Sunderland City Council

Item No. 1(ii)

CABINET **18 JUNE 2014**

NEPO TRANSFORMATION – INTRODUCTION OF NEW ARRANGEMENTS FOR THE LEADERSHIP & GOVERNANCE OF THE NEPO SERVICE AND REGIONAL COLLABORATIVE PROCUREMENT

REPORT OF CHIEF EXECUTIVE

1. Purpose of the Report

1.1 To seek Cabinet agreement for the revised arrangements for the leadership and management of the NEPO Service and Regional Collaborative Procurement.

2. Description of Decision (Recommendations)

2.1 Cabinet is recommended to:

(i) Approve, subject to ANEC's formal agreement, the revised governance structure and staffing arrangements as outlined in this report for the administration of the NEPO Service and future collaborative procurement on behalf of the LA12.

(ii) Note the Leader's appointment of the Cabinet Secretary to serve on the Collaborative Procurement Subcommittee of ANEC.

(iii) Recommend Council to authorise the Head of Law and Governance to make any consequential changes to the Constitution to give effect to these revised arrangements.

(iv) Authorise the Head of Law and Governance, in consultation with the Cabinet Secretary, to approve such further changes to the agreements envisaged by this report as she may determine and to complete them on behalf of the Council.

3 Background

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

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

3.3 Consequently it was agreed 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
- create sustainability for the NEPO Service via appropriate funding arrangements and business plans.

4 Governance and Funding Arrangements Proposals

4.1 At its meeting on 9th April 2014 the Executive Subcommittee 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.

4.2 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 will be convened.

4.3 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) with strategic direction and advice available through the proposed member-led Collaborative Procurement Subcommittee advised by two lead Directors of Resources on behalf of the Directors of Resources Group. Under

this proposal issues can if necessary be referred to the Regional Chief Executives' Group.

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

4.5 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 Subcommittee, 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.

4.6 The Collaborative Procurement Subcommittee 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.

5. Staffing

5.1 Following completion of a staffing review staff transfer arrangements will be undertaken in accordance with TUPE regulations and 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.

6. Support Services

6.1 Gateshead Council currently provides the legal and financial support services to NEPO. ANEC Ltd has indicated that, subject to formal approval, it wishes to continue with those arrangements going forward, at least for an initial period to support a smooth transition to the new governance and service delivery model. Accordingly, and for that purpose, it is envisaged that a further agreement will be entered into between ANEC Ltd and Gateshead Council under which those support services arrangements will continue to be provided on similar terms.

6.2 The Leader has power under Article 11.02 of the Council's Constitution to establish joint arrangements with one or more local authorities to exercise functions which are executive functions, including the appointment of a joint committee and to make appointments of executive members as representatives of the Council on the new committee.

7. Reasons for the Decision

7.1 These proposals will serve to improve the capacity and capability of the LA12 collectively and the Council individually to maximise the benefits of engagement in collaborative procurement both regionally and locally.

8. Alternative Options

8.1 Do not participate in the new arrangements: This option is recommended to be rejected as it would not allow the Council to benefit from the opportunities that collaborative procurement bring.

9. Financial Implications

9.1 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 is yet to be finalised although there is expected to be a saving achieved on the overall costs of NEPO which will be passed on to each of the member authorities.

10. Other Relevant Considerations / Consultations

The Cabinet Secretary has been consulted in the preparation of this report and has attended relevant meetings leading to the proposals that are contained in this Report. All Member Authorities have been consulted. Formal decisions are yet to be considered and made by ANEC. A final meeting of the NEPO Joint Committee is to be arranged.

10. Background Papers

None