SCOTLAND EXCEL

ASSOCIATE MEMBER STRATEGY

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1 INTRODUCTION

This document contains the strategic direction and recommendations for operating Associate membership of Scotland Excel. This strategy should be read in conjunction with the organisation's corporate strategy 2015-18[1]

Since the organisation's inception, governing members of the organisation were keen to ensure the focus of its efforts were fixed on its core membership. As the organisation has matured and in significantly more challenging financial times, Scotland Excel's Joint committee has been supportive of the organisation exploring alternative funding sources. A key caveat to this is that these sources do not conflict with the objectives of the organisation or dilute the support given to the local authority members

The aim of the strategy is therefore twofold:

- Explore the method of offering supplementary and complementary services to a second tier of members that generates potential incremental income whilst having no detrimental impact on our core members.
- Providing Additional value to the wider public family.

2 BACKGROUND

Scotland Excel was formed in 2008 as the procurement centre of expertise for Scottish local authorities. It is a leading non-profit organisation representing all 32 local authorities.

In addition to full membership offered to Scotland's local authorities, the organisation offers access to its frameworks and additional services through associate membership. Associate members pay a significantly reduced fee in comparison to full members and therefore play no formal role in the governance or strategic direction of Scotland Excel. As a public body however, Scotland Excel endeavours to return additional value to the wider public family and does so through its use of associate membership. A robust governance process is utilised to ensure that organisations that apply fit within the public and third sector and also fully serve a public purpose.

Although associate membership has been in place since the outset of the organisation it is now felt prudent to review the strategic direction of this customer segment, consider the current operational model and make a series of recommendations on how to proceed.

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[1] Scotland Excel Strategy 2015-18

3 EXECUTIVE SUMMARY

At the time of publication, Scotland Excel had 32 Scottish local authority members and 47 associate members. Eligibility to join as an associate members is determined within the governance of Scotland Excel and derived from the 1970 Local Government (Goods and Services) Act, as amended by the Local Government (Scotland) Act 2003.

In addition to full members and associate members, a reciprocal agreement is in place which allows use of frameworks to bodies represented by the other 3 centres of expertise at no charge:

- NHS - National Shared Services (NSS)
- Advanced Procurement for Universities and Colleges (APUC)
- Scottish Government Procurement

The associate membership fee for Scotland Excel was reviewed in 2015 and a new three tier model implemented. The fees structure agreed was as follows:

- Contract spend up to £10,000 pay a £500 annual membership fee.
- Contract spend between £10,000 and £50,000 pay a £1000 annual membership fee.
- Contract spend over £50,000 pay a membership fee which represents a percentage of the spend. In this instance a maximum fee of £30,000 has been set.

Services offered by Scotland Excel that may be interest to associate members have been split into three broad categories; Collaborative Procurement, Capability services including consultancy, assessment and policy and provision of learning and development.

Scotland Excel has undertaken an analysis of the market and potential competitors to understand the opportunities and strategic direction for associate membership. Markets for associate membership include:

- Housing Associations
- Charitable Organisations
- Transport Partnerships
- Arms Length Organisations (ALEO)

It is the recommendation of this strategy that Scotland Excel focuses on housing associations as its primary market for development. There are approximately 170 Registered Social Landlords (RSLs) governed by the Scottish Housing Regulator (SHR). The SHR sets very clear and specific criteria for membership and these guidelines mirror the requirements for Scotland Excel to accept organisations as associate members. There are a number of reasons why this group of organisations fit well with Scotland Excel now and how the organisation can develop to support them going forward as associate members. These are covered within this strategy.

Scotland Excel, at the request of Scottish Government, has provided a proposal outlining the implementation of a small team of four people dedicated to the housing sector for a fixed period of 2 years. Future operation of this team would have to be self funded. This recommendation is based on the acceptance of this proposal.

<u>Funding</u>

Scotland Excel believes that all work related to associate membership should be self-funding. This recognises the challenging economic position its core membership currently face and likely to continue to face. Scotland

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Excel will continue to seek alternative funding options similar to that discussed previously with Scottish Government and housing associations. It should however be recognised that in order to generate greater levels of associate member income resources and funding will be required. The main resource requirement areas are within business generation, account management and marketing. Any requirement for specific framework development would also require procurement resource.

Committee members may consider various funding options including re-investment of additional associate membership fees to generate greater returns or re-allocation of any budgetary surpluses. Scotland Excel recommends the creation of a robust business case for any resourcing and investment within this area whilst adhering to the self-funding principles.

Fees

The third tier membership is currently being reviewed and an alternative clearer method sought.

