

## **Scotland Excel**

**To: Executive Sub Committee**

**On: 27 March 2020**

**Report  
By:**

**Director of Scotland Excel**

### **Associate Strategy**

#### **1. Summary**

- 1.1 The purpose of this report is to provide an update to the Executive Sub Committee on the strategic direction of Scotland Excel with regard to the management and growth of Associate membership.

#### **2. Background**

- 2.1 Scotland Excel has over 80 associate members. Membership can be broadly split into 5 categories including:

- Council Arms Length External Organisations (ALEO)
- Housing Associations
- Third Sector
- Non-Departmental Public Bodies (NDPB) / Reciprocal Agreements
- Other organisations

Organisations benefit from membership in a number of ways including the achievement of financial savings.

Scotland Excel published its first Associate Strategy in late 2016. A number of key changes have occurred since the publication date and therefore a refresh of the strategy was considered prudent.

#### **3. Key Areas for future growth**

- 3.1 Scotland Excel will continue to focus on growth of membership in:

- Housing Associations – through continued attendance at key sectoral events and by promoting the benefits whilst providing procurement support and guidance during the future Scottish Government procurement and commercial improvement programme (PCIP)

- Council Arm's Length External Organisations (ALEO) – by promoting the free membership directly to ALEOs and through member councils.
  - Reciprocal organisations / Non-Departmental Public Bodies - to allow members to benefit from higher collaborative spend level and to promote benefits to fee paying organisations.
  - Charities – to further understand this market and identify key features and benefits that support growth.
  - New Markets – by exploring all appropriate sectors that meet the criteria for associate membership and benefit Scotland Excel and its wider membership.
- 3.2 Scotland Excel will continue to explore new contract areas that provide benefits to existing members whilst providing an attractive proposition to new associate members.
- 3.3 Scotland Excel has explored its existing fee structure and future options for development. This strategy sets out options and a recommendation to retain future rebates associated with associate spend. This would be implemented over a period of time which included review of appropriate documentation and notification to suppliers and associate members.
- 3.4 A new tiered Account Management process will be implemented in Q1 2020 that seeks to focus efforts and ensure appropriate support is provided to associate members.
- 3.5 Scotland Excel has recognised the need to further develop the sales and marketing aspects of associate membership. A number of initiatives are underway and planned to address this area.
- 3.6 In line with 3.3, data gathering of associate spend will be reviewed and any changes to data gathering protocols will be implemented to ensure robust data is received to maximise income via rebate generation.

#### 4. **Recommendations**

- 4.1 Members are asked to note the strategic direction set out in the strategy and approve the move to implementing a model whereby associate member rebates are retained by Scotland Excel to support organisational sustainability.

**Scotland Excel**

**Associate Member Strategy**

**March 2020**



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## 1 Purpose

This report sets out the strategic direction for the growth, development and management of Scotland Excel associate members.

Although Scotland Excel has been supporting associates for some time, the dedicated associate team commenced operation in April 2019 with the intention of:

- Promoting the benefits of Scotland Excel Associate membership
- Generate additional income to support wider Scotland Excel sustainability
- Promote wider services such as the Academy, consultancy etc.
- Promote the benefits of fair work and inclusivity through procurement

This strategy presents an opportunity for Scotland Excel to provide a focused approach to a market that has substantial potential growth opportunity with scope to deliver a range of services from Scotland Excel.

## 2 Associate Member Overview

This section provides an overview of the existing Associate Member landscape detailing the types of associates, fee models and a number of the key facets to the membership process.

### 2.1 Associate Member Profiles

Scotland Excel has a wide range of associate members ranging from Council Arm's Length Organisations (ALEO), Scottish Government non-departmental public bodies (NDPB), Housing Associations, Transport Partnerships, Charities and Third Sector Organisations. Most members pay a fee pay to gain the benefits of Scotland Excel's collaborative contracts. However, some organisations, owing to their status, are given access free of charge through a reciprocal agreement. New members have been attracted to Scotland Excel to take advantage of some of the newer service offerings such as learning & development through The Academy and some paid services like consultancy, tender support and procurement capability.

### 2.2 Associate Categorisation

Associate members can be broadly broken down into the following categories:

- Council ALEOs
- Housing Associations
- Charities / Third Sector
- Reciprocal Arrangements and Non-Departmental Public Bodies (NDPB) -
- Other Public Sector

### 2.3 Associate Engagement

#### Council ALEO

A number of ALEOs have used Scotland Excel contracts and services for some time. Engagement with ALEOs has been achieved in a number of different ways including promotion to council finance directors and other council officers. Follow up engagement in the first instance with ALEOs, like

many potential associates, is to offer an overview presentation on-site or provide details of contract portfolio, highlight other services such as consultancy and the process for signing on to Scotland Excel website.

