

# CABINET AGENDA



**Monday, 11 October 2010**

**at 9.00 am**

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

MEMBERS: CABINET:

The Mayor, Stuart Drummond

Councillors Brash, Hall, Hargreaves, Hill, Jackson, Payne and H Thompson

**1. APOLOGIES FOR ABSENCE**

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

**3. MINUTES**

- 3.1 To receive the Record of Decision in respect of the meeting held on 4 October 2010 (previously circulated)

**4. BUDGET AND POLICY FRAMEWORK**

- 4.1 Food Law Enforcement Service Plan 2010 / 2011 – *Director of Regeneration and Neighbourhoods*
- 4.2 Medium Term Financial Strategy (MTFS) 2011/2012 to 2014/2015 – Initial Consultation Proposals – *Corporate Management Team*

**5. KEY DECISIONS**

- 5.1 Regional Governance Framework Review Of Collaborative Procurement - *Director of Regeneration and Neighbourhoods and Chief Solicitor*
- 5.2 Travel Efficiency Plan - *Director of Regeneration and Neighbourhoods and Chief Customer & Workforce Services Officer*

**6. OTHER ITEMS REQUIRING DECISION**

- 6.1 Working Neighbourhood Funding (WNF) 2010/11 – *Director of Regeneration and Neighbourhoods*
- 6.2 Community Pool 2010/2011 - Belle Vue Community Sports & Youth Centre – *Director of Child and Adult Services*

**7. ITEMS FOR DISCUSSION/INFORMATION**

No items

**8. REPORTS FROM OVERVIEW OF SCRUTINY FORUMS**

No items

## **CABINET REPORT**

11 October 2010



**Report of:** Director of Regeneration & Neighbourhoods

**Subject:** FOOD LAW ENFORCEMENT SERVICE PLAN  
2010 / 2011

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### **SUMMARY**

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

To consider the Food Law Enforcement Service Plan for 2010/2011, which is a requirement under the Budget and Policy Framework.

#### **2. SUMMARY OF CONTENTS**

The report sets out details of Hartlepool's Food Law Enforcement Service Plan 2010/11. The plan is a requirement of the Food Standards Agency and forms the basis on which the Authority may be monitored and audited to verify whether the service provided is effective in protecting the public. The plan sets out the Council's aims in respect of its food law service. Whilst focussing on 2010/11, it also identified longer term objectives as well as a review of performance for 2009/10.

#### **3. RELEVANCE TO CABINET**

Executive to consider issues prior to presentation to Council.

#### **4. TYPE OF DECISION**

The Food Law Enforcement Plan is part of the Budget and Policy Framework of the Council.

#### **5. DECISION MAKING ROUTE**

Adult and Public Health Services Portfolio on 26<sup>th</sup> July 2010, Cabinet on 16<sup>th</sup> August 2010, Neighbourhood Services Scrutiny Forum on 15<sup>th</sup> September 2010, Cabinet on 11<sup>th</sup> October 2010 and Council on 28<sup>th</sup> October 2010.

#### **6. DECISION(S) REQUIRED**

Comments on the Food Law Enforcement Plan are invited.

## CABINET REPORT

11 October 2010



**Report of:** Director of Regeneration & Neighbourhoods

**Subject:** Food Law Enforcement Service Plan  
2010 / 2011

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### 1. PURPOSE OF REPORT

- 1.1 To consider the Food Law Enforcement Service Plan for 2010/2011, which is a requirement under the Budget and Policy Framework.

### 2. BACKGROUND

- 2.1 The Food Standards Agency has a key role in overseeing local authority enforcement activities. They have duties to set and monitor standards of local authorities as well as carry out audits of enforcement activities to ensure that authorities are providing an effective service to protect public health and safety.
- 2.2 On 4 October 2000, the Food Standards Agency issued the document "Framework Agreement on Local Authority Food Law Enforcement". The guidance provides information on how local authority enforcement service plans should be structured and what they should contain. Service Plans developed under this guidance will provide the basis on which local authorities will be monitored and audited by the Food Standards Agency.
- 2.3 The service planning guidance ensures that key areas of enforcement are covered in local service plans, whilst allowing for the inclusion of locally defined objectives.
- 2.4 The Food Law Enforcement Service Plan for 2010/11 is attached as **Appendix 1** and takes into account the guidance requirements.
- 2.5 The plan has been previously considered by Cabinet on the 16<sup>th</sup> August 2010 and by Neighbourhood Services Scrutiny Forum on 15<sup>th</sup> September 2010.

### **3. THE FOOD LAW ENFORCEMENT SERVICE PLAN**

3.1 The Service Plan for 2010/11 has been updated to reflect last year's performance.

3.2 The Plan covers the following:

(i) Service Aims and Objectives:

That the Authority's food law service ensures public safety by ensuring food, drink and packaging meets adequate standards.

(ii) Links with Community Strategy, Corporate Plan, Departmental and Divisional Plans:

How the Plan contributes towards the Council's main priorities (Jobs and the Economy, Lifelong Learning and Skills, Health and Wellbeing, Community Safety, Environment, Culture and Leisure and Strengthening Communities).

(iii) Legislative Powers and Other Actions Available:

Powers to achieve public safety include programmed inspections of premises, appropriate registration/approval, food inspections, provision of advice, investigation of food complaints and food poisoning outbreaks, as well as the microbiological and chemical sampling of food.

(iv) Resources, including financial, staffing and staff development.

(v) A review of performance for 2009/10.

### **4. SUMMARY OF MAIN ISSUES RAISED IN THE PLAN**

4.1 During 2009/10 the service completed 100% of all programmed food hygiene inspections planned for the year. As a result of prioritising resources in this area we were unable to achieve the targets set in respect of food standards and feeding stuffs inspections; 86% of food standards inspections were achieved and 63.4% of feeding stuffs inspections. The outstanding inspections will be added to the programme for 2010/2011.

4.2 The results from the 2009/10 sampling programme were disappointing. A total of 218 microbiological samples were taken, of which 73 were regarded as unsatisfactory, mainly as a result of high bacteriological counts. Advisory visits have been carried out and the majority of follow up samples subsequently improved. Of the 246 compositional/labelling samples that were taken, 11 were unsatisfactory, mainly due to labelling irregularities.

- 4.3 On 1<sup>st</sup> April 2007 the Council launched the Tees Valley Food Hygiene Award Scheme. Each business is awarded a star rating which reflects the risk rating given at the time of the last primary inspection. The star rating is made available to the public via the Council's website and the business is provided with a certificate to display on their premises.
- 4.4 The table below shows the results of the star ratings awarded to businesses at the start of the scheme on 1 April 2007, as compared with after 12 months (on 1 April 2008), after 24 months (on 1 April 2009) and after 36 months (on 1 April 2010):

Number of Stars	Number of Premises (1/4/07)	%	Number of Premises (1/4/08)	%	Number of Premises (1/4/09)	%	Number of Premises (1/4/10)	%
5 Stars	24/759	<b>3%</b>	85/762	<b>11.1%</b>	163/721	<b>22.6%</b>	237/709	<b>33.4%</b>
4 Stars	155/759	<b>20%</b>	217/762	<b>28.5%</b>	233/721	<b>32.3%</b>	205/709	<b>28.9%</b>
3 Stars	226/759	<b>30%</b>	294/762	<b>38.6%</b>	237/721	<b>32.9%</b>	195/709	<b>27.5%</b>
2 Stars	262/759	<b>35%</b>	137/762	<b>18.0%</b>	65/721	<b>9%</b>	60/709	<b>8.5%</b>
1 Star	60/759	<b>8%</b>	26/762	<b>3.4%</b>	17/721	<b>2.4%</b>	12/709	<b>1.7%</b>
0 Stars	32/759	<b>4%</b>	3/762	<b>0.4%</b>	6/721	<b>0.8%</b>	0/709	<b>0%</b>

- 4.5 It can be seen that the number of premises awarded 3 stars and above has risen significantly from 53% to 89.8%, with a more than tenfold increase in the number of premises awarded 5 stars. There are currently no zero rated premises.
- 4.6 Whilst the number of businesses trading fluctuates throughout the year the above figures show a decline in the number of food businesses operating in the borough. This information is consistent with national returns made for 2008/09 which indicate that there has been a slight decrease in the numbers of food businesses, but that there was a notable increase in business turnover and new business registrations, especially in relation to home catering and change in ownership.
- 4.7 Compliance levels of food businesses in our area are measured and reported on against National Indicator 184. As at the 1<sup>st</sup> April 2010, 91.5% of businesses in the borough were "Broadly Compliant" with food safety requirements (in 2008-09 the figure was 89.3%, which was 3.3% higher than the national average). For food standards 96.3% of businesses achieved broad compliance (in 2008-09 the figure was 93.3%). We aim to concentrate our resources to further increase our current rate by the end of 2010/11.

- 4.8 The service is committed to focussing its resources on carrying out interventions at those businesses which are deemed not to be 'broadly compliant' and has written to those awarded 2 stars or less offering advice and support. In the current financial climate we anticipate that it may become increasingly difficult to secure improvements however where necessary enforcement action will be taken.
- 4.9 During 2009/10, no emergency prohibition notices were served on businesses. A Hygiene Improvement Notice was served on a business to ensure compliance with food safety issues. No prosecutions or formal cautions were undertaken.
- 4.10 During 2010/11 there are 394 programmed food hygiene interventions, 248 programmed food standards inspections and 47 food hygiene inspections planned. The number of premises liable for inspection has increased on last years figures. (The number of premises liable for inspection fluctuates from year to year as the programme is based on the risk rating applied to the premises which determines the frequency of intervention). An estimated 80 re-visits and 70 additional visits to new / changed premises will be required during the year.
- 4.11 Further to the above planned inspections it is predicted that an additional 150 visits will need to be carried out in relation to the Tall Ships Event and Headland Carnival. Such inspections must be carried out by a small team of officers with the suitable qualifications and competencies to undertake them. The volume of planned inspections and the need to carry out visits outside normal working hours will place an additional demand on an already heavy workload.

## **5. RECOMMENDATIONS**

- 5.1 Members comments on the Food Law Enforcement Service Plan for 2010/2011 are invited prior to submission to Council.



