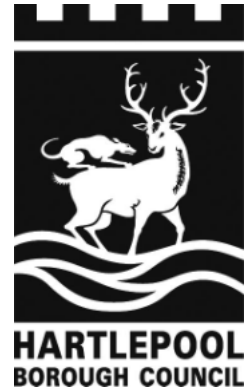


# **CONTRACT SCRUTINY COMMITTEE AGENDA**



**Monday, 4 October 2010**

**at 11.00 am**

**in Committee Room C,  
Civic Centre, Hartlepool**

**MEMBERS: CONTRACT SCRUTINY COMMITTEE:**

Councillors Aiken, Ingham, Lawton, London, Maness, Richardson, Simmons, Sutheran and Wells.

**1. APOLOGIES FOR ABSENCE**

**2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

**3. MINUTES**

3.1 To confirm the minutes of the meeting held on 20 September 2010 *(to follow)*

**4. ITEMS FOR INFORMATION**

4.1 Regional Governance Framework Review of Collaborative Procurement – Business Plan – *Assistant Director (Resources)*

**5. ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

**6. LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006**

## **EXEMPT ITEMS**

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006

### **7. TENDERS TO BE OPENED**

- 7.1 Supply and Maintenance of Fire Extinguishers and Related Equipment (Ref 425) (Para 3) – *Strategic Procurement Manager*

### **8. ANY OTHER CONFIDENTIAL ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT**

# **CONTRACT SCRUTINY COMMITTEE**

## **MINUTES AND DECISION RECORD**

20 September 2010

The meeting commenced at 11.00 a.m. in the Civic Centre, Hartlepool

**PRESENT:** Councillor Lilian Sutheran (In the Chair);

Councillors Peter Ingham, Trish Lawton, Chris Simmons and Ray Wells

In accordance with Council Procedure Rule 4.2 Councillor Sheila Griffin attended as substitute for Councillor Carl Richardson

**OFFICERS:** David Hart, Strategic Procurement Manager  
Amy Waller, Principal Housing Regeneration Officer  
Kate Wachorn, Commercial Solicitor  
Jo Wilson, Democratic Services Officer

### **35. Apologies for Absence**

Apologies were submitted from Councillors Frances London, Sarah Maness and Carl Richardson.

### **36. Declarations of Interest**

None

### **37. Minutes**

The minutes of the meeting held on 6<sup>th</sup> September 2010 were approved as a true record.

### **38. Consultation / Information Paper Relating to a Variety of Developments to Corporate Procurement Arrangements** *(Strategic Procurement Manager)*

The Strategic Procurement Manager gave members a detailed presentation on a variety of developments to current corporate procurement requirements. Any comments or suggestions made by members would be forwarded to the Corporate Management Team meeting scheduled for that afternoon. There were six specified areas for development as follows:

### Quotation/Tender thresholds

Attempts were being made to harmonise the quotation/tender thresholds used by the various north-eastern councils. Agreement had been reached that all tender thresholds would start at a minimum of £50,000, although some authorities had raised their thresholds to £100,000. Hartlepool's current tender threshold was £25,000 which would need to increase in order to meet the minimum requirement however it was being suggested that this could be increased to £100,000. This would lead to a reduction in bureaucracy, streamline the Council's business processes and make the process more accessible to local businesses. Concerns around a lack of consistency could be mitigated through the use of an e-quotation process and harmonisation of quotation request documentation across the Council. There would also always be the option to tender for contracts under £100,000 should they be deemed particularly high profile.

Members discussed whether a £75,000 increase in tender thresholds was appropriate in the current economic climate. They cited previous examples whereby officers had been unable to answer questions regarding the usage of a particular service, saying that large sums of money would be put into the hands of people who were failing to ask the right questions. Members acknowledged that tenders were time-consuming for businesses and Council officers but companies were aware that for high risk jobs appropriate forms were required and if they were unable to complete such forms their ability to undertake the job could also be questioned. The Strategic Procurement Manager advised that there was little tangible difference between the quotation and tender processes other than the requirement when tendering to advertise and the need for more detailed paperwork. However there was no reason why similar detail could not be asked of companies as part of the quotation process. Nevertheless members indicated that they would only be comfortable in an increase in tender thresholds to £100,000 if quotations were scrutinised by the committee prior to any contracts being issued. If this could not be done members did not wish the tender threshold to be increased above £50,000. The Strategic Procurement Manager saw no reason why the committee could not scrutinise contracts to be awarded via quotation, commenting that it was not called the 'Tender Scrutiny Committee' and that the intent was not to limit their powers. Members asked that this request be confirmed before agreement on tender thresholds was reached.