### **Housing Associations (HA)**

Engagement is primarily through the PCIP process where the HA identifies a requirement to use frameworks available through Scotland Excel. Some HA associate members can be derived from conferences and events but also via advertising new contracts on sector publications (e.g. Housing News, SFHA), and making an enquiry through the Scotland Excel website. The contract portfolio has been developing to accommodate HA requirements, for example the gas boiler maintenance contract. Other Scotland Excel services can be offered to HAs focusing on areas of development identified at PCIP.

### **Reciprocal Arrangement / Non Departmental Public Bodies (NDPB)**

Engagement is generally achieved by signposting from Scottish Government to the body who contact Scotland Excel. Other engagement can come through the Scotland Excel website or through recommendation from other parties.

### **Charities/ 3rd Sector**

There was limited success in attracting new members from the third sector in 2019 despite Scotland Excel attending sector specific events to raise the profile. Initial work has been undertaken to consider the benefits of working with a partner better known to the sector.

## **2.4 Current Fee Model**

The fee that Scotland Excel currently charges associate members depends on the nature of the operation and the approved Scotland Excel Joint Committee process.

Fees are determined by sector area and can be classified within table 1.

**Table 1**

<b>Sector</b>	<b>Fee</b>	<b>Comment</b>	<b>Membership</b>
Council ALEO	zero	Council ALEO fee is considered as part of the council annual requisition fee	Membership is either continued from previous council engagement or Scotland Excel reminding ALEO that they have membership as a council body.
Housing Association	£1.50 per property	HA's pay a fee determined by the amount of properties they own but excludes any factoring etc. This is in line with pricing strategies used by other HA membership organisations	Membership has traditionally come from HA involvement at PCIP
Charities	Spend value dependent	Based on annual spend on Scotland Excel contracts	Includes a wide range mainly developed from engagement at conferences
Reciprocal / NDPB	zero	Agreed with Government – some bodies if aligned to Government can	Includes Parliamentary bodies, advisory, tribunal, executive agencies



		be zero fee. This will be on a “case by case” basis (e.g. National Health Service (NHS), Advanced Procurement for Universities and Colleges (APUC)). Other government related bodies fees will be decided using forecast spend	etc. Generally, from Scottish Government signposting to Scotland Excel.
Other	Spend value dependent	Based on annual spend on Scotland Excel contracts	Includes Fire & Rescue, Police, Scottish Prison Service, Transport partnerships and others. Membership can be limited to naming on specific contracts and reciprocal arrangements.

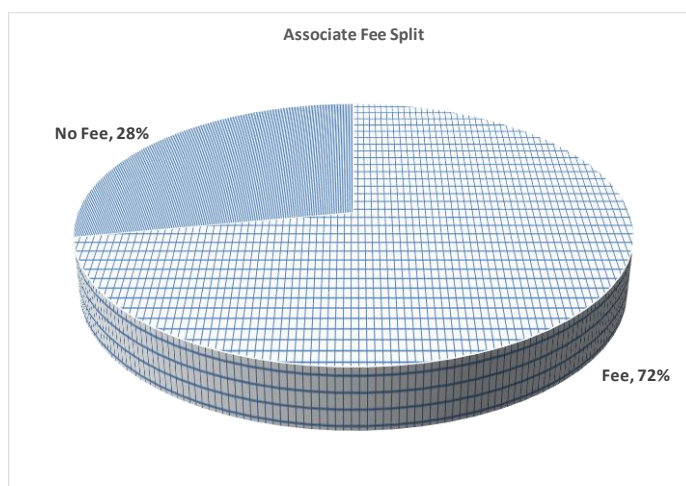
Council ALEO’s do not pay any additional membership fee to Scotland Excel. Any use of the contracts is deemed to be covered by the council requisition fee. The main advantage to members is having additional spend which further supports sector buying power.

Charities and NDPBs pay a fee dependant on the level of forecasted spend on Scotland Excel contracts. Initial discussions are underpinned with either benchmarking and/or an estimate of the contracts and spend level they believe will be used in the first instance and adjusted the following year (if necessary) in accordance with the SLA.

Housing Associations pay a fee of £1.50 per property capped at £30,000. The lowest capped fee is set at £500. The upper fee level was set in order to restrict membership of Scotland Excel to the 32 local authorities and therefore ensure that the organisation continues to focus on the sector. The total number of properties includes the amount for social rent and not for any commercial factoring etc.