# Hartlepool Borough Council

## Food Law Enforcement Service Plan

# 2010/11



## FOOD SERVICE PLAN 2010/11

This Service Plan accords with the requirements of the Framework Agreement on Local Authority Food Law Enforcement, and sets out the Council's aims in respect of its food law service and the means by which those aims are to be fulfilled. Whilst focussing primarily on the year 2010/11, where relevant, longer-term objectives are identified. Additionally, there is a review of performance for 2009/10 and this aims to inform decisions about how best to build on past successes and address performance gaps.

### 1. **Background Information**

Hartlepool is situated on the North East coast of England. The Borough consists of the town of Hartlepool and a number of small outlying villages. The total area of the Borough is 9,390 hectares.

Hartlepool is a unitary authority, providing a full range of services. It adjoins Durham County Council to the north and west and Stockton on Tees Borough Council to the south. The residential population is 90,161 of which ethnic minorities comprise 1.2% (2001 census).

The borough contains a rich mix of the very old and the very new. Its historic beginnings can be traced back to the discovery of an iron-age settlement at Catcote Village and the headland, known locally as "Old Hartlepool" is steeped in history. On the other hand, the former South Docks area has been transformed into a fabulous 500-berth Marina.

In August, Hartlepool will welcome up to one million visitors for the finale of the prestigious 2010 Tall Ships' Races; an internationally acclaimed annual competition held every summer in European waters. Approximately 70 vessels from 15-20 countries, crewed by some 5-6,000 young people from over 30 countries worldwide are expected to take part. A wide range of entertainment events are planned to coincide with the event.

The tourist industry impacts upon recreational opportunities, shopping facilities and leisure facilities, including the provision of food and drink outlets that include restaurants, bars and cafes. There are currently 735<sup>1</sup> food establishments in Hartlepool, all of which must be subject to intervention to ensure food safety and standards are being met.

### 2. **Service Aims and Objectives**

Hartlepool Borough Council aims to ensure:

- that food and drink intended for human consumption which is produced, stored, distributed, handled or consumed in the borough is without risk to the health or safety of the consumer;

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<sup>1</sup> This figure includes a number of low risk premises which fall outside the intervention programme.

- food and food packaging meets standards of quality, composition and labelling and reputable food businesses are not prejudiced by unfair competition; and
- the effective delivery of its food law service so as to secure appropriate levels of public safety in relation to food hygiene, food standards and feeding stuffs enforcement.

In its delivery of the service the Council will have regard to directions from the Food Standards Agency (FSA), Approved Codes of Practice, the Regulators Code of Compliance, and guidance from Local Authorities Co-ordinators of Regulatory Services (LACORS).

Service delivery broadly comprises:

- Programmed inspections of premises for food hygiene, food standards and feed hygiene;
- Registration and approval of premises;
- Microbiological sampling and chemical analysis of food and animal feed;
- Food & Feed Inspection;
- Contributing to the step change on imported food/feed control through inspection and checks of imported food/feed at retail and catering premises;
- Provision of advice, educational materials and courses to food/feed businesses;
- Investigation of food and feed related complaints;
- Investigation of cases of food and water borne infectious disease, and outbreak control;
- Dealing with food/feed safety incidents; and
- Promotional and advisory work.

Effective performance of the food law service necessitates a range of joint working arrangements with other local authorities and agencies such as the Health Protection Agency (HPA), Food Standards Agency (FSA), HM Revenue & Customs (HMRC), Meat Hygiene Service (MHS), Department of Environment, Food & Rural Affairs (Defra) & the Animal Medicines Inspectorate (AMI). The Council aims to ensure that effective joint working arrangements are in place and that officers of the service contribute to the on going development of those arrangements.

The service is also responsible for the following:

- Health and Safety enforcement;
- The provision of guidance, advice and enforcement in respect of Smoke free legislation;
- Water sampling; including both private and mains supplies & bathing water; and
- Provision of assistance for animal health and welfare inspections, complaint investigation and animal movement issues.

### 3. Policy Content

This service plan fits into the hierarchy of the Council's planning process as follows:

- Hartlepool's Community Strategy - the Local Strategic Partnership's (the Hartlepool Partnership) goal is to regenerate Hartlepool by promoting economic, social and environmental wellbeing in a sustainable manner.
- Corporate (Best Value Performance) Plan
- Regeneration and Neighbourhoods Departmental Plan
- Community Safety and Protection Divisional Plan
- Food Law Enforcement Service Plan - sets out how the Council aims to deliver this statutory service and the Consumer Services section's contribution to corporate objectives

The Council's Community Strategy, called Hartlepool's Ambition, looks ahead to 2020 and sets out its long-term vision and aspirations for the future:

***'Hartlepool will be an ambitious, healthy, respectful, inclusive, thriving and outward-looking community, in an attractive and safe environment, where everyone is able to realise their potential.'***

This Food Law Service Plan contributes towards the vision and the Council's main priorities in the following ways:

#### **Jobs and the Economy**

By providing advice and information to new and existing businesses to assist them in meeting their legal requirements with regard to food law requirements, and avoid potential costly action at a later stage;

#### **Lifelong Learning and Skills**

By providing and facilitating training for food handlers on food safety as part of lifelong learning, and promoting an improved awareness of food safety and food quality issues more generally within the community;

#### **Health and Wellbeing**

By ensuring that food businesses where people eat and drink, or from which they purchase their food and drink, are hygienic and that the food and drink sold is safe, of good quality and correctly described and labelled to inform choice;

#### **Community Safety**

By encouraging awareness amongst food businesses of the role they can play in reducing problems in their community by keeping premises in a clean and tidy condition;

### **Environment**

By encouraging businesses to be aware of environmental issues which they can control, such as proper disposal of food waste;

### **Culture and Leisure**

By exploring ways to promote high standards of food law compliance in hotels, other tourist accommodation, public houses and other catering and retail premises.

### **Strengthening Communities**

By developing ways of communicating well with all customers, including food business operators whose first language is not English, and ensuring that we deliver our service equitably to all.

This Food Law Enforcement Service Plan similarly contributes to the vision set out in the Regeneration and Neighbourhoods Department Plan *“to work hand in hand with communities and to provide and develop excellent services that will improve the quality of life for people living in Hartlepool neighbourhoods”*.

Within this, the Consumer Services Section has a commitment to ensure the safe production, manufacture, storage, handling and preparation of food and its proper composition and labelling.

The Council has in place a Food Law Enforcement Policy, which has been revised and subsequently approved by the Adult & Public Health Services Portfolio Holder on 21 March 2005.

The Council is committed to the principles of equality and diversity. The Food Law Enforcement Service Plan consequently aims to ensure that the same high standards of service is offered to all, and that recognition is given to the varying needs and backgrounds of its customers.

## **4. Interventions**

The Council has a wide range of duties and powers conferred on it in relation to food law enforcement.

The Council must appoint and authorise inspectors, having suitable qualifications and competencies for the purpose of carrying out duties under the Food Safety Act 1990 and Regulations made under it and also specific food regulations made under the European Communities Act 1972, which include the Food Hygiene (England) Regulations 2006 and the Official Feed and Food Controls (England) Regulations 2007.

Authorised officers can inspect food at any stage of the production, manufacturing, distribution and retail chain. The Council must draw up and implement an annual programme of risk-based interventions so as to ensure that food and feeding stuffs are inspected in accordance with relevant legislation, the Food Law Code of Practice and centrally issued guidance.

Prompted by the introduction of the Legislative and Regulatory Reform Act 2006 the Food Standards Agency (FSA) has made changes to the Food Law Code of Practice that took effect from June 2008.

The changes to the Code replaced an enforcement policy focussed primarily on inspections, with a new policy for a suite of interventions. This allows local authorities to choose the most appropriate action to be taken to drive up levels of compliance by food establishments with food law. This takes account of the recommendations in the 'Reducing Administrative Burdens: Effective Inspection and Enforcement'.

Interventions are defined as activities that are designed to monitor, support and increase food law compliance within a food establishment. They include:

- Inspections / Audit;
- Surveillance / Verification;
- Sampling;
- Education, advice and coaching provided at a food establishment; and
- Information and intelligence gathering.

Other activities that monitor, promote and drive up compliance with food law in food establishments, for instance 'Alternative Enforcement Strategies' for low risk establishments and education and advisory work with businesses away from the premises (e.g. seminars/training events) remain available for local authorities to use.

The revised Code also introduces the concept of 'Broadly Compliant' food establishments. In respect of food hygiene, "broadly compliant", is defined as an establishment that has an intervention rating score of not more than 10 points under each of the following components;

- Level of (Current) Hygiene Compliance;
- Level of (Current) Structural Compliance; and
- Confidence in Management/Control Systems

"Broadly Compliant", in respect of food standards, is defined as an establishment that has an intervention rating score of not more than 10 points under the following:

- Level of (Current) Compliance
- Confidence in Management/Control Systems

Local Authorities are required to report the percentage of “Broadly Compliant” food establishments in their area to the FSA on an annual basis through the Local Authority Enforcement Monitoring System (LAEMS). The Agency will use this outcome measure to monitor the effectiveness of a local authority’s regulatory service.

As at the 1<sup>st</sup> April 2010, 91.5% of businesses in the borough were “Broadly Compliant” with food safety requirements (in 2008-09 the figure was 89.3%, which was 3.3% higher than the national average). For food standards 96.3% of businesses achieved broad compliance (in 2008-09 the figure was 93.3%). We aim to concentrate our resources to further increase our current rate by the end of 2010/11 however given the current financial climate this will be extremely challenging.

Since April 2008 local authorities are required to report the same information to the National Audit Office under National Indicator 184. We are also required to report on business satisfaction rates with the service under NI 182.

The Food Law Enforcement Plan will help to promote efficient and effective approaches to regulatory inspection and enforcement that will improve regulatory outcomes without imposing unnecessary burdens. The term enforcement does not only refer to formal actions, it can also relate to advisory visits and inspections.

## **5. Service Delivery Mechanisms**

### **Intervention Programme**

Local Authorities must document, maintain and implement an interventions programme that includes all the establishments for which they have food law enforcement responsibility.

Interventions carried out for food hygiene, food standards and for feeding stuffs are carried out in accordance with the Council’s policy and standard operating procedures on food/feed premises inspections and relevant national guidance.

Information on premises liable to interventions is held on the APP computerised system. An intervention schedule is produced from this system at the commencement of each reporting year.