Reciprocal fee waivers are in place for a number of organisations:

- NHS trusts and organisations served by National Shared Services (NSS)
- All higher and further education organisations covered by Advanced Procurement for Universities and Colleges (APUC)
- All Non Departmental Public Bodies (NDPB) supported by Central Government Procurement

In addition to a fee waiver organisations utilising Scotland Excel frameworks may also earn a monetary rebate against their expenditure.

Options open to members include:

- Charging an associate member fee to these organisations and therefore terminating the bilateral fee waiver agreement.
- Retaining fee waiver as it currently stands.
- Retaining fee waiver but Scotland Excel retains any rebates earned by associate members.

It is unclear at this stage what extent local government makes use of framework agreements provided by the above centres of expertise. Understanding this and the potential impact to Scotland Excel core members is key to any future changes to this agreement. Further work is being undertaken in this area to consider the most beneficial route to core members and Scotland Excel.

The 19 ALEOs currently registered as associate members pay no fee. Recognising the significant financial challenges that members are facing and potentially also within their ALEOs it is recommended that implementation of any fee should be postponed to a future date. Guidance from members and committee is sought on this approach.

Scotland Excel is considering a more tailored fee structure for housing associations should this market sector grow to a reasonable scale. A number of ways are currently utilised by other member organisations in this sector and will be reviewed for suitability. The model that appears to be most accepted and utilised by housing associations is based on number of housing units.

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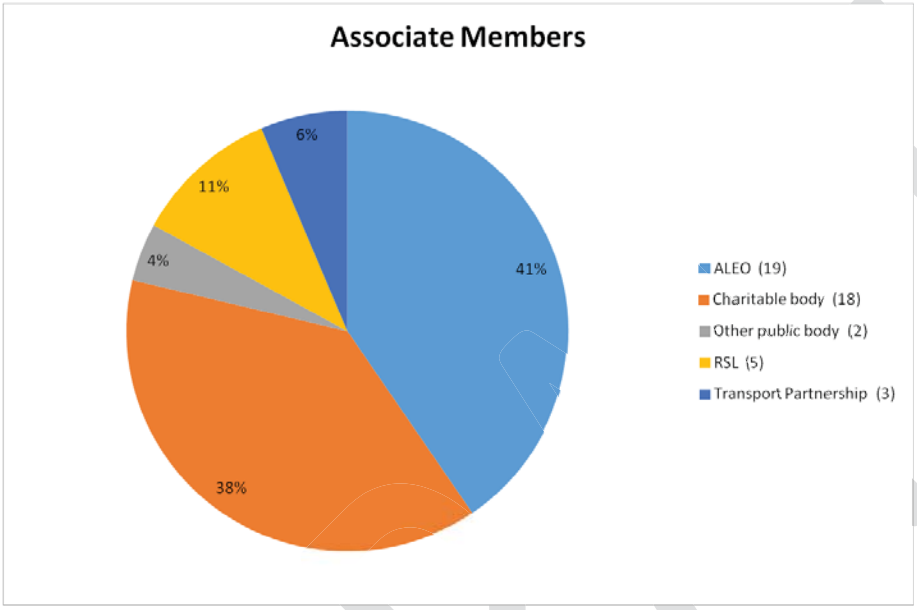
4 MEMBERSHIP AND SERVICES

At the time of publication Scotland Excel had the following membership profile:

- 32 Scottish Local Authorities.
- 47 Associate Members – (See http://www.scotland-excel.org.uk/home/Aboutus/Ourmembers/Associate-members.aspx on our website for a current list of associate members) A current list at time of publication is included in Appendix 1.

Associate members are split between various types of organisations which are represented in Figure 1.

Figure 1



Eligibility to join as an associate member's organisation is determined within the governance of Scotland Excel. "As a public sector procurement agency, Scotland Excel is restricted in the types of organisation which it can supply its services to. In order to become an associate member of Scotland Excel, the organisations Constitution, or Articles and Memorandum of Association must comply with the requirements of the 1970 Local Government (Goods and Services) Act, as amended by the Local Government (Scotland) Act 2003."

Non council bodies granted associate status typically fall under Part 1 Section 8(b) of the Local Government (Scotland) Act 2003. :

(c) a person who, in the circumstances set out in subsection (1L) below, enters into the contract in order to provide the local authority with goods or services, or with a person who, not being a public body, has functions of a public nature or engages in activities of that nature and the purpose or effect of the agreement is to facilitate discharge by that person of those functions or that person's engagement in those activities.

In addition to full members and associate members, a reciprocal agreement is in place which allows use of frameworks to bodies represented by the other 3 centres of expertise:

- NHS - National Shared Services (NSS)
- Advanced Procurement for Universities and Colleges (APUC)
- Scottish Government Procurement

The nature of this agreement has been discussed at a senior level to review it suitability. Each of the other three centres operate under a different central funding model affording this option.