The split of fee paying and non-fee-paying associates is shown in figure 1.

**Figure 1.**



## **2.5 Benchmarking**

Scotland Excel carries out benchmarking exercises for any potential associate to help demonstrate value for money to assist with the membership process.

The benchmarking exercise compares current pricing with the lowest tendered price for individual products/services or lots. In cases where new associates already purchase from an existing supplier of Scotland Excel then the benchmark number will be evaluated on current price paid against the equivalent Scotland Excel price. This comparison will be used to create an overall percentage savings/cost for each potential associate based on a basket of goods or the sample product list provided by the associate. The benchmark will be calculated and provided to the associate for consideration. Follow up meetings will take place to discuss membership.

## **2.6 Service Level Agreement**

Every associate member has a signed service level agreement (SLA) with Scotland Excel and this will continue to be reviewed to ensure that the document is fit for purpose and reflects the business model agreed by joint committee.

After the Executive sub-committee approves a new associate member, Scotland Excel sends the associate a signed SLA (from the Scotland Excel director) and receives back a signed copy from an appropriate director of the associate.

## 2.7 Risk Management

The following risk register has been considered to include the risks that have been identified for managing the associate member portfolio, together with the potential impact and mitigating actions required. These will be monitored throughout each financial year.

No	Risk	Prob	Impact	Score	Mitigation Measures
1	Value for money difficult to demonstrate	5	5	25	Benchmarking, contract manager session, promotion of frameworks, engagement, account management
2	Competitor offering more attractive than Scotland Excel	3	5	15	Ongoing review and competitive analysis. Continue to demonstrate value for money.
3	Associate member does not renew annual membership	3	5	15	Engagement demonstrate VFM annually, awareness of services/contracts and encourage long term contract awards.
4	Associate membership fee prohibits membership	3	5	15	Ongoing review of fee and alternative methods. Continue to demonstrate value for money.
5	Associate Team not viable due to membership decline	3	5	15	Engagement demonstrate VFM annually, awareness of services/contracts and encourage long term contract awards.
6	Contract portfolio no longer service associate needs	3	3	9	Engagement with members to identify current spend and requirements
7	Services do not meet Associate requirements	3	3	9	Engagement with members to identify requirements and encourage use of wider services.
8	Associate has no interest in meeting or discussing membership	3	3	9	Provide literature and portfolio on regular basis. Offer benchmarking and contract overview sessions.
9	Relationship lost when new member of staff joins Associate with existing Contact or Management team moving on	2	4	8	Arrange visit to demonstrate SXL value and contract overview to new member(s) of staff.