Members highlighted a reference to the possibility of quotes being given over the telephone. The Strategic Procurement Manager indicated that there was no requirement within the Contract Procedure Rules for smaller quotes to be in writing, however he personally preferred this. Members also queried how the approved list of contractors was kept up-to-date and that new businesses would not be missed off. The Strategic Procurement Manager advised that e-quotation would enable to businesses to keep up to date with forthcoming contracts provided they had registered on the e-quotation system. In terms of checks and

balances all companies had to provide financial details before they were placed on the provider lists. Members highlighted that while they were obviously in favour of contracts being awarded to local companies their primary concern was to get the right goods and services for Hartlepool's Council Tax payers and if this could best be served by a non-local company so be it.

#### Supporting local businesses

As well as supporting local businesses through adjustments to tender thresholds it was also suggested that the Contract Procedure Rules be amended to require a minimum of one local supplier be invited to quote for every contract. In those cases where there was no local supplier available this would serve as a prompt to Regeneration officers of a possible gap in the market. Members were in support of this proposal.

#### Quotation gathering processes

Officers were proposing the implementation of an e-quotation system. This would serve to improve the transparency of the quotation gathering process as all quotations would require an identical written specification to be completed by contractors and any quotes would be locked down and inaccessible to officers until the return date and time had passed. Further configuring could be carried out to ensure that a minimum of one local supplier was invited to bid for each contract, as previously discussed. Use of such a system could be made mandatory in the Contract Procedure Rules with use of any other format requiring prior approval of the Portfolio Holder and retrospective noting by the committee. Members were in support of this proposal.

#### Collaborative procurement

Current rules stated that where a central contract had been established through the North East Purchasing Organisation (NEPO) or the Council's Procurement Unit such goods and services have to be purchased through that contract unless the relevant Chief Officer and Assistant Director (Resources) felt a special exception could be made. Such goods and services are outside the scope of the Contract Procedure Rules and must be obtained from the relevant supplier in accordance with NEPO procedures. It was proposed that these rules be expanded to include organisations such as the Office for Central Government Contracts (OGC) and other approved central purchasing bodies. Members commented that just because providers had been checked by such bodies did not necessarily mean they were providing good value for money and queried whether these assertions were ever tested. The Strategic Procurement Manager confirmed that such tests were carried out and had previously shown such contracts were not always the best value. Members were assured that officers did not blindly assume that contracts via NEPO or OGC were automatically the best value.

### Completion/review of contract documents

At present there was no requirement within the Contract Procedure Rules to submit contract documents to the legal department for review prior to final agreement and signature, although contracts over £100,000 needed to be executed by the relevant Chief Officer in conjunction with either the Chief Solicitor or Chief Finance Officer. It was proposed therefore that contracts of a value of £100,000 or more be referred to the appropriate Council department for review and completion prior to final signature. Members were concerned that contracts of such high value could be approved through a single signature however the Commercial Solicitor advised that the legal department checked the legal aspects and questioned the technical aspects of all contracts to ensure they were watertight in terms of legal protection. The decision of whether or not to award a contract was not the responsibility of the legal department, falling instead under the remit of the appropriate departmental head after following the correct tendering procedure. The Strategic Procurement Manager commented that these changes would make such checks a mandatory requirement. Members were in support of this proposal.

### Instructions to tenderers

In light of previous errors made by departments during procurement exercises it was proposed to specify tender deadline times in the Contract Procedure Rules to ensure harmonisation across the authority. Members were in support of this proposal.

### E-tender technology

Tests were currently being conducted in e-tender technology via a collaborative Tees Valley tender for the supply and maintenance of fire extinguishers on which Hartlepool was taking a lead role. The intent was for these electronic tenders to be brought to the next meeting of the committee on 4<sup>th</sup> October for opening. Members highlighted the need to specify that tenders would be opened at the Contract Scrutiny Committee meeting following the closing date for tenders rather than on the closing date. The need for consistency across documents was also reinforced.