4.1 Associate Membership Fees

The associate membership fee for Scotland Excel was reviewed in 2015 and a new three tier model implemented. The fees structure agreed was as follows:

- Contract spend up to £10,000 pay a £500 annual membership fee.
- Contract spend between £10,000 and £50,000 pay a £1000 annual membership fee.
- Contract spend over £50,000 pay a membership fee which represents a percentage of the spend. In this instance a maximum fee of £30,000 has been set.

The new fee structure works relatively well at the first and second tiers but has caused some difficulty at the third tier. Although one new third tier member was successfully signed up in 2016, the calculation process tends to be fairly detailed and not immediately available to the prospective customer. On a number of occasions, organisations that were felt to reside at this tier were confused by the inability to receive an immediate fee quotation. It is therefore recognised that a further review of this tier of associate membership and utilise a model that provides a clearer and timelier quotation to prospective members.

4.2 Service Offering

Services offered by Scotland Excel that may be of interest to associate members have been split into three broad categories:

- Collaborative Procurement
- Capability services including consultancy, assessment and policy.
- Provision of Learning and development.

<u>Collaborative Procurement</u>

Through collaboration with councils, suppliers, and partners, Scotland Excel has reached the point where we save Scottish local government in the region of £17m a year, while helping our members get the best possible value when it comes to sourcing the goods and services they need.

There are many factors at play in collaborative procurement - engaging, sharing, learning, benchmarking, agreeing, improving, and innovating - to name but a few. It is about achieving consensus not compromise. Scotland Excel procurement teams are committed to working with local authority colleagues to provide the best possible arrangements for all members.

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Scotland Excel offers a number of frameworks to its members. Categories covered include:

- Construction
- ICT
- Education
- Social Care
- Fleet
- Corporate

The initial range of contracts offered by Scotland Excel was valued at circa £100m in 2008 and has grown to in excess of £700m today. While continuing to grow, the portfolio today embraces a wider range of goods and services with higher value and more complex contracts for technical and professional services. This increasing range of contracts has seen an increase in interest and in the use of the Scotland Excel portfolio by a wide range of organisations. Some of these are already associate members, some are not, and some gain access to the contracts through the principle of cross sector collaboration.

It is generally recognised that these organisations are making significant savings through the negotiated prices, economies of scale and the cost avoidance of having to run their own tenders.

The growth in the contract portfolio has resulted in a range of new opportunities for existing Associate Members and offers the potential to attract a wider range of organisations to join as associate members going forward

Capability Services

In addition to its extensive contract portfolio, Scotland Excel offers a wide range of services designed to support the ongoing development of member capabilities. In the local government sector, there was a real willingness to work together to deliver improvements. Scotland Excel developed a programme to facilitate this based on three phases – assessment, analysis and action – with priorities for the next phase agreed with councils at an annual event. These priorities informed a rolling programme of workshops, best practice initiatives and consultancy services delivered by Scotland Excel to lead and support change

One of the key mechanisms utilised by Scotland Excel is the use of a formal nationally recognised assessment tool. The Procurement Capability Assessment (PCA) tool has recently been redesigned and renamed the Procurement and Commercial Improvement Programme (PCIP).

To date Capability Services have only been offered to Scotland Excel's core membership however, a recent Scottish Government funded pilot programme for Scottish Housing Associations has demonstrated a potential new market opportunity. This market is covered later within this document.

Learning & Development

Scotland Excel is recognised as leading the way in learning and development across the public procurement sector. We are committed to supporting procurement capability to further develop the specialist knowledge and skills that exist within local authorities.

Our Enhancing Procurement Capabilities training programme for 2016 is well underway. This offers a range of courses for public procurement staff at all stages of their career, whether starting out or continuing their professional development. Our courses cover a wide variety of topics in procurement, legal, finance and supplier management, as well as specialist courses for construction, professional services and ICT procurement.

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All learning and development services are open to associate members. To date little marketing of this has taken place with associate members.

4.3 Marketing and Communications

In general, very little specific marketing or communication for associate members is undertaken other than the page on the corporate web site. Associate members will receive general communications that are aimed at a wider distribution such as the quarterly newsletter.

More recently Scotland Excel has sought to increase visibility and awareness of the organisation and has attended external events such as the Chartered Institute of Public Finance and Accountancy (CIPFA) annual conference and the Chartered Institute of Housing (CIH) conference. This necessitated the need for associate member collateral and a leaflet was produced internally to minimise cost.