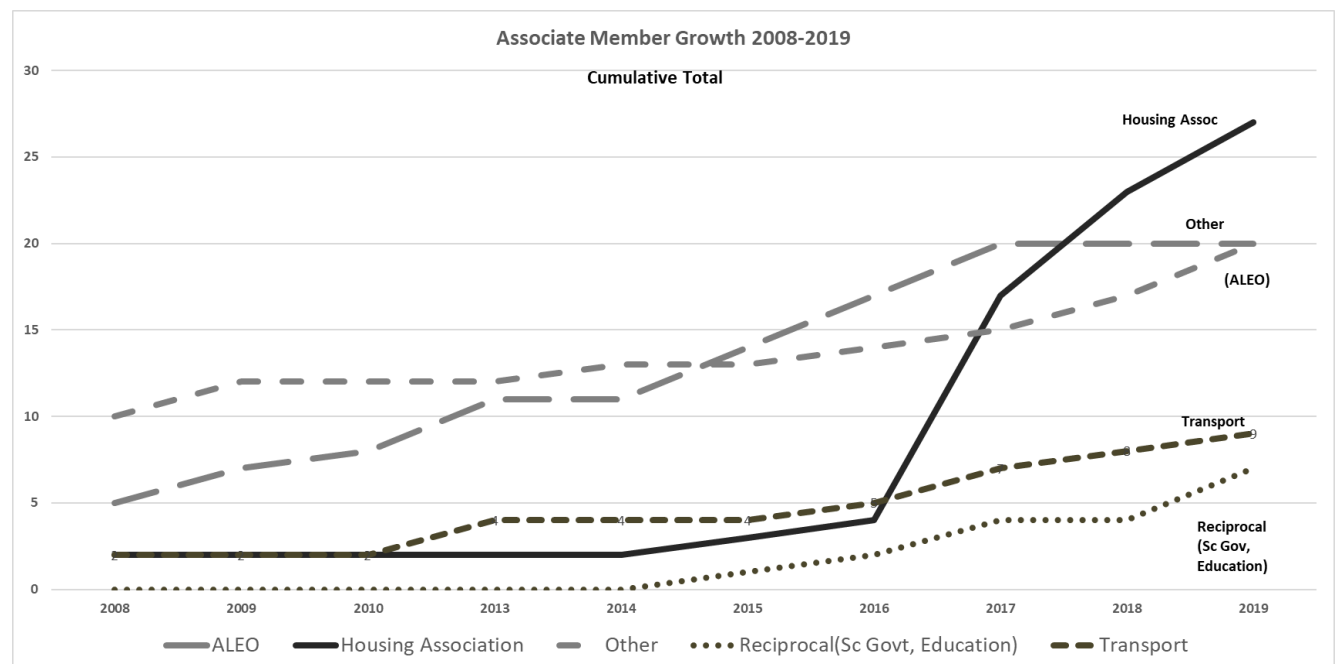
### 3 Associate Member Growth

#### 3.1 Historic Growth

The June 2018 Joint Committee approved a surplus target of £50k for Associate Member expansion and at the December 2018 Joint Committee members approved the recommendation of a continued focus and a dedicated team for associate membership.

Between April 2017 and April 2019, associate member growth mainly came from housing associations participating in the Scottish Government Affordable Housing project known as the Procurement Commercial Improvement Programme (PCIP)

The following graph demonstrates the growth of associate membership.



#### 3.2 Future Growth

There is an ongoing opportunity for Scotland Excel to grow associate membership in respect of membership fees and the use of contracts to generate income. The following breakdown of each group highlights where growth and opportunities will be explored in 2020.

##### Housing Associations

Currently Housing associations make up the single largest group and currently provide the largest income from fees. With over 160 housing associations throughout Scotland, there is significant scope to attract new members from this sector as most associations purchase commodities from across the Scotland Excel portfolio.

It is anticipated that the next programme of PCIP will kick off in financial year 2020/21 and that should provide opportunity for Scotland Excel to discuss associate membership with all associations engaged with the programme. However, it should be noted that although there are only twenty-seven housing association members of Scotland Excel at Jan 2020, the current membership covers 43% of the total housing stock and 37% of the total fees achievable from the current fee model. Scotland Excel currently have ten members from the top twenty housing associations and are in discussions with a further three from that group which have expressed an interest in membership.

### **Council ALEO**

There are currently twenty council arm's length organisations which are members and Scotland Excel are working towards engagement with all council ALEO's to raise awareness and encourage membership. There are around one hundred and thirty ALEO organisations in Scotland and with membership, utilisation of Scotland Excel contracts will help to deliver best value back into every community. Despite this, take up for membership has been small and working with ALEO's to promote the services of Scotland Excel will continue in 2020. This issue is diminishing with the increase in councils reviewing their ALEO strategy and a number of organisations coming back into the council structure.

### **Reciprocal Arrangement / Non-Departmental Public Bodies**

This wide range of potential associate members that include non-departmental government bodies (NDPB's), transport organisations, and a mixture of members from social care, education and other public bodies. This can be via "contact us" on the website, direct email or approaching the Scotland Excel stand at events. The associate member fee for this group is calculated using a sliding scale based on forecasted future spend. Generally, most organisations are unclear about their level of spend and the fee is generally at the low end for the first year.

Included in this group are those bodies that pay no fee due to a reciprocal agreement with Scottish Government and other procurement centres of expertise.

### **Charities / Third Sector**

Engaging with the third sector is seen as a key development area to attract new associate members. There are over twenty-five thousand charity organisations in Scotland within scope although most are small organisations. Scoping work is being done to better understand the market and initial telephone conversations with a list of charities will take place to promote the benefits of Scotland Excel membership.

With twenty-five thousand potential members, this sector will remain a target area for Scotland Excel due to the scale of potential members available. The opportunity assessment to fully understand the market will result in a clear plan to prioritise and target the larger charity & third sector organisations for membership.

### **New Markets**

Scotland Excel will continue to explore new markets for Associate Member growth. The organisation is working to identify public sector organisations that don't fall into any of the markets already covered in the above classifications and highlight the benefits of Scotland Excel. It is anticipated that these would be a fee-paying and fees would be set using forecast spend on contracts.

## 4 Future Contract Development Opportunities

Scotland Excel will continue to investigate collaborative contract opportunities to meet the future needs of associate members as well as council members. Opportunities where there is a demonstrable overlap will add to the “attractiveness” of membership to non-council members. The gas and boiler maintenance framework put in place previously by Scotland Excel was a good example of this strategy. Table 2 is a list of possible future opportunities currently being discussed.