In terms of the opening of tenders members expressed their preference that this take place at scheduled meetings of the committee using a laptop with internet connectivity. Images from the laptop could be projected onto a screen or wall enabling all members to view the screen. Details of the bids could still be recorded and countersigned in the official ledger.

### E-quotation technology

If tender thresholds were to be raised to £100,000 it was felt that there needed to be a more streamlined approach to the quotation process. It

proposed that an e-quotation solution would ensure that all procurement activities were carried out in an appropriate and proportional manner while supporting local businesses more effectively by requiring their automatic inclusion. As with e-tendering quotes could be locked down until the closing deadline and uniform written specifications would ensure like for like quotes. Use of the system could be made mandatory through the Contract Procedure Rules. The cost was expected to be in the region of £5,000 per annum. Concerns regarding any breach of exclusivity via Northgate would also be investigated, however it was thought this wouldn't be an issue as alternate providers had been used for the Building Schools for the Future processes. Members queried whether the system would flag up if quotes had been opened but were informed that it would be impossible for any quotes to be opened prior to the deadline. The lockdown would be configured by a senior administrator who was devolved from the contract, such as the Strategic Procurement Manager. Excessive internet traffic could be an issue but steps could be taken to remedy that.

A member queried whether they could be informed of the intended awarding of contracts prior to their awarding however she was advised that approval was not in their remit. The Strategic Procurement Manager thanked members for their comments which would be fed back to the Corporate Management Team for their consideration.

### **Decision**

- I. That the Committee's views on the proposed amendments to the Contract Procedure Rules be noted
- II. That the opening of the first e-tender on 4<sup>th</sup> October 2010 be approved
- III. That the Committee's views on the options with regard to the mechanics of the opening process be noted
- IV. That the Committee's views on the proposed development of an e-quotation system be noted

## **39. Any other items which the Chair considers are urgent**

Members referred to a meeting on 23<sup>rd</sup> August 2010 during which the awarding of a contract for the provision of an advocacy service for adults had been reported to the committee. At the time members had queried the number of people using the service which the departmental representative had been unable to answer. He had been asked to return with this information but this had not happened thus far. Members requested therefore that the same officer be asked to attend a future meeting with this information as previously requested. It was also suggested that the Portfolio Holder who had approved the awarding of the contract be invited to attend.

#### **40. Local Government Access to Information**

Under Section 100 (A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the grounds that it convolved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of the Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) order 2006

Minute 41 – Raby Road Corridor Registration Scheme – Developer Selection (ref 466) – para 3 information relating to the financial or business affairs of any particular person (Including the Authority holding that information)

#### **41. Raby Road Corridor Registration Scheme – Developer Selection (ref 466)** *(Principal Housing and Registration Officer)*

One tender had been received in respect of this contract which was opened in the presence of the committee. Members queried how officers could evaluate a single tender with nothing to compare it to. The Principal Housing Regeneration Officer advised that they had a provisional amount in mind however there was always the possibility of re-tendering if this was felt necessary.

##### **Decision**

That the opening of the tender be noted.

The meeting concluded at 12:25 pm

CHAIR



## **CONTRACT SCRUTINY COMMITTEE**

4<sup>th</sup> October 2010



**Report of:** Assistant Director (Resources)

**Subject:** REGIONAL GOVERNANCE FRAMEWORK  
REVIEW OF COLLABORATIVE  
PROCUREMENT: BUSINESS PLAN

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### **1. PURPOSE OF REPORT**

- 1.1 To inform Contract Scrutiny Committee of the North Eastern Purchasing Organisation (NEPO) and the NE Improvement & Efficiency Partnership (NE IEP) agreement to jointly undertake a comprehensive regional assessment of the existing (and future) regional procurement capacity, capability and organisational arrangements.
- 1.2 Reporting will follow to Cabinet on 11<sup>th</sup> October 2010 and then Council on 28<sup>th</sup> October 2010.
- 1.3 A “new” NEPO Joint Committee will meet on 28<sup>th</sup> October 2010.

### **2. BACKGROUND**

- 2.1 In 2008 the NEPO Joint Committee and the Regional Improvement and Efficiency Partnership (RIEP) jointly commissioned the review to inform the creation of a fit for purpose regional arrangement to meet the significant procurement challenges facing all of the North East local authorities and contribute towards delivering the targets set out in the Regional Improvement & Efficiency Strategy. This will of course contribute to the significant savings required by the Council.
- 2.2 Following an initial consultation process by Price Waterhouse Coopers (PWC) in early 2009, a report was produced which made a variety of recommendations.