The food hygiene, food standards and feeding stuffs intervention programmes are risk-based systems that accord with current guidance. The current premises profiles are shown in the tables overleaf:

**Food Hygiene:**

<b>Risk Category</b>	<b>Frequency of Inspection</b>	<b>No of Premises</b>
A	6 months	1
B	12 months	38
C	18 months	290
D	24 months	185
E	36 months or other enforcement	202
Unclassified	Requiring inspection/risk rating	0
No Inspectable Risk (NIR)		19
Total		735

**Food Standards:**

<b>Risk Category</b>	<b>Frequency of Inspection</b>	<b>No of Premises</b>
A	12 months	2
B	24 months	118
C	36 months or other enforcement	595
Unclassified		1
No Inspectable Risk (NIR)		19
Total		735

**Feed Hygiene**

<b>Risk Category</b>	<b>Frequency of Inspection</b>	<b>No of Premises</b>
A	12 months	0
B	24 months	23
C	60 months	41
Unclassified		23
Total		87

The intervention programme for 2010/11 comprises the following number of scheduled food hygiene and food standards interventions:

**Food Hygiene:**

<b>Risk Category</b>	<b>Frequency of Inspection</b>	<b>No of Interventions</b>
A	6 months	1
B	12 months	39
C	18 months	205
D	24 months	86
E	36 months or alternative enforcement strategy	63
Unclassified		0
<b>Total</b>		<b>394</b>

**Approved Establishments:**

There are 2 approved food establishments in the borough; a fishery products establishment and a manufacturer of food ingredients. These premises are subject to more stringent hygiene provisions than those applied to registered food businesses. These premises require considerably more staff resources for inspection, supervision and advice on meeting enhanced standards.

**Primary Producers**

From 1 January 2006 EU food hygiene legislation applicable to primary production (farmers & growers) came into effect. On the basis that the local authority officers were already present on farms in relation to animal welfare and feed legislation, the responsibility was been given to the Consumer Services Section to enforce this legislation. The service has an estimated 68 primary producers. Targets have been set for Councils to inspect 25% of farms classified as high risk and 2% of low risk premises. We currently do not have any high risk premises.

**Food Standards:**

<b>Risk Category</b>	<b>Frequency of Inspection</b>	<b>No of Interventions</b>
A	12 months	2
B	24 months	51
C	36 months or alternative enforcement	194
Not classified		1
<b>Total</b>		<b>248</b>



**Feed Hygiene :**

<b>Risk Category</b>	<b>Frequency of Inspection</b>	<b>No of Interventions</b>
A	12 months	0
B	24 months	21
C	60 months	0
Unclassified		23
Total		47

An estimated 10% of programmed interventions relate to premises where it is more appropriate to conduct visits outside the standard working time hours. Arrangements are in place to visit these premises out of hours by making use of the Council's flexible working arrangements, lieu time facilities and, if necessary, paid overtime provisions. In addition, these arrangements will permit the occasional inspection of premises which open outside of, as well as during standard work time hours. The Food Law Code of Practice requires inspections of these premises at varying times of operation.

As a follow-up to primary inspections, the service undertakes revisits in accordance with current policy. For the year 2010/11, the inspection programme is expected to generate an estimated 80 revisits. A number of these premises revisits will be undertaken outside standard working hours and arrangements are in place as described above to facilitate this.

It is anticipated that consistent, high quality programmed inspections by the service will, over time, result in a general improvement in standards, reducing the frequency for recourse to formal action.

The performance against inspection targets for all food hygiene and food standards inspections is reported monthly as part of the Regeneration & Neighbourhoods Department internal performance monitoring. In addition, performance against inspection targets is reported quarterly to the Adult & Public Health Services Portfolio Holder as part of the Regeneration & Neighbourhoods Department plan update and recorded on Covalent.

**Tall Ships Event**

In addition to the above planned inspection programme of fixed establishments, in the first quarter of the year we aim to visit all food businesses which are likely to be affected during the Tall Ships Event. We will provide tailored advice regarding planning for additional demands for service, changes to delivery times etc. In addition we aim to inspect all of the food vendors which will be operating as part of the Tall Ships Event (7-10<sup>th</sup> August) and the Headland Carnival. We anticipate that this will generate an additional 150 visits.

### Port Health

Hartlepool is a Port Health Authority however it is not a Border Inspection Post or Point of Entry, therefore no food enters the port.

### Fish Quay

There is a Fish Quay within the Authority's area which provides a market hall although it is not currently operational and there are associated fish processing units, one of which is an approved establishment.

### Registration and Approval of Premises

Food and feed business operators must register their establishments with the relevant local authority. This provision allows for the service to maintain an up-to-date premises database and facilitates the timely inspection of new premises and, when considered necessary, premises that have changed food/feed business operator or type of use.

The receipt of a food/feed premises registration form initiates an inspection of all new premises. In the case of existing premises, where a change of food/feed business operator is notified, other than at the time of a programmed inspection, an assessment is made of the need for inspection based on the date of the next programmed intervention, premises history, and whether any significant change in the type of business is being notified. It is anticipated that approximately 70 additional premises inspections will be generated for new food businesses during 2010/11.

A competent authority must with some exceptions, approve food business establishments that handle food of animal origin. If an establishment needs approval, it does not need to be registered as well.

Food premises which require approval include those that are producing any, or any combination of the following; minced meat, meat preparations, mechanically separated meat, meat products, live bivalve molluscs, fishery products, raw milk (other than raw cows' milk), dairy products, eggs (not primary production) and egg products, frogs legs and snails, rendered animal fats and greaves, treated stomachs, bladders and intestines, gelatine and collagen and certain cold stores and wholesale markets.

The approval regime necessitates full compliance with the relevant requirements of Regulation (EC) No 853/2004 and Regulation (EC) 853/2004.

There are 2 premises in the Borough which are subject to approval; a fishery products establishment and a manufacturer of food ingredients.

Microbiological and Chemical Analysis of Food/Feed

An annual food/feed sampling programme is undertaken with samples being procured for the purposes of microbiological or chemical analyses. This programme is undertaken in accordance with the service's Food/Feed Sampling Policy.

All officers taking formal samples must follow the guidance contained in and be qualified in accordance with relevant legislative requirements and centrally issued guidance, including that contained in the Food Law Code of Practice/Feed Law Enforcement Policy and associated Practice Guidance. Follow-up action is carried out in accordance with the service's sampling policy.

Microbiological analysis of food and water samples is undertaken by the Health Protection Agency's Laboratory based at Leeds. Chemical analysis of informal food/feed samples is undertaken by Tees Valley Measurement (a joint funded laboratory based at Canon Park, Middlesbrough) and formal samples are analysed by Durham Scientific Services, who the Authority has appointed as their Public/Agricultural Analyst.

From April 2005 sampling allocations from the Health Protection Agency, which is responsible for the appropriate laboratory facilities, has been based on a credits system dependant on the type of sample being submitted and examination required.

The allocation for Hartlepool is 8,300 credits for the year 2010/11.

Points are allocated as follows:

<b>Sample type</b>	<b>No of credits</b>
Food Basic	25
Food Complex	35
Water Basic	20
Water Complex	25
Dairy Products	10
Environmental Basic	25
Environmental Complex	35
Certification	15

A sampling programme is produced each year for the start of April. The sampling programme for 2010/11 includes national and regional surveys organised by LACORS and HPA/Local Authority Liaison Group.

Sampling programmes have been agreed with the Food Examiners and Tees Valley Measurement. These have regard to the nature of food/feed businesses in Hartlepool and will focus on locally manufactured/processed foods/feed and food/feed targeted as a result of previous sampling and complaints.

In 2007 the Food Standards Agency, the Local Authorities Coordinators of Regulatory Services (LACORS) and the Association of Port Health Authorities set a national target that imported food should make up 10% of the food samples taken by local and port health authorities. The service shall therefore aim to meet this target.

Microbiological Food Sampling Plan 2010 /11

<b>April</b> Butchers Survey (re-samples)  Rice from Chinese Takeaways (re-samples)	<b>May</b> Butchers Survey (re-samples)  Rice from Chinese Takeaways (re-samples)	<b>June</b> Mobile Survey  LACORS/HPA Pennington Study  Dishwasher Study
<b>July</b> Ice-cream vendors  LACORS/HPA Pennington Study  Dishwasher Study	<b>August</b> Ice-cream vendors  LACORS/HPA – Listeria in RTE Foods  Dishwasher Study	<b>September</b> Sandwich shops/Cafes Salmonella in Fresh Herbs LACORS/HPA – Listeria in RTE Foods Dishwasher Study
<b>October</b> Sandwich shops/Cafes  LACORS/HPA – Listeria in RTE Foods  Dishwasher Study	<b>November</b> Sandwich shops/Cafes  LACORS/HPA – Listeria in RTE Foods  Dishwasher Study	<b>December</b> Pubs/Restaurants  LACORS/HPA – Listeria in RTE Foods  Dishwasher Study
<b>January</b> Pubs/Restaurants  LACORS/HPA – Listeria in RTE Foods  Dishwasher Study	<b>February</b> Pubs/Restaurants  LACORS/HPA Pennington Study  Dishwasher Study	<b>March</b> LACORS/HPA – Cleaning Cloths  LACORS/HPA Pennington Study  Dishwasher Study

Composition and Labelling Sampling Plan 2010 /11

MONTH	TEST	SAMPLES
April	Added water - processed meats Labels of the above products	7 7
May	Fat, salt & sugars – canned meals Labels of the above products	6 6
	<u>FSA Imported Food Survey:</u>  The following foods will be sampled:  Honey – moisture, sugars, HMF, labelling Crab – cadmium Chicken – added water, salt	6 2 4
June	Reformed meats in locally produced sandwiches	19
July	Saturated fat – fish & meat ready meals Labels of the above products	12 12
Aug	Meat content of locally produced sausage	3
Sept	Meat content of locally produced sausage	3
Oct	Gluten free – pre-packed goods Labels of the above products	12 12
Nov	Sodium – breakfast cereals/bars Labels of the above products	12 12
Dec	ABV – alcohol in restaurants Spirit testing	15
Jan	Added sugars – soft drinks Labels of the above products	8 8
Feb	Vegetarian foods, peanuts	12
Mar	Imported canned vegetables – heavy metals Labels of the above products	4 4

Total samples = 186

Feeding Stuffs

It is planned that six informal animal feeding stuffs samples will be taken this year.