**Table 2**

Contract Title	Sector Requirement
Legionella/ Water Testing	All Housing Assoc & Local Authorities
Portable Appliance Testing (PAT)	All Housing Assoc & Local Authorities
Lift Maintenance	All Housing Assoc & Local Authorities
Payment Processing	All Housing Assoc & Local Authorities and other associates
Trades Supply, Fit and Service contracts e.g. kitchen supply and fit.	Housing Associations

## 5 Associate Member Fee Structure – Future options

Scotland Excel has considered a number of fee and funding options for the future of Associate membership. Options explored sought to identify a mechanism or mechanisms to encourage membership, increase funding support to the wider organisation and to ensure that core services are always supplemented by this activity and not detrimentally impacted in any form.

A number of options have been explored, including charging membership fees, use of existing rebates, introduction of new rebates and also the desire to increase spend through the contract portfolio. These have been distilled into 3 main options.

The first option is to continue as per the existing fee model and make no changes to fee structures or any rebate changes etc. The second and third option explore the use of the existing rebates earned as a result of associates spending on Scotland Excel frameworks. Current estimates indicate that approximately £90k is earned by associates from rebates built into Scotland Excel frameworks. Table 2 Provides a summary of the options.

**Table 2**

Option	Description	Annual Associate Income	Comment
Option 1	Continue with existing annual membership model	£172,000	No change – current model
Option 2	Continue with existing annual membership model and retain contract rebate that associate currently receives from supplier	£172,000 + £90,000 = £262,000	Additional income of £90k due to rebate retention
Option 3	Remove annual membership model but retain contract rebate only	£90,000	Loss £82,000 on current income

After further investigation it is clear that the majority of rebates earned are through expenditure by NHS trusts. It should however be noted that the trusts (the spending organisations) do not get the rebate and it is collected by National Shared Services (NSS), the procurement centre of expertise for the NHS.

It is anticipated that that the preferred option for Scotland Excel would be option 2 and the rebate be retained to support further associate and framework development. This would be subject to a number of factors including; elected member support, further analysis, stakeholder notification and implementation planning.

Future strategies may consider the removal of membership fees if rebate income is sufficient. This will remove a typical “sales objection” of associate fee affordability.

## 6 Future Operational Considerations

Scotland Excel will continue to review its operational management of associate membership including account management and other key operational areas.

### 6.1 Account Management

Scotland Excel will continue to undertake an account management approach for associate members which is proportionate to their scale and fee. Using the experience from the current financial year, most smaller associates will require only a courtesy telephone call or visit once a year. Account management will play an important role in demonstrating the benefits of membership and encouraging the use of Scotland Excel contracts to deliver best value for the associate and their community.

To support this strategy, a new Account Management methodology will be implemented that introduces a more formal and tiered approach. It is anticipated that three tiers will be implemented where content and frequency vary depending on the segmentation of the associate member. This methodology will be implemented in Quarter 1 2020.

### 6.2 Spend Data

Scotland Excel will continue to review spend levels of associates to ensure that the membership fee reflects the usage from the associate. Accurate reporting from our suppliers continues to be a key measurement for Scotland Excel gathered from our data analysts on a quarterly basis. Accurate reporting of spend is paramount to the future model of Scotland Excel as all contracts with a rebate attached need to be recovered and used for future funding or part funding of the team.

The accurate reporting of our supplier spend allows informed discussion with the associate to determine any increase in fee if the associate is purchasing far greater amounts than the annual fee being charged. This process involves the associate and Scotland Excel working together, agreeing the annual spend level and a discussion on any fee increase. It is important to establish that the level of increased spend will be sustained by the associate over a period and not for a one-off project. This process has been successfully carried out during 2019/20 and a couple of opportunities are currently being assessed for 2020/21.

### **6.3 Sales & Marketing**

Scotland Excel has recognised the need to further develop the sales and marketing aspects of associate membership. Work was undertaken in 2019 to support this and will continue throughout 2020. Clarity and marketing of the features and benefits of membership has been at the heart of this effort and has been supported by the Scotland Excel marketing team.

Attendance and exhibiting at key events and conferences will continue to support membership growth. This will be predominately within the target sector and likely that the team will continue to attend housing events whilst further exploring events related to the third sector.

Scotland Excel has also piloted targeted “tele-sales” aimed at potential organisations to promote the benefits of membership. The results of this exercise will be analysed and future strategic use of this considered.