement, Scotland Excel has recently implemented a framework for groceries with a **new** rebate attached.

In order to provide a degree of mitigation towards the annual requisition fee it is proposed that Scotland Excel manage new rebates and provide as an annual return to councils. Appendix 2 represents the value of this service to member councils. The table is based on council's previous annual spend on this commodity and therefore may be higher or lower than the estimates provided. Forecast spend data agreed with councils indicated a higher level of spend for 2016/17.

Rebate returns for Angus, Dundee and Perth & Kinross are covered within the Tayside Contracts rebate.

It should be noted that due to previous non participation in the groceries contract, estimated rebate values for five councils are not shown in the above table. It is however anticipated that a number of these organisations will participate in this new framework. Subsequent new framework rebates would also address this situation.

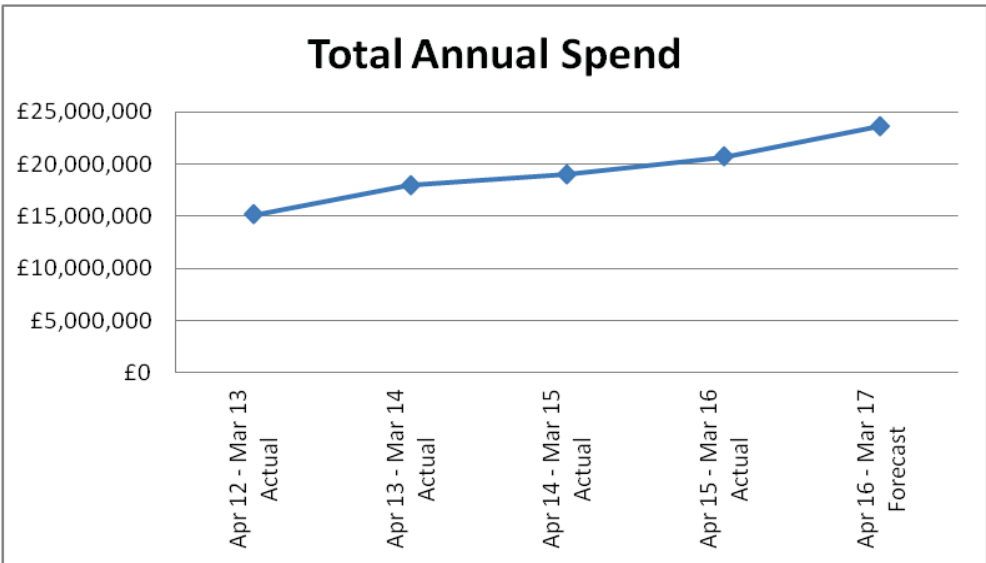
Scotland Excel would work with the relevant suppliers to collect rebates earned and issue to finance departments within the respective councils. Should councils make alternative arrangements counter to contractual agreements e.g. direct pricing discounts, then the amount will be verified and no payment therefore issued.

Implementation of this proposal will return £135k to councils which equates to an average 4.5% discount from requisition. Scotland Excel anticipates that once it manages this new rebate on behalf of members it can create further value by detailed analysis of spend in order to maximise rebate return.

It is further emphasised that this rebate amount is **completely new** to councils and is **not** currently received by members.

Scotland Excel has selected this contract for a number of reasons including timing, stability, predictability and availability of data. Diagram 1 represents the past four years spend by members and the forecast spend information provided by councils for period 16-17.

Diagram 1



The detailed contract spend for each member council is included in Appendix 3.

Scotland Excel has utilised the council 15/16 actual spend data and the contractually agreed rebate percentage (0.75%) in order to calculate the predicted rebate shown in table 1 above. This is seen as both a conservative and prudent approach in order to provide confidence in the proposed figures.

Implementation of this proposal would mean that there is no change to Scotland Excel requisitions in 2017/18.