- 2.3 The report which was considered by the NEPO Joint Committee at the meeting held on 14<sup>th</sup> April 2010, has now been agreed by the Leaders and Elected Mayors at a meeting held on 15<sup>th</sup> June 2010.

### 3. OUTCOMES OF THE REPORT

- 3.1 The report focussed on the following:

- Governance and Constitution;
- Operating Model;
- Scope of the organisation;
- Funding model to be adopted; and,
- Branding

- 3.2 A business plan was built on the above and proposes:-

- A strengthened set of strategic objectives for NEPO, with additional emphasis on the role public expenditure can play in developing the regional economy.
- A refreshed Joint Committee, with two members drawn from each member council; one of whom it is recommended is the Portfolio Holder covering procurement and/or the council's Procurement Champion
- A new Executive Sub-Committee to monitor performance and ensure robust delivery
- New Scrutiny and Audit Sub-Committees
- A revised operating model with an enhanced officer structure, led by a full time Director, based on adopting a regional strategic category management approach to procurement, with significantly greater supplier engagement and support
- A 'hub and spoke' arrangement, with member councils undertaking work of a regional nature on a cost reimbursement basis
- A transitional period until 31 March 2012 during which the Joint Committee will:
  - Maintain current annual subscriptions, with any additional running costs being met by the NE-IEP and an increased level of retained rebates from contracts
  - Review the funding/subscription model by 31 March 2011, so as to enable a new arrangement to be in place by 1 April 2012
  - Review the performance and viability of the new organisation through an Officer Advisory Group of Chief Executives or other Senior Directors responsible for procurement
  - Review the current Host Authority and accommodation responsibilities currently carried by Gateshead Council by March 2011, with any change taking effect from April 2012
  - Consider the future branding of NEPO by 31 December 2010
- The services of Gateshead Council as the accountable body and host authority in respect of accommodation be retained for the

transitional period of the new organisation, with this situation being reviewed soon after the implementation of the new arrangements;

- A category management approach to procurement be implemented with 10 areas of spend being prioritised;

#### 4. CONSULTATION HISTORY

4.1 Throughout March and April 2010, the draft business plan was consulted upon through the following channels:

- a. All regional Chief Executives;
- b. Collaborative Procurement Programme Board (NE IEP);
- c. Collaboration NE & Technical Advisory Group (Heads of Procurement);
- d. Commerce Interface (supplier engagement) project board (NE IEP);
- e. FRS Chief Executives and Procurement Leads;
- f. ONE North East;
- g. NEPO Joint Committee Steering Group;
- h. Improvement & Efficiency Steering Group; and
- i. Directors with responsibility for Resources & Procurement / Heads of Service.

4.2 Discussion with member authorities demonstrated a wish for:

- *A significant step change in the current procurement model by introducing a far stronger focus on commercial market and supplier management across major areas of local authority spending;*
- *A more strategic and collaborative approach to procurement through a new 'fit for purpose' organisation that can deliver required objectives at pace;*
- *A greater emphasis on category management to add value and stimulate the local and regional supplier base;*
- *Development of commercial and technical skills and business practices;*
- *Effective democratic governance;*
- *More independence from the host authority;*
- *Greater transparency of costs and benefits;*
- *Better performance management and reporting; and*
- *Ongoing supplier engagement and development to increase the opportunity of more public sector work being won by North East businesses.*

4.3 The NEPO Joint Committee considered the recommendations in the revised business plan on 14 April 2010, and agreed, whilst requesting a few minor clarifications, to the content therein.

- 4.4 Final approval was sought from Leaders and Elected Mayors to the content and recommendations of the business plan.

