

# North Tyneside Council Report to Cabinet 9 June 2014

<b>ITEM 7(f)</b> <b>NEPO Transformation – Introduction of New Arrangements for the Leadership &amp; Governance of the NEPO Service and Regional Collaborative Procurement</b>
--

---

**Portfolio(s)** Finance and Resources

**Cabinet Member(s):** Ray Glindon

---

**Report from Service  
Area:**

**Law and Governance**

**Responsible Officer:** Viv Geary, Head of Law and Governance Tel: (0191) 6435339

**Wards affected:** All

---

## **PART 1**

### **1.1 Purpose:**

- 1.1.1 The purpose of the report is to consider and agree revised arrangements for the leadership and management of the North East Procurement Organisation (NEPO) Service and Regional Collaborative Procurement, and to note the implications for the Authority.
- 1.1.2 A report detailing the same recommendations will be presented to each Cabinet in the 12 local authorities in the North East.

### **1.2 Recommendation(s):**

1.2.1 It is recommended that Cabinet:

1. Approves, subject to the Association of North East Council's (ANEC's) formal agreement, the revised governance structure and staffing arrangements as outlined for the administration of the NEPO Service and future collaborative procurement on behalf of the 12 local authorities in the North East;
2. Appoints one elected member to serve on the Collaborative Procurement Sub-Committee of ANEC;
3. Recommends to full Council that any consequential changes to the Constitution are considered and agreed, to give effect to these revised arrangements;
4. Authorises the Head of Law and Governance, following consultation with the Elected Mayor, to approve such further changes to the Shared Services Arrangements as are necessary and to complete them on behalf of the Authority.

### **1.3 Forward Plan:**

- 1.3.1 28 days notice of this report has been given and it first appeared on the Forward Plan which was published on 7 May 2014.

## **1.4 Council Plan and Policy Framework**

1.4.1 The Authority's membership of NEPO will assist the Authority in meeting each of the Council Plan priorities

## **1.5 Information:**

### **1.5.1 Background**

1.5.2 The North East Procurement Organisation (NEPO) is responsible for organising collaborative contracts through which authorities purchase goods and services. It is governed through a Shared Services Arrangement entered into on 28<sup>th</sup> October 2010 by the 12 local authorities in the North East (the "LA12"). Gateshead is currently the host authority for NEPO (i.e. employing the NEPO staff and holding its financial assets) and supports NEPO's work with the provision of a range of professional and support services. The LA12 pay an annual subscription to contribute to NEPO's costs.

1.5.3 Following an extensive review during 2013, and subsequent reports to the Regional Chief Executives' Group, the Executive Sub-committee of NEPO, and to the ANEC Leaders and Elected Mayors' Board it was resolved to take steps to improve NEPO's efficiency and effectiveness. This included exploring options, and then to set up arrangements, for the purpose of transforming the way in which regional procurement will be delivered in future.

1.5.4 Consequently it was agreed by the NEPO Joint Committee to:

- create a revised accountability structure and strengthen member involvement with the NEPO Service via ANEC (the Association of North East Councils Ltd);
- clarify strategic leadership through ANEC's management structure and governance;
- improve the operational relationships between NEPO and the LA12;
- improve credibility for NEPO and provide clarity about its new role and agree areas of common purpose managing delivery and harnessing collaboration;
- apply a flexible approach to local sub regional and regional procurement using NEPO or alternatives within or outside the region;
- clarify what activities and procurements should be led under the NEPO branding for the LA12; and
- create sustainability for the NEPO Service via appropriate funding arrangements and business plans.

### **1.5.5 Governance and Funding Arrangements Proposals**

1.5.6 At its meeting on 9th April 2014 the Executive Sub-committee of NEPO approved a detailed report outlining new and revised functions and objectives for the NEPO Service and future collaborative procurement activity. It proposed establishing a new arrangement for the governance of the NEPO Service and for regional collaborative procurement generally via ANEC.

1.5.7 It was agreed that the NEPO Joint Committee should be disestablished by the LA12 and new governance and delivery arrangements for the collaborative procurement service be created under ANEC. Decisions are yet to be considered formally by ANEC and a final meeting of NEPO's Joint Committee was convened on 2<sup>nd</sup> June 2014.

1.5.8 These changes will require the LA12 to terminate the current Joint Committee arrangement and, through ANEC, agree a new arrangement under the Leaders and Elected Mayors' Group (as ANEC's Member Management Board). This will make strategic direction and advice available through the proposed member-led Collaborative Procurement Sub-committee advised by two lead Directors of Resources from the LA12 on behalf of the Directors of Resources Group. Under this proposal issues can, if necessary, be referred to the Regional Chief Executives' Group.

1.5.9 Local Authorities will appoint members to the NEPO Collaborative Subcommittee at Cabinet/Annual Council as appropriate.