At present feeding stuffs sampling is being given a low priority due to the lack of local manufacturers and packers. An annual feeding stuffs sampling plan however has been drawn up to carry out informal sampling at the most appropriate time of the year in respect of farms, pet shops and other retail establishments.

Feeding stuffs Sampling Plan 2010/11

April - June	0
July - September	2 feed samples (statutory statements)
October - December	2 samples from grain stores for mycotoxins
January - March	2 supplements

Private Water Supplies

A local brewery uses a private water supply in its food production. Regular sampling is carried out of this supply in accordance with relevant legislative regulations.

Food inspection

The purpose of food inspection is to check that food complies with food safety requirements and is fit for human consumption, and is properly described and labelled. As such, the activity of inspecting food commodities, including imported food where relevant, forms an integral part of the food premises inspection programme. Food inspection activities are undertaken in accordance with national guidelines.

Provision of advice, educational materials and courses to food/feed businesses

Following changes in relation to certified courses we are reviewing the training courses offered by the section. Where we are unable to deliver courses we will advise businesses of alternative local providers.

It is recognised that for most local food businesses contact with an officer of the service provides the best opportunity to obtain information and advice on legislative requirements and good practice. Officers are mindful of this and aim to ensure that when undertaking premises inspections sufficient opportunity exists for business operators to seek advice. Leading up to the Tall Ships Event officers will be providing tailored advice to businesses.

In addition, advisory leaflets including those produced by the Food Standards Agency are made available.

In February 2006 the Food Standards Agency introduced Safer Food Better Business (SFBB) aimed at assisting smaller catering businesses to introduce a documented food safety management system. Since this time significant resources have been directed towards assisting businesses to fully implement a documented food safety management system.

Guidance is also prepared and distributed to food businesses relating to changes in legislative requirements. The service also encourages new food/feed business operators and existing businesses to seek guidance and advice on their business. It is estimated that 35 such advisory visits will be carried out during the year.

On 1<sup>st</sup> April 2007 the Council launched the Tees Valley Food Hygiene Award Scheme. At this time each business was awarded a provisional star rating which reflected the risk rating given at the time of the last primary inspection. The star rating was made available to the public via the Council's website and the business was provided with a certificate to display on their premises. The service has made a commitment to work with businesses to improve their rating.

Feeding stuffs advice is available via the Council's web site.

A limited level of promotional work is also undertaken by the service on food safety, with minimal impact on programmed enforcement work.

#### Investigation of Food / Feed and Food / Feed-Related Complaints

The service receives approximately 21 complaints, each year concerning food/feed, all of which are subject to investigation. An initial response is made to these complaints within two working days. Whilst many complaints are investigated with minimal resource requirements, some more complex cases may be resource-intensive and potentially affect programmed inspection workloads.

All investigations are conducted having regard to the guidance on the 'Home Authority Principle'.

The procedures for receipt and investigation of food/feed complaints are set out in detailed guidance and internal policy documents.

#### Investigation of cases of Food Poisoning and Outbreak Control

Incidents of food related infectious disease are investigated in liaison with the North East Health Protection Unit and in the case of outbreaks in accordance with the Health Protection Unit's Outbreak Control Policy.

Where it appears that an outbreak exists the Principal EHO (Commercial Services) or an EHO, will liaise with the local Consultant in Communicable Disease Control and, where necessary, the North East Health Protection Unit, to determine the need to convene an Outbreak Control Team. Further liaison may be necessary with agencies such as the Food Standards Agency, the Health Protection Agency, Hartlepool Water and Northumbrian Water.

Statistical returns are made weekly by the service to the Communicable Disease Surveillance Centre. It is estimated that between 90-100 food poisoning notifications are received each year, a large proportion of which are confirmed cases of Campylobacter. Historically we have investigated all reports either by interviewing cases or sending out questionnaires and advice leaflets.

It was identified that there was variation in the practice of Environmental Health departments both regionally and nationally in relation to the investigation of sporadic cases of Campylobacter therefore the Health Protection Agency (HPA) proposed that a common approach be agreed by North East Environmental Health Departments. As relatively little benefit has been demonstrated from the investigation of individual sporadic cases of Campylobacter only those who are food handlers or live/work in a residential setting will now be routinely investigated.

Any cluster or outbreak identified by the HPA or Environmental Health will be investigated following the agreed outbreak investigation arrangements. In the event of any major food poisoning outbreak a significant burden is likely to be placed on the service and this would inevitably impact on the performance of the inspection programme.

#### Dealing with Food / Feed Safety Incidents

A national alert system exists for the rapid dissemination of information about food and feed hazards and product recalls, this is known as the food/feed alert warning system.

All food and feed alerts received by the service are dealt with in accordance with national guidance and internal quality procedures.

Food and feed alert warnings are received by the service from The Food Standards Agency via the electronic mail system, and EHCNet during working hours. Several officers have also subscribed to receive alerts via their personal mobile phones.

The Principal EHO (Commercial Services) or, if absent, the Public Protection Manager ensures that a timely and appropriate response is made to each alert.

Out of hours contact is arranged through Hartlepool Housing's Greenbank Offices, telephone number 01429 869424.



In the event of a serious local incident, or a wider food safety problem emanating from production in Hartlepool, the Food Standards Agency will be alerted in accordance with guidance.

Whilst it is difficult to predict with any certainty the number of food safety incidents that will arise, it is estimated that the service is likely to be notified of 50 food alerts during 2010/11, a small proportion of which will require action to be taken by the Authority. This level of work can ordinarily be accommodated within the day-to-day workload of the service, but more serious incidents may require additional resources which may have an effect on the programmed inspection workload and other service demands.

In addition a significant number of Allergy Alerts are being sent to local authorities. A total of 34 were received during 2009/10 many relating to labelling irregularities by UK manufacturers who have for example omitted to declare the presence of an allergen in the food.

#### Investigation of Complaints relating to Food/Feed Safety and Food Standards in Premises

The service investigates all complaints that it receives about food/feed safety and food standards conditions and practices in food/feed businesses. An initial response to any complaint is made within two working days. In such cases the confidentiality of the complainant is paramount. All anonymous complaints are also currently investigated.

The purpose of investigation is to determine the validity of the complaint and, where appropriate, to seek to ensure that any deficiency is properly addressed. The general approach is to assist the food/feed business operator in ensuring good standards of compliance, although enforcement action may be necessary where there is failure in the management of food/feed safety, or regulatory non-compliance.

Based on the number of complaints in 2009/10 it is estimated that approximately 21 such complaints will be received in 2010/11.

#### Feed Law Enforcement

From 1 January 2006 feed businesses must be approved or registered with their local authority under the terms of the EC Feed Hygiene Regulation (1831/2003).

This legislation relates to nearly all feed businesses. This means, for example, that importers and sellers of feed, hauliers and storage businesses now require approval or registration. Livestock and arable farms growing and selling crops for feed are also within the scope of the provisions of the regulation.

### Liaison arrangements

The service actively participates in local and regional activities and is represented on the following:

- North East Regional Heads of Regulatory Services Group
- Tees Valley Heads of Public Protection Group
- Tees Valley Food Liaison Group
- The Local HPA/Local Authority Sampling Group
- Tees Valley Public Health Group
- North East Trading Standards Liaison Group
- North East Trading Standards Animal Feed Group

There is also liaison with other organisations including the Chartered Institute of Environmental Health, the Trading Standards Institute, LACORS, the Health Protection Agency, Defra, OFSTED and the Care Quality Commission.

Officers also work in liaison with the Council's Planning, Building Control and Licensing Sections.

### Home Authority Principle / Primary Authority Scheme

The introduction of the Primary Authority Scheme in April 2009 under the provisions of the Regulatory Enforcement and Sanctions Act 2008 placed a statutory obligation on the Council to provide a significantly expanded range of Home Authority services to local businesses when requested by that business. There are opportunities for local authorities to recover costs from businesses to provide this premium service.

The Authority is committed to the LACORS Home Authority Principle, although at present there are no formal arrangements with food/feed businesses to act as a Primary Authority. The Authority does however act as Originating Authority for a brewery and a food manufacturer. Regular visits are made to these premises to maintain dialogue with management and an up to date knowledge of operations.

### General

The delivery point for the food/feed law enforcement service is at:

Bryan Hanson House  
Hanson Square  
Hartlepool  
TS24 7BT

Members of the public and businesses may access the service at this point from 08.30 - 17.00 Monday to Thursday and 08.30 - 16.30 on Friday.

A 24-hour emergency call-out also operates to deal with Environmental Health emergencies, which occur out of hours.

**6. Resources****Staffing Allocation**

The Director of Regeneration & Neighbourhoods has overall responsibility for the delivery of the food/feed law service. The Assistant Director Community Safety & Protection has responsibility for ensuring the delivery of the Council's Environmental Health service, including delivery of the food/feed law service, in accordance with the service plan.

The Public Protection Manager, with the requisite qualifications and experience, is designated as lead officer in relation to food safety and food standards functions and has responsibility for the management of the service.

The resources determined necessary to deliver the service in 2010/11 are as follows:

1 x 0.10 FTE Public Protection Manager (with responsibility also for Health & Safety, Licensing, Trading Standards, Private Sector Housing & Environmental Protection)

1 x 0.35 FTE Principal EHO (Commercial Services) (with responsibility also for Health & Safety and Animal Health)

3 x FTE EHO (with requisite qualifications and experience and with responsibility also for Health & Safety)

1 x 0.56 FTE Part-time EHO (with requisite qualifications and experience and with responsibility also for Health & Safety)

1 x FTE Technical Officer Food (with requisite qualifications and experience)

The Public Protection Manager has responsibility for planning service delivery and management of the Food Law service, Health & Safety at Work, Licensing, Public Health, Water Quality, Trading Standards, Animal Health & Welfare, Private Sector Housing, Environmental Protection and I.T. as well as general management responsibilities as a member of the Community Safety & Protection Management Team.

The Principal EHO (Commercial Services) has responsibility for the day to day supervision of the Food/Feed Law Service, Health & Safety at Work, Public Health, Water Quality and Animal Health & Welfare. The Principal EHO (Commercial Services) is designated as lead officer in relation to animal feed and imported food control.