A significant increase in marketing and communication is required to increase the visibility to potential associate members.

4.4 Account Management

Scotland Excel provides dedicated account management to each of its 32 members from a pool of four full time account managers. At a minimum this involves a formal quarterly business review meeting with corporate procurement managers and their teams to review a number of elements including contract usage. Account managers provide core members with an extensive amount of information and work to ensure member satisfaction.

To date it has been the policy to only provide account management to core members. This has recently changed with the enrolment of an associate member paying the maximum £30k annual membership. In order to provide ongoing support to this associate member it has been agreed to schedule a quarterly account management meeting. The extent of this meeting is currently under development.

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5 Competitive Analysis

A high level competitive analysis has been undertaken utilising the three service categories identified above. In addition to the competitive analysis, this strategy attempts to identify the unique selling points of the organisation that provide competitive advantage and therefore enable a successful implementation of this strategy.

5.1 Competitive Services

Procurement frameworks

There are a wide variety of competitive products offered in the market. These products are offered by both public and private organisations. A full competitive analysis is beyond the scope of this strategy.

Organisations that provide a degree of overlap include:

- NHS National Procurement (NP)
- Scottish Government Procurement
- Advanced Procurement for Universities and Colleges (APUC)
- Crown Commercial Services (CCS)
- Eastern Shires Procurement Organisation (ESPO)
- Yorkshire Purchasing Organisation (YPO)
- Procurement for Housing (PfH)
- London Housing Consortium (LHC)
- Central Purchasing Consortium (CPC)
- North East Procurement Organisation (NEPO)

The above list is not exhaustive but does cover a number of the more prominent organisations. A recent review of overlap with regard to frameworks suitable for the housing sector indicated overlap in particular with Construction and Corporate framework categories.

Scotland Excel works extensively with its core customers to ensure that the frameworks being developed are appropriate and within the strategic direction of its members and therefore the organisation. Through the Collaborative Leads Group (CLG), the organisations works with the other centres of expertise to agree a common collaborative strategy.

Capability Services

Competition for the provision of these services occurs primarily within the private sector. The services delivered under the “Leading Change” banner mirror many of the services provided by private sector consultancy organisations. Scotland Excel does not have the breadth of resources available to many of the larger private sector competitors. In addition, the organisation does not have the financial resources to make the scale of investment often required at the outset of these projects.

Competition also exists within the public sector. It is recognised that a number of other public bodies provide similar services to their own customers. These customers all reside within the wider public family but in more recent months these customer boundaries have become more blurred. The growth ambition of the NHS National Services Scotland (NSS) has shown that more work is required to understand both boundaries and opportunities for collaboration. NSS, a centrally funded organisation, have much greater funding and resources and have an ability to invest significantly in change projects.

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Despite these challenges Scotland Excel can and does still undertake competitive exercises on behalf of its members.

Learning & Development

Competition for learning and development provision resides primarily in the private sector. There are a number of organisations providing generic and specific face to face training on a multitude of subjects. Private provision of training is fairly disparate and typically does not have the insight into our customers' needs that Scotland Excel has.

5.2 Competitive Advantage

Competitive advantage may be viewed as offering better value to customers through better pricing or by demonstrating higher benefits at an equivalent or greater price. As a public body, the aim of the organisation is not to maximise shareholder returns but rather to return maximum value to its stakeholder members and ideally the wider public family. Its aim is therefore not to dominate a market but rather provide a cost effective and high quality service or product to its members. It is however important for the organisation to understand its competitive advantage and unique selling points to maximise customer value.

Procurement frameworks

Scotland Excel frameworks have a number of competitive advantages over other organisations.

As a public body driven by the requirements of its members and not shareholders, the organisation is focussed on delivering frameworks providing true member value.

Scotland Excel does not add any hidden rebate costs to fund framework provision. A number of the organisations listed above do not "charge" for membership but recoup substantial returns on less than transparent rebates.

Scotland Excel adheres to the Scottish Model of procurement and delivers substantial incremental social value within many of its frameworks. This includes living wage, community benefit, Scottish SME centred activities and a number of other sustainability criteria.

Many of the frameworks provided by Scotland Excel are within challenging areas that other providers are not able to tackle. These frameworks predominantly within the social care arena continue to grow and provide important services to members.

The organisation provides associate members with access to a dedicated web based Catalogue Content Management (CCM) system.

A number of competitive organisations have advantage over Scotland Excel through their extensive resources and ability to invest. The use of embedded rebates appears to be their main funding mechanism. Scotland Excel operates within a regime whereby members prioritise framework areas and gaps unfortunately remain.

It is also worth recognising the challenges associated with restrictions to associate members who join after frameworks have been put in place.