We have taken the following steps to support any implementation of this proposal:

- Consultation with Financial Directors
- Consultation with Chief Executives
- Consultation with Procurement Managers

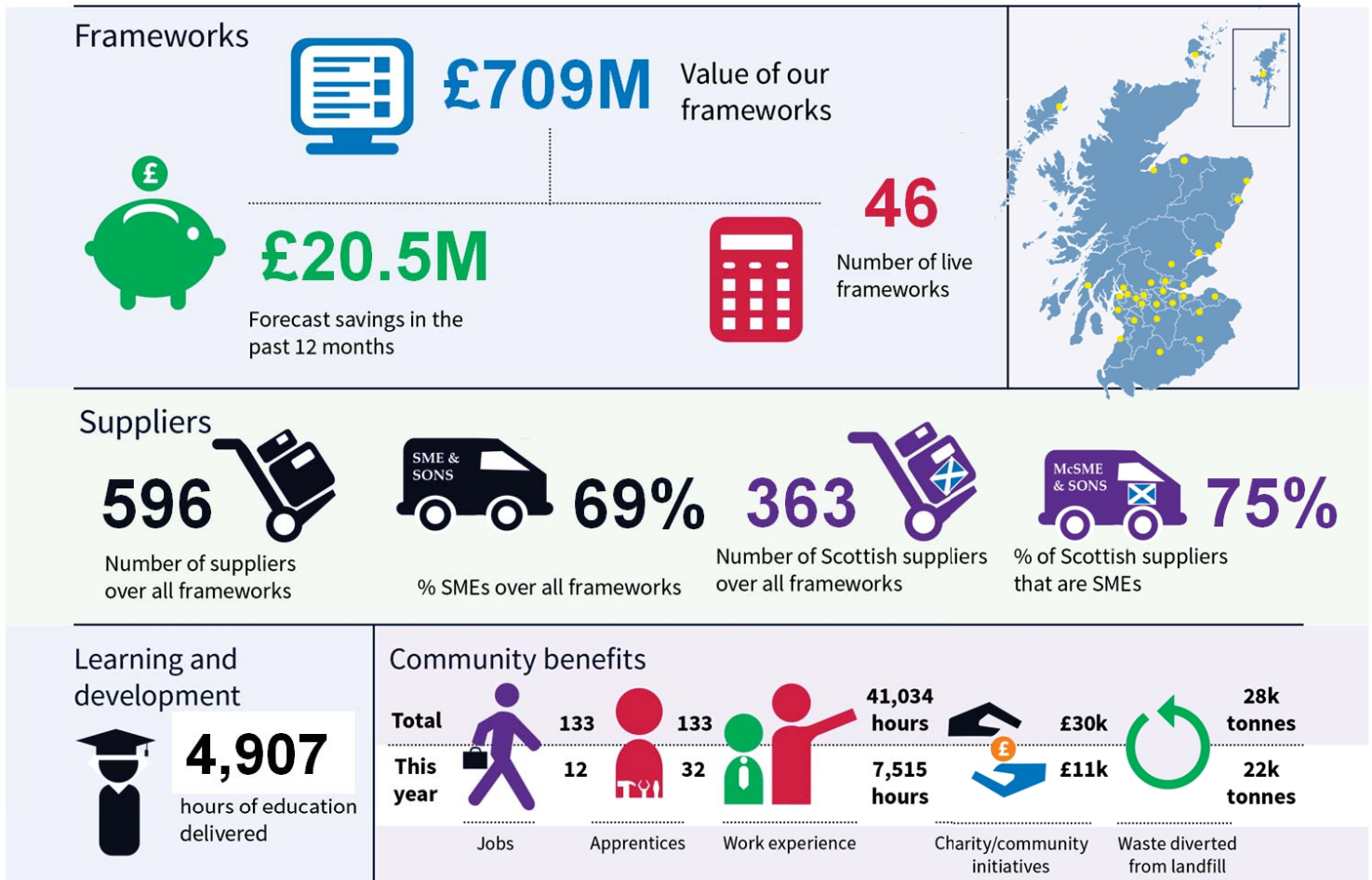
3. Recommendations

It is recommended that members note this report. A detailed proposal will be brought for approval to the Joint Committee on 9th December 2016.

Appendix 1: Performance Infographic

Key Value Statistics – May 2016

SCOTLAND
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Appendix 2: Standard Rebate