## 5. THE COUNCIL'S COMMENTS

- 5.1 Reports were taken to the Finance and Performance Portfolio Holder on 5<sup>th</sup> November 2009 and Cabinet on 8<sup>th</sup> February 2010 in order to outline the background and progress of the review and to seek comments to feedback into the consultation. A report was also considered by Corporate Management Team Support Group and Corporate Management Team (20/9/10) with a briefing for the Council's NEPO Members.
- 5.2 Comments from the variety of sources include:-
- There is a need for flexibility in any collaborative approach to procurement
  - Local Authorities need to be able to opt in and out of collaborative procurements
  - It is important that local businesses are not disadvantaged by any future procurement strategy
  - Three Members from each Authority should continue of any Joint Committee to allow for inclusivity to the Authority
  - Costs need to be considered carefully in the option appraisal
  - That Tees Valley Collaboration should also be considered
  - A funding review is required to ascertain the costs of the potential new NEPO Structure / operation – including the "Rebate" system which supports the Council's budget for our Procurement Teams
  - Local Authorities should be able to review their participation in the regional collaboration arrangement.
  - Member control is required rather than relying on an autonomous Director and an Officer Advisory Group on performance.
  - There are concerns that the savings highlighted in the business case may be over ambitious for Hartlepool – particularly in the Adults and Children Social Care areas.
- 5.3 The Mayor reinforced the Council's position in a letter to ANEC attached at **Appendix 1**.
- 5.4 Officers across the Council and via our Tees Valley Network have made further comments as follows:-
- Whilst we are fully committed to the principles regional collaboration it is essential to ensuring we can deliver the best outcomes for residents. Some of the difficulty is that at times the consultation has felt more about structures than outcomes,

however, later discussions have gone some way to removing that feeling as structures appear far less firm.

- It is essential that we do not lose focus on the “here and now” whilst setting up the new organisation. Procurement on existing NEPO contracts etc is essential to deliver savings for the short and medium term,
- There may be scope for buying in specialist support from other sectors to deliver high quality work without the ongoing need to employ highly paid employees in the organisation.
- If we do proceed with a recruited organisation, then recruitment needs to be extremely tightly managed and as an example we do not simply transfer NEPO/REIP employees across because it is an easy solution to HR issues. We need clarity about how the existing exit costs of NEPO are to be dealt with.
- There is a planned review after two years of establishing the organisation and we would want to know now how we will measure success. There is a need not to “over staff” the organisation thus storing up significant decommissioning costs.
- If it were to fail to hit its objectives then from the outset there needs to be clarity on decommissioning.
- In terms of ongoing funding of the organisation, it needs to reflect the size of each Council e.g. costs should not be by 12, they need to reflect budget or population. This needs to be clear before we commence setting up the organisation.
- The governance arrangements need clarity.
- The region has a shortage of both traditional procurement and category management skills, the same people circulate between authorities, moving for promotion or an increase in salary. The Business Plan assumes that each LA will have a Category Manager to mirror the regional body that the regional body will make the strategic sourcing decisions and that LA will do more of the tactical (procurement/tendering) work on behalf of the region. The proposed increase in the number of staff in the regional group could exacerbate the current recruitment pressures, and reinforces the need to carefully consider whether a commissioning organisation would be more sustainable.

## **6. CONSULTATION FEEDBACK**

### **6.1 NEPO / RIEP reported back saying:**

- The feedback throughout the consultation process has been generally positive. The following messages have been taken on board and the revised business plan and executive summary reflect / clarify these, as appropriate:

- A better understanding of what is meant by a category management approach was needed, potentially through case studies etc.;
- Proposed Joint Committee structure too onerous / large – audit / scrutiny roles could be covered by the Officer Advisory Board;
- Consideration of ability to work with / relationships with other public sector organisations, e.g. FRS / Strategic Health Authority etc.;
- Better understanding of increased staffing levels and hub & spoke arrangements required;
- New organisation should start small and grow according to need;
- A range of recruitment options to be considered, such as secondments, buying in of short term specialists etc.;
- Is there capacity in authorities to undertake some contracting on behalf of new organisation?
- Procurement needs to be undertaken at the right level, i.e. regionally, sub-regionally or locally – with decisions being made by individual authorities to opt out if appropriate; and,
- Future funding models should be considered according to need and use;
- Tighter recommendations; and,
- Stronger links needed into ANEC.