A number of areas of opportunity exist for associate members and frameworks. These opportunities tend to be based on the nature of the associate member.

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Capability Services

The most significant challenge to Scotland Excel capability services lies in the ability of competitors to invest and in resource availability. The organisation does not have the bandwidth or funding to create services or offerings for future potential customers. This “loss leader” strategy is commonplace within private sector organisations to initiate customer engagement. Larger consultancy bodies also have a wealth of pre-created services and a breadth of talent that Scotland Excel cannot offer.

Competition also exists from NSS although has been limited to date. This situation is expected to change over the coming period.

Scotland Excel’s competitive advantage lies within its knowledge and experience of local government, its primary customers. With eight years of experience in leading capability development the organisation has built a wealth of knowledge and a degree of intellectual property that provides its advantage. In 2015 the Joint Committee agreed to permanent funding for three full time employees to provide these services. In conjunction with a number of other internal resources, the organisation provides this predominantly to its core customers.

An additional competitive advantage lies within the ethos of the organisation to serve members and not shareholders. This provides a financial advantage over private sector competitors.

Limited scope exists within the existing organisation to provide these services beyond core customers to associate members. This is solely due to financial and resource constraints. This situation may however be changed if appropriate opportunities arose and committee members were willing for this approach to proceed.

Learning & Development

Learning and Development services from Scotland Excel have generally sought to provide cost neutral or free courses to its customer base. The primary aim is to maximise value and cover primary costs associated with training provision. In the past this has not covered the cost of learning and development administration. In 2015 the Joint Committee agreed to fund two full time resources for the provision of Learning and Development.

This cost neutral approach has provided significant competitive advantage over private sector providers. In addition, the knowledge gained from delivery of a highly successful service over a number of years has served the organisation and its members well.

Scotland Excel believe there are potential routes to developing Learning & Development services which are currently being considered within its Learning and Development strategy. This will require further investment but will also offer better services to associate members and therefore provide a competitive advantage.

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6 Market Strategy

In order to consider the market strategy for associate members an analysis of existing and future markets was undertaken.

6.1 Strategic Options

Scotland Excel utilised the Ansoff matrix[2] to consider the potential directions to take. Diagram X represents the matrix. The tool is a widely utilised specifically when considering market expansion.

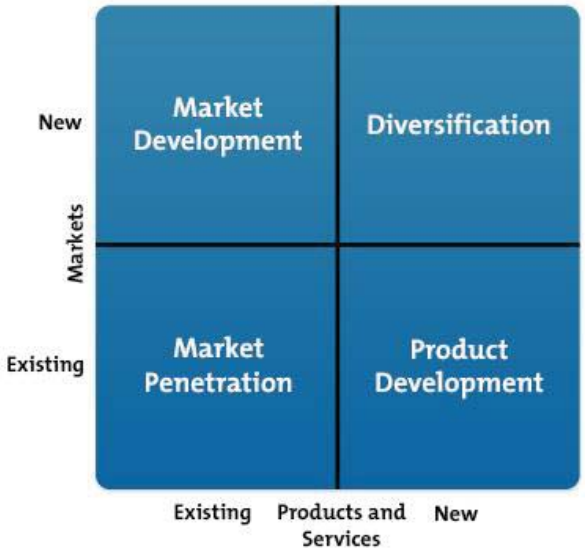

Diagram X

Market Penetration

This quadrant is where an organisation sets out to provide more of its existing services to its existing market.

Scotland Excel believe this is an important quadrant for the wider organisation. Growth of existing services to existing core members is an important part of our strategic direction and is covered within our corporate strategic plan. It is also equally relevant to our associate members.

The organisation has typically regarded its "market" as the wider public sector and made little effort to grow and develop this other than through an opportunistic approach. In addition to this, little effort has been placed on promotion of services to associate members once they join. Members once enrolled have little direct communication with the organisation and receive little support. Extensive work has however been undertaken with the organisational web site to provide a better "self-service" experience for members. A level of account management has also recently been introduced for third tier associate members and is outlined later within this document.

Market penetration may therefore be regarded as a "simpler" option where Scotland Excel seeks to develop its services and relationship with existing members with an aim to improve member retention and explore incremental revenue within this group.

[2] Ansoff Matrix

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Market Development

This quadrant is where an organisation sets out to provide its existing core services to new customers within a new market

It may be argued that this is the quadrant that associate membership primarily resides. It is another important aspect to the organisations wider ambitions. Figure 1 demonstrated that the majority of associate members are currently arm's length organisations of our core membership.

In this quadrant we explore the division of our wider public sector market into a number of divisions. One example of this may be Housing Associations. At the time of publication there were 5 housing associations registered as associate members. This represents approximately less than 3% of the Scottish market.