1.5.10 The Leaders and Elected Mayors' Group of ANEC will have the following responsibilities:

- overarching responsibility for North East collaborative procurement activity and the NEPO Service
- on the recommendation of the Collaborative Procurement Sub-committee, approval of the annual business plan, annual report and work programme
- receive regular six monthly updates from the NEPO Collaborative Procurement Subcommittee and
- Receive reports on other relevant issues where necessary for decision.

1.5.11 The Collaborative Procurement Sub-committee will have the following responsibilities:-

- develop an annual business plan and work programme for North East collaborative procurement activity including the existing regional service known as NEPO and to prepare and agree an annual report for approval by the Leaders and Elected Mayors' Group
- monitor and scrutinise the provision of collaborative procurement services and their budget
- monitor the range and effectiveness of collaborative procurement activity being undertaken generally
- provide the Leaders and Elected Mayors' Group with assurance on all aspects of internal controls and risk management
- keep under review appropriate strategic plans, a regional procurement strategy and an appropriate performance management framework
- ensure that there are appropriate and effective arrangements for stakeholder engagement in the NEPO service and
- ensure appropriate protocols and procedures are in place to secure the effective operation of the service and collaborative procurement across the north east.

### 1.5.12 Staffing

1.5.13 Following completion of a staffing review, transfer of NEPO staff to ANEC will be undertaken in accordance with TUPE regulations. All existing assets and contracts will be passed to ANEC Ltd under the terms of an agreement to be entered into between the 12 constituent authorities of NEPO and ANEC Ltd. The intention is for the new structure and governance to come into effect on 1 July 2014 and for TUPE to apply from 1 August 2014.

### 1.5.14 Implications for North Tyneside Council

1.5.15 The implications for North Tyneside are straightforward. This involves the appointment of an elected member to the Procurement Sub-committee. North Tyneside must also agree to the changes set out in this report, this will allow the authority to participate in intended benefits from the new NEPO Structure and governance framework.

## 1.6 **Decision Options**

### 1.6.1 Option 1

1.6.2 Cabinet agree with recommendations detailed in 1.2.

### 1.6.3 Option 2

1.6.4 Cabinet defer the decision and seek further information regarding the recommendations detailed in 1.2.

### 1.6.5 Option 3

1.6.6 Cabinet reject the decision as detailed in 1.2 however the implication of this decision would prevent the new structure and governance arrangements from being implemented.

## 1.7 **Reasons for recommended option:**

Cabinet to agree to recommend Option 1. These proposals will serve to improve the capacity and capability of the LA12 collectively and North Tyneside individually to maximise the benefits of engagement in collaborative procurement both regionally and locally. In so doing they contribute to North Tyneside's own ambitions to generate the local economy and make the best use of resources. This will be rooted in good understanding of individual parties and local/sub-regional communities in order to promote economic growth.

## 1.8 **Appendices**

1.8.1 None.

## 1.9 **Contact officers:**

Denise Pearson, Principal Procurement Client Officer, Audit, Risk and Procurement, tel. (0191) 643 5651

Allison Mitchell, Senior Manager, Audit, Risk and Procurement, tel. (0191) 643 5720

## **1.10 Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) [Joint Committee Executive Paper 9.4.14 v2](#)
- (2) [High Level Principles](#)
- (3) North [East Collaborative Procurement Governance Appendix A](#)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The revised governance structure and staffing arrangements will provide more transparency and accountability to charges incurred by the LA12 in the funding of NEPO. The funding model has been finalised with an overall reduction in the operational budget of NEPO expected to be achieved when compared to previous years. This reduction in the operational budget of NEPO will not provide a saving to all member authorities. Following a review of the method of allocation of the budgeted cost of NEPO 7 authorities will see a small increase and 5 member authorities will see a small decrease. North Tyneside Council will see a £30,000 increase in the subscription cost which will be met from existing budgets.

### **2.2 Legal**

There are no direct implications. However, some Constitutional changes, including appointments to outside bodies, will be needed which will be addressed under the authority's existing processes for review and update of the Constitution.

### **2.3 Consultation/community engagement**

All LA12 authorities have been consulted on the proposed arrangements.

### **2.4 Human rights**

There are no human rights implications directly arising from this report.

### **2.5 Equalities and diversity**

There are no equality and diversity implications directly arising from this report.

### **2.6 Risk management**

There are no risk management implications arising directly from the information provided within this report.

### **2.7 Crime and disorder**

There are no crime and disorder implications directly arising from this report.

### **2.8 Environment and sustainability**

There are no environmental and sustainability implications directly arising from this report.

### **PART 3 - SIGN OFF**

- Deputy Chief Executive  X
- Head of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Strategic Manager – Strategic Services  X