The EHO's have responsibility for the performance of the food premises inspection programme as well as the delivery of all other aspects of the food law service, particularly more complex investigations. In addition these officers undertake Health & Safety at Work enforcement.

The Technical Officer (Food) is also responsible for inspections, as well as revisits, investigation of less complex complaints and investigation of incidents of food-borne disease.

Authorised Trading Standards Officers have responsibility for the performance of the feed premises inspection programme as well as the delivery of all other aspects of the feed law service.

Administrative support is provided by Support Services based within the Regeneration & Neighbourhoods department.

All staff engaged in food/feed safety law enforcement activity will be suitably trained and qualified and appropriately authorised in accordance with guidance and internal policy.

Staff undertaking educational and other support duties will be suitably qualified and experienced to carry out this work.

### Financial Resources

The annual budget for the Consumer Services section in the year 2010/11 is:

	£ 000.0
Employees	457.9
Other Expenditure	182.5
Income	(4.3)
Net Budget	807.6

This budget is for all services provided by this section including Health & Safety, Animal Health, Trading Standards and resources are allocated in accordance with service demands. The figures do not include the budget for administrative / support services which are now incorporated into the overall budget.

### Equipment and Facilities

A range of equipment and facilities are required for the effective operation of the food/feed law service. The service has a documented standard operating procedure that ensures the proper maintenance and calibration of equipment and its removal from use if found to be defective.

The service has a computerised performance management system, the Authority Public Protection computer system (APP). This is capable of maintaining up to date accurate data relating to the activities of the food/feed law service. A documented database management standard operating procedure has been produced to ensure that the system is properly maintained, up to date and secure. The system is used for the generation of the inspection programmes, the recording and tracking of all food/feed interventions, the production of statutory returns and the effective management of performance.

### Training Plans

The qualifications and training of staff engaged in food/feed law enforcement are prescribed and this will be reflected in the Council's policy in respect of appointment and authorisation of officers.

It is a mandatory requirement for officers of the food/feed law service to maintain their professional competency by undertaking a minimum of 10 hours core training each year through attendance at accredited short courses, seminars or conferences. This is also consistent with the requirements of the relevant professional bodies.

The Council is committed to the personal development of staff and has in place Personal Development Plans for all members of staff.

The staff Personal Development Plan scheme allows for the formal identification of the training needs of staff members in terms of personal development linked with the development needs of the service on an annual basis. The outcome of the process is the formulation of a Personal Development Plan that clearly prioritises training requirements of individual staff members. The Personal Development Plans are reviewed six monthly.

The details of individual Personal Development plans are not included in this document but in general terms the priorities for the service are concerned with ensuring up to date knowledge and awareness of legislation, building capacity within the team with particular regard to approved establishments, the provision of food hygiene training courses, developing the role of the Food Safety Officer, and training and development of new staff joining the team.

Detailed records are maintained by the service relating to all training received by officers.

## **7. Service Review and Quality Assessment**

### Quality Assessment

The Council is committed to quality service provision. To support this commitment the food law service seeks to ensure consistent, effective, efficient and ethical service delivery that constitutes value for money.

A range of performance monitoring information will be used to assess the extent to which the food service achieves this objective and will include on-going monitoring against pre-set targets, both internal and external audits and stakeholder feedback.

Specifically the Principal EHO (Commercial Services) will carry out accompanied visits with officers undertaking inspections, investigations and other duties for the purpose of monitoring consistency and quality of the inspection and other visits carried out as well as maintaining and giving feedback with regard to associated documentation and reports.

It is possible that the Food Standards Agency may at any time notify the Council of their intention to carry out an audit of the service.

### Review

It is recognised that a key element of the service planning process is the rational review of past performance. In the formulation of this service plan a review has been conducted of performance against those targets established for the year 2009/10.

This service plan will be reviewed at the conclusion of the year 2010/11 and at any point during the year where significant legislative changes or other relevant factors occur during the year. It is the responsibility of the Public Protection Manager to carry out that review with the Assistant Director Community Safety & Protection.

The service plan review will identify any shortfalls in service delivery and will inform decisions about future staffing and resource allocation, service standards, targets and priorities.

Following any review leading to proposed revision of the service plan Council approval will be sought.

### Performance Review 2009/10

This section describes performance of the service in key areas during 2009/10.

### Inspection Programme

Our target is to complete 100% of the inspection programme for food hygiene, food standards and feeding stuffs. These are extremely challenging targets particularly since the section lost three posts due to budget pressures during 2008/09. Although none of these posts directly enforced food legislation their workload had to be distributed to the remaining workforce.

During the year we successfully completed all planned food hygiene inspections, however as a result of prioritising resources in this area we were unable to achieve our targets in respect of food standards and feeding stuffs inspections; 86% of food standards inspections were achieved and 63.4% of feeding stuffs. The outstanding inspections will be added to the programme for 2010/11.

We met our 2 working day response time, for all complaints with one exception, which related to a food labelling issue.

### Registration and Approval of premises

Premises subject to approval were inspected and given relevant guidance.

### Food Sampling Programme

The food sampling programme for 2009/10 has been completed. The microbiological results are as follows:

### Microbiological Sampling (1/4/09 - 31/3/10)

<b><u>Bacteriological Surveys</u></b>	<b>Total no. of samples</b>	<b>Number of Samples</b>	
		<b>Satisfactory</b>	<b>Unsatisfactory</b>
Local Shopping Basket Survey (foods sampled included: pasta salad, trifle, quiche, smoked/cured meats)	14	13	1*
LACORS/HPA Butchers Survey	77		
Meat	33	21	12*
Sw abs	33	8	25*
Cloths	11	6	5
Imported Food Survey - Herbs	10	10	
LACORS/HPA Butchers Survey (Re-samples)	50		
Meat	23	20	3
Sw abs	22	18	4
Cloths	5	1	4
LACORS / HPA Pre-Packed Sandwich Survey	16	14	2
Raw Shell Eggs from Residential Care Homes	5	5	
Take Away Premises Survey	46		
Rice	23	17	6*
Salad	9	8	1
Cloths	14	4	10
<b>Total:</b>	<b>218</b>	<b>145</b>	<b>73</b>

\* Resampled and found to be satisfactory

The results from this years sampling programme were disappointing. A high proportion of the samples obtained from butchers' shops failed to comply with the Guidelines for Assessing the Microbiological Safety of Ready-to-Eat Foods. Advice was given and the results upon resampling showed a marked improvement.

A significant number of wiping cloths taken from butchers shops and takeaway premises were also found to be unsatisfactory. (63%). This trend has been mirrored across the region. Advice has been given and a guidance note is currently being prepared in conjunction with the Health Protection Agency and other Local Authorities who participated in the survey. A follow up survey is planned.

Whilst six rice samples were reported as unsatisfactory, all of these samples were taken after the initial cooking stage. All samples taken after the secondary cook were found to be satisfactory.

The composition and labelling results are shown below:

**Food Standards Sampling (01.04.09 – 31.03.10):**

Nature of Sample	Reason for Sampling	Satisfactory	Unsatisfactory
Soft Drinks	Sugar Free Declaration	16	
Honey	Floral Origin	12	
	Labelling	12	
Canned Vegetables	Sodium Content	3	1
	Labelling	4	
Ready Meals	Fat, Sodium & Total Sugars	5	1
	Labelling	6	
Basmati Rice*	Authenticity	10	
	Aflatoxins	10	1**
Ready Meals	Fish Content	5	
	Labelling	4	1
Fish*	Mercury, Lead, Cadmium	10	1**
	Labelling	5	5
Pre-Packed Food	Calcium Claims	12	
	Labelling	12	
Margarine	Saturated Fat Levels	15	1**
	Labelling	15	
Sandwiches	Distinguishing between Mayonnaise & Salad Cream	24	
Ground Nuts	Species	6	
	Labelling	6	
Fish	Species	15	
Cooked Meat	Species	12	
Canned Fruit or Veg	Arsenic	8	
	Labelling	8	
Totals:	246	235	11

\* The Authority received funding from the FSA in conjunction with Stockton Borough Council to sample food originating from outside the EU (Basmati Rice & Fish were sampled).

\*\* Resampled and found to be satisfactory



Overall there were relatively few food standards samples which failed to meet statutory requirements. All five of the imported fish samples did however fail to comply with the Food Labelling Regulations 1996 (e.g. some of the products did not include a 'Best Before' date on their labels.) Advice was provided to the businesses concerned.

Routine sampling of animal feeding stuffs has been given a low priority due to the lack of local manufacturers and packers. We were unable to complete the feeding stuffs sampling programme due to staffing resources however four samples of a molassed feeding stuff were taken in response to a complaint, one of which was submitted as a formal sample.

The composition of the samples was found to significantly differ from the information on the statutory statement which accompanied the product. The Home Authority for the manufacturer of the feeding stuff was contacted and an investigation was undertaken, the Food Standards Agency was also notified of the incident.

#### Food Inspection

The service undertook no formal seizure of unfit food in the year.

#### Promotional Work

Food safety promotion whether by advice, education, training or other means is a key part of the food team's strategy in changing behaviour and increasing compliance in businesses.

In February 2006 the Food Standards Agency (FSA) introduced Safer Food Better Business (SFBB) aimed at assisting smaller catering businesses to introduce a documented food safety management system. Since this time our resources have been directed towards continuing to assist businesses to fully implement a documented food safety management system.

The service was unable to provide food hygiene training during the year due to insufficient resources. The team has however continued to offer advice and information on request with 35 advisory visits to businesses being carried out during the year.

A variety of information leaflets, some in foreign languages, are available. Circular letters are issued as required to inform food business operators of food safety matters relevant to their operations e.g. changes in legislation, food alerts.

#### Food Hygiene Award Scheme

On 1 April 2007 the Authority in conjunction with the other Tees Valley authorities launched the Tees Valley Food Hygiene Award scheme. The scheme was based around a national pilot being undertaken by the Food Standards Agency.

In accordance with the 'Food Law Code of Practice', following every 'primary' inspection a risk rating is undertaken which is used to determine the frequency of inspection for the business. Of the seven main categories used to determine the overall rating score the following three factors are used to create a star rating:

1. Food Hygiene and Safety
2. Structure and Cleaning
3. Management and Control

These ratings are the only ones that are directly controllable by the business and are the reason they have been used to obtain the food businesses star rating.

