

## Scotland Excel

**To: Joint Committee**

**On: 08 December 2017**

**Report  
by  
Director of Scotland Excel.**

### Associate Member Proposal

#### 1. Introduction

The purpose of this paper is to provide an update on Associate membership and to propose a new fee structure for Housing Association associate members.

#### 2. Background

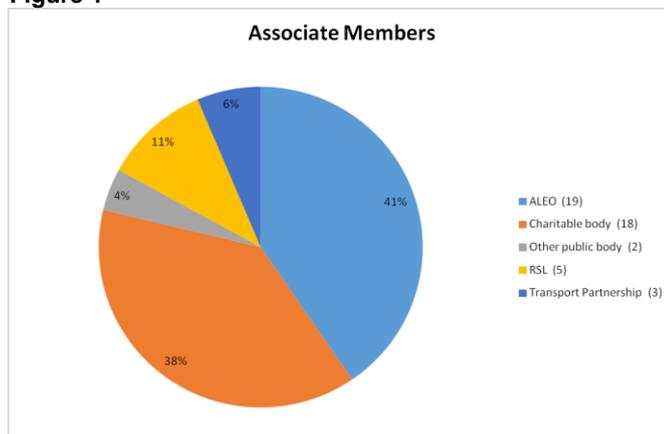
Scotland Excel proposed an *Associate Member Strategy* to committee members at the Joint Committee meeting on the 9<sup>th</sup> December 2016. This strategy was subsequently approved by members and is the current operating model for the organisation.

Housing associations (Registered Social Landlords – RSL) were identified as a potential market for membership and have therefore been the primary focus for new membership in 2017. The strategy recommended a review of fee structures and resulted in a pilot fee structure being tested.

#### 3. Associate Membership Analysis

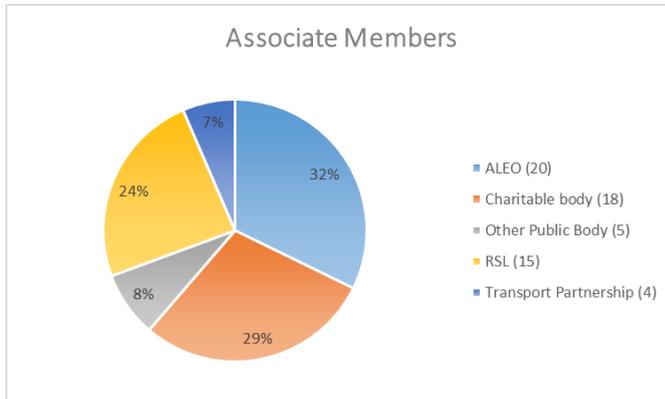
In November 2016 Scotland Excel had thirty two local authority members and forty seven associate members. At this point associates were spilt as shown in Figure 1.

**Figure 1**



As of the 1<sup>st</sup> December 2017 Scotland Excel has thirty two local authority members and sixty two associate members. Figure 2 shows the split of these members.

**Figure 2**



### Spend Analysis

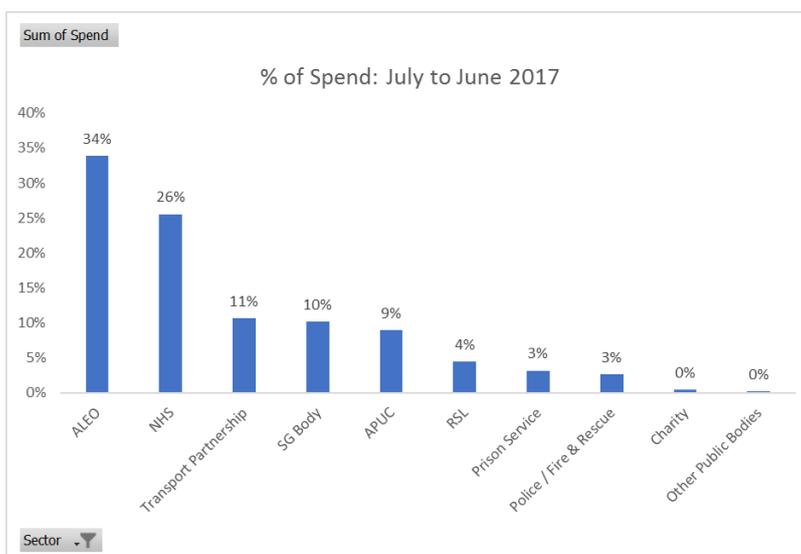
An associate spend analysis was conducted covering the period July 2016 to June 2017.

97.4% of the total spend on all Scotland Excel contracts was made by its 32 member councils. The remaining 2.6% was by non-council members which includes associates and other public bodies.

The total spend by non-council organisations was £11.9m.

Figure 3 shows the split by non-council members.

**Figure 3**



Twenty of the current sixty two associate members do not pay a fee.

The £11.9m total spend by non-council members (associates and others) is distributed as shown on figure 4.

**Figure 4**

Sector	Spend
ALEO	£4,034,941
NHS	£3,038,477
Transport Partnership	£1,266,595
SG Body	£1,209,111
APUC	£1,062,440
Housing Association	£530,500
Prison Service	£377,708
Police / Fire & Rescue	£305,777
Charity	£51,943
Other Public Bodies	£22,507

The fifteen Housing Associations are all associate members, pay fees and spent £530k on Scotland Excel frameworks within the period reported.

It should also be noted that associates typically utilise a smaller number of frameworks than council members. This is due to the fact that frameworks are identified and constructed to primarily meet the needs of members rather than associates. Within the period reported less than thirty percent of frameworks were used by associates.

Housing Associates used fifteen Scotland Excel frameworks in total within the period. Framework usage within this sector typically depends on a number of factors including if maintenance is undertaken by an in-house team or if the association provides care services.

#### **4. Housing Association Fees**

Scotland Excel undertook an investigation into member organisations within the housing sector and reviewed existing fee models. It became apparent that the simplest model whereby fees are calculated based on housing stock levels was fairest and appeared to be best received by the sector.

No direct comparison to Scotland Excel was available in the sector to allow a competitive comparison. An analysis of other non-procurement member organisations gave an indication of fees and, by utilising national housing stock levels, various fee levels were modelled.

A comparison of council member influencable spend and member requisition was made with housing association influencable spend. This provided an approximation of between £1.25 and £1.50 per housing unit. This was used

as a starting point for modelling. A selection of fee levels per housing unit were tested through the model based on this starting point.

The pilot fee structure felt to offer the best opportunity for membership growth was as follows:

- A minimum fee of £500 irrespective of housing stock levels.
- £1.50 per unit where number is greater than the minimum level.
- A maximum fee of £30,000

This fee level was discussed with a small number of contacts in the sector and received positive feedback.

As the affordable housing programme developed from April 2017, associations were presented with the pilot fee structure for associate membership using the above model.

The pilot was reviewed after the first twenty association assessment visits, numerous calls and after a number of general meetings. In this period Scotland Excel has added ten new housing associations as associate members. It is estimated that a conversion rate of approximately 25-30% was achieved. This number may rise as further engagement with these organisations is undertaken. Organisations who did not apply for membership generally gave budgetary reasons.

The maximum fee level ensured that no association paid more than council members and therefore would not seek membership rights and powers.

No allowance for inflationary increases currently exists within associate membership. It is proposed that general, non-housing association, fees should also be reviewed and any annual increases considered across all fees.

## 5. **Recommendation**

Members are asked to note the progress made on associate members and to approve the proposed fee structure piloted by Scotland Excel.