## **7. REVISED BUSINESS PLAN AND KEY INCLUSIONS**

- 7.1 NEPO / RIEP have been able to make amendments where they correspond to the contents and recommendations of the 'Regional Governance Review of Collaborative Procurement' (i.e. the Business plan) which was approved by the Leaders and Elected Mayors Board of ANEC in June.
- 7.2 Many amendments and suggestions have therefore been accommodated, which serve to clarify and improve the original drafting, but for obvious reasons it has not been possible to make changes that would be inconsistent with the agreed business plan. Any changes of this nature will need to be considered by the Joint Committee during the normal course of its business once it is up and running
- 7.3 It was agreed that the new Joint Committee would be made up of 24 Members (instead of 36). With:-
- Executive Committee of 12 Members
  - Audit Committee of 6 Members

- Scrutiny Committee of 6 Members

Of the 2 places allocated to each Local Authority one must be the Executive Member for Procurement / Procurement Champion.

- 7.4 Provision is now made for the joint committee to delegate its functions to the executive committee. This will provide some flexibility in the way in which the parties operate/develop the arrangements on a day to day basis. Also each member of the joint committee has been allocated a vote, rather than a vote per council
- 7.5 **It must be emphasised that by entering into the arrangement at this stage, the parties are not immediately committed to particular procurements or methods of working within NEPO, until they have first had the opportunity to comment and shape the opt out protocol, operational protocol and the 'funding review' in the agreement, all of which are intended to be prepared by March 2011. In line with suggestions made, the need to consult fully on these protocols has now been made clear and the termination period has been shortened to 6 months, to enable any party to consider their position and reconsider their participation during the agreed transition period, during which current subscription rates will continue to apply. This is important as these areas were a concern to us and we now have an opportunity to negotiate and seek a solution in line with our needs.**
- 7.6 The agreed Business Plan also highlighted the first 10 priority areas of spend identified for a regional collaborative approach. From a high level spend analysis the NEIEP estimated that £26.5m of savings could be made from these areas by 2012 / 13 which could be used for additional costs of the new organisations as well savings for each authority. The 10 areas are:-
- ICT Hardware
  - Security
  - Advertising and Print
  - Adult Social Care – Residential
  - Adult Social Care - Nursing Care
  - Children and Young People – Adoption
  - Consultancy
  - Educational Supplies
  - Building Materials
  - Heavy Plant
- 7.7 The Business Plan outlines the potential financial benefits from these 10 areas and highlights the estimates and assumptions made. It must be emphasised at this stage there are no specific plans on how realistic the figures are, how the savings can be made, nor how they can be taken from Council budgets to achieve benefits realisation.

## 8. FINANCIAL AND RISK CONSIDERATIONS

- 8.1 Sections 12 and 13 of the Business Plan cover costs and savings in relation to the new organisation.
- 8.2 At this stage savings are 'speculative' and based on realising cashable benefits and being able to identify and take them from budgets. This can be difficult in our experience.
- 8.3 Savings are predicated on more regional contracts with reduced prices. If this doesn't happen to the extent discussed there is a risk against our commitment to provide financial support to "NEPO 2".
- 8.4 It is proposed additional running costs of the new arrangement in 2011/12 be funded from additional collaborative procurement. There is no guarantee of savings to meet these costs before Authorities "sign up".
- 8.5 "Opt out" of procurements is possible but needs approval justification from Chief Executive / Chief Financial Officer. We need to gear up corporately to properly deal with the regional requirements.
- 8.6 Rebates are highlighted as a further source of paying for additional NEPO costs. But rebates form part of our "base budget" to fund salaries in the procurement team and therefore this presents some risk.
- 8.7 Current financial savings from NEPO contracts are derived from rebates paid by suppliers either directly to member councils or to NEPO, together with reduced prices paid for goods and services, below those that would apply had a regional contract not have been put in place.
- 8.8 Although the current costs of NEPO are already more than covered by rebate income, a subscription system is also in force. Running costs are funded from equal annual subscriptions from each member Council (approx £30k), supplemented by contributions from a small number of associate members, and specific rebates collected in respect of regional gas and electricity contracts, to cover the costs of staff engaged on these contracts.
- 8.9 Based on the above, it was recommended in the business plan that during the transitional period the new organisation continues to be funded from the same level of subscription as applied in 2009/10, supplemented by rebate income to fund the initial increase in staff numbers and recharges from member councils for undertaking regional work. This is recommended in order to give stability in budgeting for 2010 / 11 (which will in any case have been completed by member councils prior to consideration of this business plan), and in 2011 / 12 where it is envisaged that councils will be seeking significant savings to balance budgets.