Diversification

This quadrant is where an organisation sets out to develop new services and to provide them to new customers in a new market. This is typically the most radical and difficult market expansion for an organisation. With regards to Scotland Excel associate membership, it is felt that sufficient opportunities exist within other quadrants and that this strategic option be considered at a future date.

Product Development

This quadrant is where an organisation sets out to develop new services and provide them to customers within its existing market. Similarly to the diversification quadrant, with regard to associate membership, this strategic direction is less attractive than market development and market penetration. It should however be forefront within the wider organisational strategic direction where new services could potentially support existing members.

6.2 Target Markets

A number of potential markets that may be considered as part of the "market development" approach have been identified. The areas being considered do not encompass all potential areas available but provide enough opportunity for this strategic timeframe.

6.2.1 Housing Associations

The area which has been identified as offering the greatest potential opportunity for Scotland Excel to develop is that of housing associations. There are approximately 170 Registered Social Landlords (RSLs) governed by the Scottish Housing Regulator (SHR). The SHR sets very clear and specific criteria for membership and these guidelines mirror the requirements for Scotland Excel to accept organisations as associate members

There are a number of reasons why this group of organisations fit well with Scotland Excel now and how the organisation can develop to support them going forward as associate members.

Housing Associations are to be subject to procurement legislation, the Public Contracts (Scotland) Regulations, and as part of this the Scottish Government has stated that Housing Associations should undertake procurement assessments as part of the process to embed continuous performance improvement. These changes place a new burden on housing associations many of which have relatively small staff teams for whom the main task is providing and managing social rented housing and may have little if any procurement knowledge or experience.

Scotland Excel is in a unique position in the market place to become the partner of choice to housing associations to support them with the challenges that they face.

Scotland Excel offers:

- Compliant frameworks which enable organisations to easily and quickly access the goods and services they require (whilst recognising existing contract restrictions).
- An organisation which is based in Scotland, supporting the local economy with 70% of suppliers being SMEs.
- Promotes, as fully as possible, community benefits including the Living Wage, modern apprenticeships and training opportunities as part of contract delivery.
- Experience in reviewing organisations and assessing their procurement practices.
- Is a not for profit organisation with no shareholders or private partners.

However, there are specific new services that will need to be developed and offered to support the organisations and make membership an attractive option:

- Support to carry out tenders for specific goods and services which are not and would not be part of the Scotland Excel contract portfolio.
- Access to general procurement capability and policy services.
- A range of training for staff and management committees to allow them to understand procurement requirements and then specific training for staff carrying out procurement processes.
- Access to best practice to staff with technical skills but limited procurement expertise.

6.2.2 Transport Partnerships

Regional transport partnerships (RTPs) were established on 1 December 2005 to strengthen the planning and delivery of regional transport so that it better serves the needs of people and businesses.

RTPs are independent bodies defined in the Transport (Scotland) Act 2005. That legislation bases them on the local government model but they are not local authorities and they are not NDPBs. RTPs are like joint boards, bringing councils together to perform local government functions collectively and strategically over a larger area.

Three of the seven RTPs are existing associate members of Scotland Excel. Further work should be undertaken to engage the remaining four organisations.

6.2.3 Charitable Organisations

There are 24,122 different charities registered with the Scottish Charities Register (OSCR). Scotland Excel has eighteen (38 percent of current Scotland Excel members) that we regard generally as charitable bodies. This includes a wide variety of organisations by nature and scale. Scotland Excel can offer a number of attractive options to a number of these bodies and achieve bilateral benefits. These offerings and requirements are similar to those described above to housing associations in Scotland. The scale and diversity of charities is clearly however different and therefore will require a different approach.

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6.2.4 Arm's Length Organisations

In recent years there has been a growing number of Arm's Length Organisations (ALEOs) set up by councils to deliver a range of services previously provided by the local authority. When the first of these were set up many years ago the argument was made that these were part of the council and as such should be given free associate membership of Scotland Excel. However, as the number and use of these has grown the nature of the relationship with the councils has changed and some organisations are almost completely separate from the council. Additionally, there is a growing demand from these organisations to have their own separate communication and engagement from Scotland Excel.

Currently there are 19 ALEOs which represents 41% of associate members. Governing members have questioned at committee on a number of occasions whether this group should continue to receive free membership. This is an area for further debate and consideration for committee members

6.2.5 Integrated Joint Boards

Legislation to implement health and social care integration, passed by the Scottish Parliament in February 2014, came into force on April 1, 2016. This brings together NHS and local council care services under one partnership arrangement for each area. In total 31 local partnerships have been set up across Scotland and they will manage almost £8 billion of health and social care resources.