The total score from the 3 categories is then used to derive the star rating ranging from 0 (major improvements needed) through to 5 stars (excellent).

The table below shows the results of the star ratings awarded to businesses at the start of the scheme on 1 April 2007, as compared with after 12 and 24 months of operation:

Number of Stars	Number of Premises (1/4/07)	%	Number of Premises (1/4/08)	%	Number of Premises (1/4/09)	%	Number of Premises (1/4/10)	%
5 Stars	24/759	<b>3%</b>	85/762	<b>11.1%</b>	163/721	<b>22.6%</b>	237/709	<b>33.4%</b>
4 Stars	155/759	<b>20%</b>	217/762	<b>28.5%</b>	233/721	<b>32.3%</b>	205/709	<b>28.9%</b>
3 Stars	226/759	<b>30%</b>	294/762	<b>38.6%</b>	237/721	<b>32.9%</b>	195/709	<b>27.5%</b>
2 Stars	262/759	<b>35%</b>	137/762	<b>18.0%</b>	65/721	<b>9%</b>	60/709	<b>8.5%</b>
1 Star	60/759	<b>8%</b>	26/762	<b>3.4%</b>	17/721	<b>2.4%</b>	12/709	<b>1.7%</b>
0 Stars	32/759	<b>4%</b>	3/762	<b>0.4%</b>	6/721	<b>0.8%</b>	0/709	<b>0%</b>

Whilst the number of businesses trading fluctuates throughout the year the above figures show a decline in the number of food businesses operating in the borough. This information is consistent with national returns made for 2008/09 which indicate that there has been a slight decrease in the numbers of food businesses, but that there was a notable increase in business turnover and new business registrations, especially in relation to home catering and change in ownership.

It can be seen that the number of premises awarded 3 stars and above has risen significantly from 53% to 89.8%, with a more than tenfold increase in the number of premises awarded 5 stars.

The service is committed to focussing its resources on carrying out interventions at those businesses which are deemed not to be 'broadly compliant' and has written to businesses that have been awarded 2 stars or less offering advice and support. Where necessary enforcement action will be taken to secure compliance.

In December 2008 the Food Standards Agency confirmed its intention to introduce a National 'scores on the doors' scheme for England, Wales and Northern Ireland. A UK steering group has been established to ensure that the new scheme will be clear, robust and easy to use for both businesses and consumers. The scheme will have six tiers, which is consistent with the existing Tees Valley Scheme, although the band widths may differ.

#### Complaints

During the year the service dealt with 8 complaints relating to the condition of food premises and/or food handling practice. In addition, 13 complaints were received regarding unfit or out of condition food or extraneous matter and 10 complaints concerning the composition or labelling of food items. One complaint was received regarding animal feeding stuffs.

With one exception, investigations into the above were undertaken within our target of 2 working days.

#### Food Poisoning

The service received 100 notifications of food borne illness during the year, this figure was significantly higher than the previous year (61 notifications were received during 2009-10). No outbreak investigations were conducted.

#### Food Safety Incidents

The Service received 37 food alerts and 34 allergy alerts from the Food Standards Agency during the year. All requiring action were dealt with expeditiously. No food incidents were identified by the Authority that required notification to the Food Standards Agency, however the feed complaint referred to above was referred as a localised incident. No further action was required.

#### Enforcement

During 2009/10, no emergency prohibition notices were served on businesses. A Hygiene Improvement Notice was served on a business to ensure compliance with food safety legislation. No prosecutions or formal cautions were undertaken.

#### Improvement Proposals/Challenges 2009/10

The following areas for improvement/challenges were identified in the 2009/10 Food Service Plan.

1. Resources challenging. The section has lost 3 posts due to budget pressures during 2008/09. Although none of these posts directly enforced food legislation their workload has to be distributed to the remaining workforce this will result in extremely challenging targets in 2009/10.

Whilst officers attained the 100% target to complete all food hygiene inspections it was not possible to complete all planned food standards and feeding stuffs inspections. The outstanding inspections will be added to the inspection programme for 2010/11.

2. We will continue to review and update our standard operating procedures to reflect the requirements of the revised Code of Practice and in response to the recommendations made in the Public Inquiry Report into the 2005 *E.coli* O157 outbreak in South Wales, which was published in March 2009.

We have reviewed our procedures in light of the recommendations made in the Public Inquiry Report into the 2005 *E.coli* O157 outbreak in South Wales, which was published in March 2009. Officers have also received further update training in respect of hazard analysis.

3. Produce a summary of the Food Enforcement Policy.

Due to other priorities and resource constraints this was not completed.

## **8. Key Areas for Improvement & Challenges 2010/11**

In addition to committing the service to specific operational activities such as performance of the inspection programme, the service planning process assists in highlighting areas where improvement is desirable. Detailed below are specifically identified key areas for improvement that are to be progressed during 2010/11.

1. We aim to visit all established food businesses which may be affected by the Tall Ships event beforehand to offer advice. We also aim to inspect all food vendors trading as part of the Tall Ships Event and Headland Carnival.
2. Resources challenging. The section lost 3 posts due to budget pressures during 2008/09. Although none of these posts directly enforced food legislation their workload has had to be distributed to the remaining workforce. Allocating targets for 2010/11 with existing resources will be extremely challenging with the additional workload associated with the Tall Ships Event.
3. Review the Food Enforcement Policy and produce a summary.

# **CABINET REPORT**

**10 October, 2010**



**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY  
(MTFS) 2011/2012 TO 2014/2015 – INITIAL  
CONSULTATION PROPOSALS

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## **SUMMARY**

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

- 1.1 To outline the key issues affecting the Council's financial position over the period 2011/2012 to 2014/2015 and the implications this has for setting the 2011/2012 budget.

### **2. SUMMARY OF CONTENTS**

- 2.1 The report provides a detailed overview of the financial issues affecting the Council in relation to:
- The national financial position and the Spending Review;
  - The 2010/2011 financial position;
  - Capital Programme 2011/2011 to 2014/2015;
  - General Fund and Council Tax 2011/2012 to 2014/2015;
  - Redundancy issues and funding;
  - Budget Risks;
  - Timetable;
  - Specific Grants;
  - Consultation.
- 2.2 The report advises Members that the public sector is facing a prolonged period of austerity as the Government is committed to reducing the public sector deficit. Details of the impact on individual Government departments will be announced on the 20<sup>th</sup> October 2010.
- 2.3 The Government have already indicated that unprotected areas face cuts of 25% over a 4 year period. The report therefore outlines two planning scenarios to address the scale of anticipated grant reductions and uncertainty over the phasing of grants cuts. For the Council's main Formula Grant these forecasts are based on reductions of 25% and 30% over the next four years, with the cuts being front loaded in 2011/12. On this basis the Council faces a

gross deficit on the General Fund budget of between £20.8m and £23.1m over the next four years.

- 2.4 The forecast General Fund deficit for 2011/12 is between £8.1m and £10.7m. The report outlines a number of measures to reduce the 2011/12 forecast gap to between £4.1m and £6.7m. The forecast are after planned Business Transformation efficiencies. Detailed proposals for bridging this gap will need to be developed and will require some very difficult decisions.
- 2.5 In relation to specific grants, which include the Area Based Grant, the Council will also face cuts in funding. This is an extremely difficult area to predict as the Government have not yet determined which local authority grants they will prioritise. At a local level this is a particularly difficult area as the Council receives significant specific grants. Owing to the significant expected cut in the main Formula Grant the Council will not be able to manage this position by mainstreaming Specific Grants which are cut. Therefore, cuts in Specific Grants will result in existing services being scaled back to the level of available grant funding, or ceased completely if the grant is withdrawn entirely.
- 2.6 The development of detailed budget proposals for next year is critically dependant upon Government funding announcements. Some details will be provided in the Spending Review in October. The detailed allocations for individual councils are not expected until late December or early January 2011. This will mean that budget decisions will need to be made over a shorter time period and it will not be possible to follow the normal budget timetable. Therefore, the report includes a proposed timetable to address these issues, which will enable the Council to set a budget in February 2011.

### **3. RELEVANCE TO CABINET**

- 3.1 The report enables Cabinet to consider the financial challenges facing the Council and to agree a timetable for preparing next year's budget.

### **4. TYPE OF DECISION**

- 4.1 Budget and Policy Framework.

### **5. DECISION MAKING ROUTE**

- 5.1 Cabinet, Scrutiny Co-ordinating Committee, Scrutiny Forums and Council.

### **6. DECISION(S) REQUIRED**

- 6.1 Cabinet is required to determine its proposals.

**Report of:** CORPORATE MANAGEMENT TEAM

**Subject:** MEDIUM TERM FINANCIAL STRATEGY  
(MTFS) 2011/2012 TO 2014/2015

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**1. PURPOSE OF REPORT**

- 1.1 To outline the key issues affecting the Council's financial position over the period 2011/2012 to 2014/2015 and the implications this has for setting the 2011/2012 budget.

**2. BACKGROUND**

- 2.1 In 2008 the Council began planning for a tougher financial position. The key element of this strategy was the development of the Business Transformation Programme (BTP) which aims to achieve savings of £8 million by 2012/2013.
- 2.2 The previous MTFS anticipated the BTP delivering savings of £6 million by 2012/2013. The lower target included in the MTFS recognised the complexity and challenges of delivering such a major programme of efficiency savings. As detailed later in the report there is now greater confidence that the BTP savings will be nearer the £8 million target. This will enable a higher saving to be achieved in 2011/2012 than previously anticipated in the existing MTFS.
- 2.3 The first phase of the BTP achieved a saving of £2.5 million from implementing revised management structures. The achievement of these savings avoided elected members having to make decisions about direct cuts to front line services in 2010/2011.
- 2.4 The MTFS was updated during 2009 in response to the banking crisis and the recession. At that time it was becoming clearer that there had been a fundamental deterioration in public finances which would impact on future levels of public spending for many years. This position reflected three key factors:
- a reduction in tax revenues, particularly in relation to the banking and financial sectors;
  - increased expenditure on unemployment and related benefits;
  - an anticipation that Government borrowing would continue to increase and by 2013/2014 there would be a cumulative shortfall of £700 billion, which would mean Public Sector Debt doubling by 2013/2014.