STANDARD REBATE			
Council	Requisition	Rebate Value	Rebate %age
Aberdeen City Council	£140,607	£6,638	4.7%
Aberdeenshire Council	£156,621	£11,968	7.6%
Angus Council	£82,591		
Argyll & Bute Council	£67,842	£3,580	5.3%
City of Edinburgh Council	£276,829	£5,889	2.1%
Clackmannanshire Council	£48,605	£1,370	2.8%
Comhairle nan Eilean Siar	£36,111	£1,348	3.7%
Dumfries & Galloway Council	£100,395	£3,806	3.8%
Dundee City Council	£99,296		
East Ayrshire Council	£85,835	£3,304	3.8%
East Dunbartonshire Council	£77,160	£3,383	4.4%
East Lothian Council	£74,806	£2,146	2.9%
East Renfrewshire Council	£69,647	£2,472	3.6%
Falkirk Council	£103,989	£5,239	5.0%
Fife Council	£213,737		
Glasgow City	£333,882		
Highland Council	£143,652	£8,800	6.1%
Inverclyde Council	£63,793	£2,966	4.6%
Midlothian Council	£66,090	£2,524	3.8%
North Ayrshire Council	£93,410	£4,709	5.0%
North Lanarkshire Council	£198,471	£12,687	6.4%
Orkney Islands	£33,061		
Perth & Kinross Council	£99,076	£264	0.3%
Renfrewshire Council	£112,758	£5,795	5.1%
Scottish Borders Council	£81,351	£4,371	5.4%
Shetland Islands	£33,914		
South Ayrshire Council	£80,817	£2,200	2.7%
South Lanarkshire Council	£186,501	£10,745	5.8%
Stirling Council	£69,522		
The Moray Council	£71,138	£2,596	3.6%
West Dunbartonshire Council	£68,763	£3,468	5.0%
West Lothian Council	£113,930	£8,190	7.2%
Tayside Contracts	£0	£14,792	5.3%
	£3,484,200	£135,253	4.5%

Appendix 3: Council Spend Data

Council	Apr 12 - Mar 13 Actual	Apr 13 - Mar 14 Actual	Apr 14 - Mar 15 Actual	Apr 15 - Mar 16 Actual	Apr 16 - Mar 17 Forecast
Aberdeen City Council	£737,981	£823,006	£909,516	£939,225	£896,840
Aberdeenshire Council	£1,145,037	£1,399,355	£1,599,006	£1,750,207	£1,591,839
Angus Council	£0	£0	£0	£0	£0
Argyll & Bute Council	£430,382	£452,497	£493,256	£506,548	£585,196
City of Edinburgh Council	£253,868	£1,187,438	£1,216,391	£1,232,665	£1,252,757
Clackmannanshire Council	£87,725	£176,047	£190,621	£193,902	£197,719
Comhairle nan Eilean Siar	£110,731	£105,353	£112,346	£190,693	£151,532
Dumfries & Galloway Council	£524,678	£569,185	£547,774	£538,515	£1,004,230
Dundee City Council	£0	£0	£0	£0	£65,941
East Ayrshire Council	£399,346	£422,096	£433,513	£467,469	£432,611
East Dunbartonshire Council	£331,236	£359,583	£353,261	£478,660	£349,977
East Lothian Council	£330,208	£355,725	£400,441	£440,726	£398,826
East Renfrewshire Council	£280,225	£302,411	£349,670	£349,824	£345,744
Falkirk Council	£599,013	£669,506	£728,344	£784,425	£713,050
Fife Council					£2,703,896
Glasgow City					
Highland Council	£1,080,956	£1,088,022	£1,272,881	£1,245,118	£1,360,000
Inverclyde Council	£354,846	£363,639	£384,900	£419,685	£384,413
Midlothian Council		£86,878	£524,709	£535,478	£524,287
North Ayrshire Council	£539,290	£549,917	£659,653	£702,048	£645,880
North Lanarkshire Council	£1,525,189	£1,796,715	£1,505,442	£2,015,615	£1,841,858
Orkney Islands					
Perth & Kinross Council	£64,708	£20,786	£43,901	£56,128	£98,999
Renfrewshire Council	£703,076	£722,318	£750,039	£819,968	£743,075
Scottish Borders Council	£482,162	£517,088	£557,607	£618,387	£585,729
Shetland Islands					
South Ayrshire Council	£252,486	£275,653	£313,011	£311,310	£431,235
South Lanarkshire Council	£1,932,479	£2,169,301	£1,924,036	£1,956,713	£1,856,700
Stirling Council					£581,746
The Moray Council	£339,789	£355,231	£367,595	£367,231	£411,279
West Dunbartonshire Council	£419,537	£471,415	£484,372	£490,672	£475,247
West Lothian Council	£709,657	£953,072	£973,530	£1,173,529	£970,091
Tayside Contracts	£1,472,015	£1,765,444	£1,927,831	£2,092,899	£2,000,439
Grand Total	£15,106,619	£17,957,680	£19,023,645	£20,677,638	£23,601,136