At present procurement for IJBs has been undertaken through either local government or NHS budgets. Associate membership for IJBs should be discussed if further changes are applied to the IJB landscape.

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7 RECOMMENDATIONS AND IMPLEMENTATION OF STRATEGY

This document has sought to consider the strategic direction for associate membership of Scotland Excel. It has considered; current membership, services offered and undertaken a high level competitive analysis. Utilising the Ansoff matrix, the potential strategic market direction has also been investigated.

This section of the strategy will now provide recommendations on the various options that are available.

7.1 Implementation of target markets

Potential markets for associate membership were previously identified in section 6.1.

7.1.1 Housing Associations

Scotland Excel has identified housing associations as the first group to be targeted for growth in associate membership.

A number of actions may be considered:

- Gain an improved understanding of the housing association market and segment to a suitable level. Initial recommendations are to target the top 40 in terms of revenue identified from the information available from the Scottish Housing Regulator.
- Agree a clear fee strategy for membership to allow effective marketing and discussions with organisations.
- Create appropriate marketing material specific to housing associations.
- Identification and provision of appropriate training courses covering an introduction to procurement, procurement legislation and then more specific technical procurement skills.
- Consider the development of an associate member user group to develop existing members, identify sector specific issues / solutions and to market services particularly training and consultancy.
- Consider a housing sector specific membership enrolment process. Rather than committee having to review and approve numerous reports submitted for housing association membership, provide delegated approval to officers to automatically approve if they are already members of the Scottish Housing Regulator.

Scotland Excel has previously worked with Scottish Government and housing associations to undertake a pilot project which investigated the procurement capability of the sector. This project was fully funded by Scottish Government and generated incremental income for Scotland Excel. In addition to the income it also allowed Scotland Excel to understand the market further and demonstrate its suitability as a partner of choice. Throughout this project it was made clear to all parties that no further work could be undertaken without additional funding. Scotland Excel, at the request of Scottish Government, has provided a proposal outlining the implementation of a small team of four people dedicated to the housing sector for 2 years. The team would provide the following:

- Resources to undertake procurement assessments. This would firstly focus on the 40 associations that are developing houses and then the remaining 130 or so over a longer period.
- Support for wider capability development in the sector.
- Support for implementation of procurement policy.
- A more detailed understanding of the spend profile of the sector.
- Undertake appropriate procurement exercises appropriate to the sector.

This proposal brings a number of benefits to our associate member strategy:

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- Scotland Excel will gain a unique and detailed view of the housing sector spend profile.
- Promotion of Scotland Excel and benefits of associate membership.
- Increase spend on wider Scotland Excel frameworks hopefully providing further benefits to existing core members.
- Potential ability to create frameworks that will also benefit core members.
- A fully externally funded model.

The proposal has been presented to ministers by Scottish Government and Scotland Excel awaits a decision.

It is recommended that if the proposal is accepted by Scottish Government then this market should be the primary group for associate membership. Other groups may be considered based on resources required and opportunistic membership progressed when received.

7.1.2 Transport Partnerships

The remaining four transport partnerships have been identified. An initial analysis of existing transport partners will be undertaken to quantify benefits and understand which frameworks are currently being utilised. Once this is completed each partnership will be contacted and meetings organised.

7.1.3 Charitable Organisations

Rather than target each of the specific sectors within this market, it is recommended that a more specific product or service offering be communicated to enrol new members. This is more about targeted communication rather than provision of a new product or service.

This approach would be progressed once the work on the primary group (housing associations) is at a more mature stage in its development.

7.1.4 Arm's Length Organisations

The challenges regarding ALEOs was covered previously within this document and is also covered later when discussing fee structures.

The scale of arm's length organisations across the 32 local authorities and wider public sector is unknown and unquantified in general. Further work may be undertaken to add clarity to this landscape.

Limited support is currently provided to the local authority originating ALEOs.

Further work on this market would again be undertaken after the primary group is addressed.

7.1.5 Organisations utilising Scotland Excel frameworks who are not members

Scotland Excel suppliers provide spend data on a quarterly basis. This data lists organisations who spend on frameworks. Suppliers have provided data that indicates spend by organisations who are not fee paying members of Scotland Excel e.g. in the last fiscal year there were over twenty housing associations listed as utilising frameworks yet only five fee paying members.

This associate level data has not been investigated further for accuracy but it is proposed that this is done as part of this strategic implementation.