- 2.5 Against this background the MTFs was revised and grant reductions of 5% anticipated for three years from 2011/2012. On this basis it was anticipated that Council faced annual deficits of £4 million per year, after the delivery of planned BTP savings.
- 2.6 Following the Council's decision to review the MTFs detailed reports were issued by various organisations, including CIPFA and the Audit Commission, which supported our view that grants would be reduced from 2011/2012.

### 3. NATIONAL FINANCIAL POSITION

- 3.1 Following the General Election the new Chancellor presented what he called the Government's 'Emergency Budget' which defined the direction of future public spending levels. The key issues for local authorities within the 'Emergency Budget' are as follows:

- 80:20 ratio of spending cuts versus tax increases

This statement clearly outlined the Coalition Government's decision to reduce the majority of the Public Sector deficit by reducing expenditure rather than by tax increases. An analysis of the detailed figures within the Chancellor's budget report indicates that the majority of the tax increases were already in the system and reflected decisions by the previous Government. The only significant tax increase announced by the current Chancellor was the rise in VAT from 17.5% to 20%, which is effective from 4<sup>th</sup> January, 2011.

- Indication that the average reduction in funding for unprotected areas over the four years commencing 2011/2012 will be 25%

As this is an average decrease some areas will be subject to lower decreases and some to higher decreases. It is unlikely that the Government will see local authorities as a high priority area, therefore cuts in grants of more than 25% are likely. The actions taken by the Government to implement in-year cuts, including cuts to the Working Neighbourhood Fund grant which is only given to the sixty four more deprived councils in the country, illustrates the risk to local authority funding in 2011/2012 and beyond.

- Announcement of a Spending Review Framework

Further details are provided in Section 4.

- Public Sector pay freeze for two years

The Chancellor indicated that there will be a two year pay freeze for public sector workers. Employees earning below £21,000 will receive a flat rate pay increase in these years of £250.



At this stage it is not clear how this position will affect Council employees as their pay levels are determined by national pay bargaining. The Employers Organisation have so far said there will be no pay award for 2010/2011 and have refused the unions request to refer this issue to ACAS for independent arbitration.

- Council Tax Freeze 2011/2012 and 2012/13

The Government have not provided details of how this proposal will be implemented and whether it will be funded by the Government (as had been the case in Scotland where the devolved Government have funded a Council Tax freeze for three years, but are reviewing position for 2011/2012).

- Council Tax Capping

Following the 'Emergency Budget' the Local Government Secretary issued a Consultation Paper setting out proposals to change the existing capping regime. These proposals suggest abolishing the Secretary of State's power to cap "excessive" Council Tax increases and to introduce local referendums on Council Tax increases.

The Secretary of State believes these proposals are a technical issue and therefore reduced the consultation period from the normal twelve weeks to six weeks.

A detailed response to the consultation proposals was sent by the Finance Portfolio Holder, outlining concerns that the proposals undermine the democratic and financial independence of local authorities. The response suggests that if the Government believes referendum on tax increases are a good idea they should have applied this criteria to the VAT increase to 20%. A copy of this letter is attached at Appendix 1 (the detailed Appendices to this letter have been excluded as they covered the technical aspects of the Governments proposals).

#### **4. SPENDING REVIEW**

4.1 The Chancellor announced details of a Spending Review Framework to enable the Government to determine funding allocations and cuts for 2011/2012 and future years. Details of the Spending Review will be published on 20<sup>th</sup> October, 2010. The Spending Review Framework document included Government commitments that it will:

- carry out Britain's unavoidable deficit reduction plan in a way that strengthens and unites the country. 'The Spending Review will be guided by the principles of freedom, fairness and responsibility, in order to demonstrate that we are all in this together;

- limit as far as possible the impact of reductions in spending on the most vulnerable in society and on those regions heavily dependent on the public sector’.

4.2 Owing to the pace at which the in-year grant cuts were made these principles were not followed for the 2010/2011 cuts as a simple percentage approach to grant reductions was adopted. This included cuts in funding streams, most notably the Working Neighbourhood Fund grant, which resulted in a greater grant cut per person for Hartlepool and the other North East councils compared to the national average.

4.3 If this issued is not addressed when the Government reduce formula grant there will be a greater adverse impact on the North East and Hartlepool. This is owing to the higher levels of formula grant allocated to these authorities to address deprivation and their lower Council Tax bases. The following table highlights the current levels of formula grant allocated to individual councils.

Table 1 – Comparison of 2010/2011 formula grant per head of population

	£
Newcastle upon Tyne	633
Middlesbrough	625
South Tyneside	609
Sunderland	570
Gateshead	562
<b>Hartlepool</b>	<b>554</b>
Redcar and Cleveland	492
Durham	465
North Tyneside	444
Northumberland	416
Stockton-on-Tees	404
Darlington	388
Average North East Councils	507
National Average	488

4.4 In recognition of the above position the Chief Finance Officers of the twelve North East Unitary Councils have responded to the Spending Review suggesting how the Government can ensure areas with higher levels of deprivation and dependency on the public sector can be partly protected from spending cuts, as follows:

- The Spending Review report should include a section which sets out explicitly the approach that the Government will adopt to deliver its commitments that ‘the Spending Review will be

guided by the principles of freedom, fairness and responsibility, in order to demonstrate that we are all in this together' and limit as far as possible the impact on reductions in spending on the most vulnerable in society and on those regions heavily dependent on the public sector;

- ii) Departments should be required to present to ministers an impact assessment which includes the cash reduction per head of population and a regional analysis to ensure there is transparency about the impact for each local authority in each region;
- iii) Specific grants aimed to help vulnerable people and focusing on the most deprived areas in the country (e.g. Supporting People grant and Working Neighbourhood Fund grant) should be given greater protection and specific attention in the decision making process, taking into account reductions already made in 2010/2011;
- iv) Where specific grant reductions are made it should ideally be based on a grant per head of population (as adjusted by the Area Cost Adjustment where this is relevant), as apposed to a simple percentage reduction; and
- v) Where reductions are made to the Formula Revenue Grant, the reductions are delivered using a general per head of population reduction in the central allocation element of the four block model protecting allocations for resource equalisation and higher needs assessment.

4.5 The results of the Spending Review will be published on 20<sup>th</sup> October, 2010. It is expected that this document will provide details of high level Government spending plans for up to four years from 2011/2012.

4.6 Details of the impact on individual councils will not be known until the Local Government finance settlement is issued. This document is normally published late November/early December. There have been reports this announcement may be delayed until early January, 2011. It is also unclear what period the detailed settlement for local authorities will cover. This uncertainty makes financial planning more difficult and further reports will be submitted to Cabinet as soon as more information becomes available.

4.7 There is also uncertainty about how the detailed cuts in local authority funding will be implemented. This position reflects the legal position in relation to Business Rates which at a national level are ring fenced for redistribution to local authorities and cannot currently be cut by the Government. In practise this is a technical issue which the Government will address by either changing existing legislation

(unlikely given existing time constraints), or by making correspondingly higher cuts to other grant regimes (the likely solution).

- 4.8 At a national level this will not affect the total funding cuts to local authorities. However, at a local level this position will significantly complicate local decision making. This issue may need to be examined closely once details of funding allocations are announced.

## **5. REVIEW OF LOCAL GOVERNMENT FINANCE**

- 5.1 On 13<sup>th</sup> September, 2010, the Local Government Secretary, Eric Pickles, provided further details on the coalition's planned review of local government finance. The Local Government Secretary indicated this review will begin in a year's time, after the Localism Bill has gone through Parliament and the total funding for Local Government has been determined in the Spending Review.
- 5.2 The Government have stated that most of the finance review will replicate the work of Sir Michael Lyons' 2007 report on the subject. The Minister said "it isn't that Lyons missed out on anything major. We need to look at Prudential Borrowing, charges, trading and by then there will be a General Power of competence. We will be repeating about 95% of Lyons, because it was an excellent report. Then it will be up to us to make a political decision". The Minister ruled out a local income tax, which was one of Lyons suggestions.
- 5.3 Details of this review will be reported when they become available.

## **6. 2010/2011 FINANCIAL POSITION**

- 6.1 The announcement by the Government of in-year funding reductions in June has had an adverse impact on the Council's financial position as both revenue and capital grants have been reduced.
- 6.2 In relation to in-year revenue grant cuts these amounted to £1.7m. The Council has partly mitigated the impact of these cuts by using temporary resources to support expenditure until the end of the financial year, although spending cuts of around £0.8m have been implemented in the current year. In addition, proposals to achieve spending cuts from 1<sup>st</sup> April, 2011, have been identified to offset these in-year grant cuts. Further cuts are likely to be required for 2011/2012 to address additional grant cuts arising from the Spending Review.
- 6.3 The Council's Local Public Service Agreement Reward grant was also cut by 50%. This amount had been earmarked for one-off costs arising from Building Schools for the Future. An assessment of the resources required for the reduced programme is currently being undertaken.

- 6.4 With regard to cuts in capital grants the Council has had to scale back planned capital spending.
- 6.5 At a local level a strategy for funding the Tall Ships income shortfall has been developed and will be referred to Council for approval on 28<sup>th</sup> October, 2010. This strategy allocates one-off resources to address this issue.
- 6.6 A detailed budget management report for the first six months will be submitted to Cabinet in early November. The report will include the first detailed forecast outturns for the current year.
- 6.7 It is not anticipated that there will be any significant issues arising in relation to departmental budgets. Income shortfalls identified in 2009/2010 are continuing in relation to car parking, land charges and shopping centre income. It is anticipated the 2010/2011 shortfalls can be funded from the reserve allocated to manage these risks.
- 6.8 On the upside it is anticipated that a number of the year 1 BTP Service Delivery Option (SDO) reviews will be achieved earlier. These savings had not been anticipated to be achieved until next year and are already built in the MTFS for 2011/2012. It is now anticipated that there will be a part year benefit in the current year. If these savings are not needed to offset overspends in other areas it is suggested that the uncommitted resources are earmarked to fund future termination costs (see paragraph 9). Work is progressing to implement the SDO's as soon as possible and to quantify the part year benefit for 2010/2011. Details will be reported to a future Cabinet meeting.