- 8.10 It was also recommended that the ongoing mechanism for funding the new organisation will need to be reviewed within the transition period, to determine the most appropriate funding / subscription model.

## **9. PROPOSALS**

- 9.1 The Business Plan has been approved by all 12 Local Authorities via the ANEC Leaders and Mayors. The key recommendations can be summarised in section 3.2
- 9.2 The implementation phase with particular reference to governance has now commenced.
- 9.3 As regards the new constitution for NEPO, a consultant (Brian Dinsdale) has prepared a draft based on the agreed business plan. In parallel with this, Eversheds have been instructed by Gateshead Council and have prepared a draft management agreement to set out the terms of the shared services.
- 9.4 In anticipation the Council need to begin the process of choosing our 2 representatives. Our current 3 NEPO representatives are -
- Councillor Robbie Payne (Executive Member for Finance and Procurement)  
Councillor Stephen Akers-Belcher  
Councillor Lillian Sutheran
- One of the “new” representatives is required to be the Executive Member.
- 9.5 The post of Director of the new organisation has been appointed – Ian Taylor who previously worked for the Department for Education and in the private sector.

## **10. RECOMMENDATION**

- 10.1 Contract Scrutiny Committee comments are sought to inform the report to Cabinet.

APPENDIX 1

**Stuart Drummond**

**Mayor**

Civic Centre  
Hartlepool  
TS24 8AY

Tel: 01429 266522  
www.hartlepool.gov.uk

Our Ref: CEMS/SD/oa  
Your Ref:

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18 February 2010

Councillor Paul Watson  
Chair of the Association of North East Councils  
c/o Guildhall  
Quayside  
NEWCASTLE UPON TYNE  
NE1 1AF

Dear Paul

**RIEP and NEPO Review of Collaborative Local Authority Procurement**

In the current local government financial climate it is essential that we look seriously at all means of using our finances more efficiently and effectively. As a consequence my Cabinet and I were happy to consider the options for improving regional procurement, as presented for consultation by the Review Steering Group.

Our general response to the questions posed is as follows:

- There is a need for flexibility in any collaborative approach to procurement;
- Local authorities need to be able to opt in and out of collaborative procurements;
- It is important that local businesses are not disadvantaged by any future procurement strategy;
- Three members from each authority should continue on any Joint Committee to allow for inclusivity to the authority; and,
- Costs need to be considered carefully in the options appraisal.

The first three bullet points are focused upon the nub of the problem – the trade off between procurements savings and the loss of local jobs. Unless this is resolved regional procurement will never be efficient or effective.

Hartlepool is typical of many areas in the North East. In the 1970/80s we had massive job losses in our heavy industry and manufacturing sectors. By 2008 16,000 jobs had gone. Over the same period 8,000 jobs have been created in SMEs, mainly in the service sector. We still have an overall reduction of 8,000 jobs and are now heavily reliant upon our small businesses to grow our economy.

The Council is the biggest organisation and employer in Hartlepool, and most of our expenditure goes back into the local community through buying locally (so far as is legally permissible) and through our employees. This, of course, is a great help to our SMEs, most of whom, if not all, are of insufficient size to bid for large regional contracts. We do all we can to help support our SMEs form partnerships for bidding purposes, but there is only so much we can do.

Put at its most simple, we could make substantial savings for the council through regional procurement, but then find we've put a number of Hartlepool companies out of business, and all their employees on to the unemployment register.

In our view NEPO and its Committee now need to tackle this problem head on if they intend to be successful. They need to be innovative. For example, shouldn't they be arranging for the CBI, Chambers of Trade, Federations of Small Businesses, etc. to support their member organisations in forming bidding partnerships, or perhaps ANEC could look to form local authority trading companies collectively making goods or supplying services to ourselves?

I don't have the answers, but do want my cake and eat it; i.e. substantial savings and no local job losses. Unless NEPO can come up with a solution to this problem I'm afraid Hartlepool's response to regional procurement will be at best lukewarm.

Yours sincerely

STUART DRUMMOND  
ELECTED MAYOR OF HARTLEPOOL

cc    Melanie Laws, Chief Executive, ANEC  
      Barry Rowland, Chief Executive, Newcastle upon Tyne City Council and RIEP  
      Procurement Lead