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7.2 Funding and Resources

Scotland Excel believes that all work related to associate membership should be self-funding. This recognises the challenging economic position its core membership currently face and likely to continue to face. Scotland Excel will continue to seek alternative funding options similar to that discussed previously with Scottish Government and housing associations. It should however be recognised that in order to generate greater levels of associate member income resources and funding will be required. The main resource requirement areas are within business generation, account management and marketing. Any requirement for specific framework development would also require procurement resource.

Committee members may consider various funding options including re-investment of additional associate membership fees to generate greater returns or re-allocation of any budgetary surpluses. Scotland Excel recommends the creation of a robust business case for any resourcing and investment within this area whilst adhering to the self-funding principles.

7.3 Associate Membership Fees

Associate membership fees should be considered in a number of ways:

Third tier membership

As previously highlighted, the third tier membership is being reviewed and an alternative clearer method sought.

Reciprocal Agreement

Reciprocal fee waivers are in place for a number of organisations:

- NHS trusts and organisations served by National Shared Services (NSS)
- All higher and further education organisations covered by Advanced Procurement for Universities and Colleges (APUC)
- All Non Departmental Public Bodies (NDPB) supported by Central Government Procurement

Overall this fee waiver will cover over 150 organisations.

In addition to a fee waiver organisations utilising Scotland Excel frameworks may also earn a monetary rebate against their expenditure.

Options open to members include:

- Charging an associate member fee to these organisations and therefore terminating the bilateral fee waiver agreement.
- Retaining fee waiver as it currently stands.
- Retaining fee waiver but Scotland Excel retains any rebates earned by associate members.

It is unclear at this stage what extent local government makes use of framework agreements provided by the above centres of expertise. Understanding this and the potential impact to Scotland Excel core members is key to any future changes to this agreement. Further work is being undertaken in this area to consider the most beneficial route to core members and Scotland Excel.

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Arm's Length Organisations

The 19 ALEOs currently registered as associate members pay no fee. This is a historic agreement that argues, as originally part of local government, their fee is covered within Scotland Excel's core requisition. ALEOs currently make extensive use of Scotland Excel frameworks and in one instance receive extensive rebate income from use of the contracts.

Recognising the significant financial challenges that members are facing and potentially also within their ALEOs it is recommended that implementation of any fee should be postponed to a future date. Guidance from members and committee is sought on this approach.

Housing Associations

Scotland Excel is considering a more tailored fee structure for housing associations should this market sector grow to a reasonable scale. A number of ways are currently utilised by other member organisations in this sector and will be reviewed for suitability.

The model that appears to be most accepted and utilised by housing associations is based on number of housing units.

7.4 Service offering

Service offering to associate members may be regarded as a subset of that offered to core members. Further work will be undertaken to understand how these services may be positioned to better reflect the market sector e.g. Housing or charitable bodies.

7.5 Account Management

Scotland Excel recommends an account management approach for associate members which is proportionate to their scale and fee. This will initially be covered by existing account management resource whilst numbers are below an agreed level. This account management will likely be quarterly and seek to be a bilateral meeting providing benefits to both organisations.

7.6 Marketing and Communications

In order to better "sell" associate membership to prospective customers a significant marketing and communications effort will be required. Scotland Excel will review its marketing and communications strategy to consider how this can be achieved. Prior to this a review of current member communications must be undertaken. Resources and investment will provide challenges in this area also.

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Appendix 1

Organisation Name
Angus Alive
Church of Scotland Social Care Council
City Building (Glasgow) LLP
Cordia (Services) LLP
Culture Perth & Kinross
CultureNL
East Ayrshire Leisure Trust
Edinburgh Leisure
Fife Cultural Trust
General Teaching Council
Glasgow Life
Hanover (Scotland) Housing Association
Hayfield Support Services with Deaf People
High Life Highland
Highland Reserve Forces and Cadets Association
Inverclyde Leisure
Islay and Jura Community Enterprise Ltd
Jobs & Business Glasgow
Jordanhill School
Kibble Education and Care Centre
Live Borders
Lochalsh and Skye Housing Association
North Area Transport Association
North Ayrshire Leisure Ltd
North East Transport Partnership (NESTRANS)
North Lanarkshire Leisure Ltd
RegenFX
Renfrewshire Association for Mental Health
Renfrewshire Leisure Ltd
River Clyde Homes
Rossie Secure Accommodation Services
Safer Glasgow
SB Cares
Scottish Wildlife Trust
Seamab School
SEEMIS Group LLP
South Lanarkshire Leisure and Culture
Sport Aberdeen
St Roch's Childcare Services
Strathclyde Partnership for Transport
The Firhill Complex
The Royal Zoological Society of Scotland
Transport Scotland
Tron Theatre
Trust Housing Association
Turning Point Scotland
Wheatley Group