## **7. CAPITAL PROGRAMME 2011/2012 TO 2013/2014**

### **7.1 Government Capital Allocations**

- 7.2 The previous Government issued multi year capital allocations up to 2010/2011 which provided greater financial stability. The previous Chancellor indicated that by 2014/2015 public sector capital investment would reduce from 3.1% of gross domestic product in 2009/2010 to 1.5% in 2014/2015. The current Chancellor's forecasts project a further reduction of 0.2% (£2.4bn) in capital investment, despite implications made in the 'Emergency Budget' that there would be no new capital cuts.
- 7.3 At a local level we have already seen the impact of these cuts in terms of the Building Schools for the Future Programme and the hospital decision.
- 7.4 With regard to capital allocations for 2011/2012 and future years details will be provided in the Spending Review. The Council will

need to review the position when detailed allocations for future years are known.

## 7.5 Local Allocations

- 7.6 The 2010/2011 budget provided the following capital allocations for local priorities and advised Members that if they wish to continue these priorities beyond 2010/2011 the borrowing costs will need to be funded from the revenue budget headroom.

	<b><u>Capital Budget £'000</u></b>
SCAPT Priorities	1,200
<u>Other Issues:</u>	
Neighbourhood Forum Minor Works	156
Community Safety Initiative	150
Disabled Adaptations	50

- 7.7 A detailed proposal for continuing the SCRAPT priorities and combining this with health and safety issues is included in the proposed revenue budget pressures detailed in paragraph 8.7.
- 7.8 In relation to the other issues Members need to determine if they wish to continue these initiatives. Assuming Members wish to support these initiatives the loan repayment costs of £35,000 will need to be funded from the available headroom, as detailed in paragraph 8.7.

## 8. GENERAL FUND REVENUE BUDGET 2011/2012 TO 2014/2015

- 8.1 As indicated earlier in the report the public sector faces the most challenging financial position since the Second World War. The Coalition Government is committed to reducing the public sector deficit over the lifetime of a single Parliament. They have also set out their intention that £4 in every £5 of this reduction will come from reducing public sector spending and only £1 from increased tax.
- 8.2 At a national level the Government have stated unprotected areas will see average reductions of 25% over the four years commencing 2011/2012. The impact on individual Government departments will not be known until the results of the Spending Review are published.
- 8.3 It is hoped that the Spending Review will provide clarity on a number of key issues:
- How the average 25% reduction will be allocated across Government departments and which departments will suffer the greatest cuts:
  - How the cuts will be phased.

- 8.4 The detailed impact on individual local authorities will not be known until the Local Government grant settlement is announced in late December or early January, 2011.
- 8.5 Against this background it is extremely difficult to predict grant levels for the next four years. However, owing to the timescale for preparing the budget and the scale of the financial challenges facing the Council we cannot wait until the Government announces grant allocations for 2011/2012 and future years. Therefore, two planning scenarios have been examined to address the scale of anticipated grant reductions and uncertainty over the phasing of grant cuts.
- 8.6 The following table outlines these proposals and highlights the scale of the 2011/2012 budget deficit and the cumulative budget deficit for the period 2011/2012 to 2014/2015.

Table 2 – Forecast Budget Deficits

Grant Cut over 4 years starting 2011/12	2011/12 Deficit £'m	Cumulative deficit 2011/12 to 2014/15 £'m
Total cut 25% - 10% 2011/12, then 5% per year	8.1	20.8
Total cut 30% - 15% 2011/12, then 5% per year	10.7	23.1

8.7 The above deficits reflect the following local planning assumptions.

i) Impact of Inflation

Whilst inflation levels are currently low there will still be inflationary pressures on budgets and provision has been



included within the forecasts. As detailed in paragraph 8.9 the provision for pay awards can be reduced.

- ii) The inclusion of £1m headroom for budget pressures, arising from demographic changes and other factors

Details of the proposals which will need to be funded from this provision are included in Appendix 2 and total £1.289m. The additional committed is included in the forecast deficit detailed in Table 2.

- iii) Reduction in Budget Support Fund of £0.6m

The previous MTFs reflected the phased reduction in the annual contributions from the Budget Support Fund. This funding is temporary and the contribution will reduce from £1.5m in 2010/2011 to £0.9m in 2011/2012, which is the final year of available funding from the Budget Support Fund.

- iv) Council Tax Level

Owing to the uncertainty regarding the Government's proposed Council Tax freeze and the detailed criteria for triggering Council Tax referendum (which assumes these regulations are introduced for 2011/2012) no increases in Council Tax income for 2011/2012 and 2012/2013 have been included in the forecast deficits.

If the Government provide a grant equal to the income generated from a Council Tax increase of 2.5% (the Council's previous planning assumption), the deficit for 2011/2012 would reduce by approximately £1m. This proposal would cost the Government £625 million to implement for all councils in England.

- v) Implementation of Planned Business Transformation Programme Efficiencies

The existing BTP anticipates additional savings in 2011/2012 of £1.3m and work is progressing well to deliver these efficiencies ahead of schedule. This will bring the cumulative BTP efficiencies achieved in 2010/2011 and 2011/2012 to £3.8m.

## 8.8 **Proposals for reducing the 2011/2012 Budget Deficit**

- 8.9 There are a range of permanent and temporary measures available to reduce the 2011/2012 deficit. The temporary items are beneficial

in addressing the 2011/2012 deficit, although this will defer part of the budget deficit to 2012/2013. These issues are detailed below:

	<b><u>£'000</u></b>
<b><u>Permanent Benefits</u></b>	
i) <u>Increase in Business Transformation Programme Efficiencies</u>	1,600
<p>The MTFS currently anticipates BTP of £6m over a four year period, with £1.3m included in 2011/2012 forecasts. Based on progress to date it is anticipated that the aspirational target of £8m can be achieved over a shorter period. It is therefore now possible to anticipate a further £1.6m in 2011/2012 2012, subject to members agreeing proposals which are brought forward.</p>	
ii) <u>Lower Pay Awards 2010/2011 and 2011/2012</u>	1,000
<p>The position on pay awards for April, 2010 and 2011 is now becoming clearer and the cumulative provision can be reduced by £1m in 2011/2012. This assumes there are no pay awards for 2010/2011 and 2011/2012 and leaves provision to cover the estimated cost of a flat rate increase of £250 for employees earning below £21,000 from April, 2011.</p>	
iii) <u>Removal of One-Off Budgets for Brierton Site Costs and Dyke House Transport Costs</u>	345
<p>The Dyke House Capital Scheme will be completed over a shorter period than originally anticipated. Therefore, provision for these costs was made in the 2009/2010 Outturn Strategy. This means the base budget provision for this item is not needed for 2011/2012.</p>	

iv) Removal Mill House Loan Repayment Budget 309

The base budget includes £0.309m to support Prudential Borrowing towards the Mill House replacement. This project needs to secure significant grant funding to proceed. As this is unlikely to be achievable in the current financial climate this budget can be taken as a permanent saving.

v) Reduction in Looked After Children Contingency 250

This proposal depends on 2009/2010 expenditure trends continuing in the current year which would enable the Looked After Children Risk Reserve to be increased to £0.5m. This would provide a Risk Reserve equivalent to the value of the contingency for this area of two years.

vi) Review 2009/2010 and 2011/2012 Pressures and Contingency 83

A review of this item has identified a number of minor issues which no longer require funding.

Total Permanent Budget Reduction 3,587

**Temporary Benefits**

i) Use of Specific Departmental Reserves 561

Departments created a number of specific reserves as part of the 2009/2010 outturn strategy. These reserves are specifically earmarked to meet service pressures which have been included in the commitment identified against the budget headroom, as detailed in 8.7 (ii). These reserves can be released to support expenditure in 2011/2012.

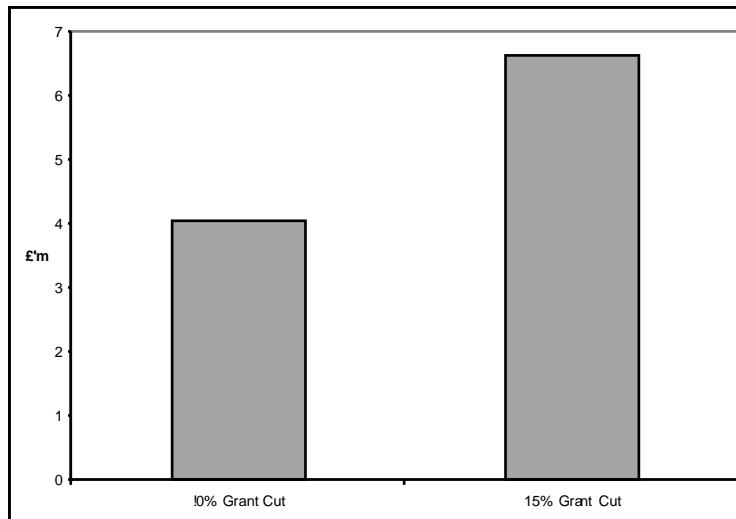
Total Temporary Resources 561

Total Permanent Budget Reductions and Temporary Resources 4,148

**8.10 Residual Budget Deficit 2011/2012 to 2014/2015**

8.11 The proposals identified in the previous paragraph reduce the forecast 2011/2012 budget deficit to between £4.1m and £6.7m assuming grant reductions of 10% and 15%, as summarised.

**Table 3 – Residual 2011/2012 Budget Deficit**



8.12 The actual grant cut for 2011/2012 will not be known until late in December or early January, 2011. As each +/-1% change in the Council's General Fund grant equates to £0.5m there will need to be a significant change from the planning assumptions of 10% and 15% to make a significant difference to the forecast deficit for 2011/2012. Therefore, the planning assumption of a deficit within the range of £4.1m to £6.7m is appropriate at this stage.

8.13 Detailed proposals for addressing deficits of this magnitude will need to be developed and implemented within a very short timescale. This strategy will need to assess the potential impact of staff redundancies which are likely to be at a higher level than in previous years. Cuts to specific grants will also have an impact. The Council will therefore need to follow specific consultation procedures with employees affected by grant cuts.

8.14 With regard to the budget position beyond 2011/2012 the Council will continue to face significant budget deficits as summarised below. These forecast assume each years budget is balanced through permanent reductions in net expenditure.

Table 4 – Residual Budget Deficits 2012/2013 to 2014/2015

Grant Cut over 4 years starting 2011/12	2012/13 Deficit £'m	2013/14 Deficit £'m	2014/15 Deficit £'m
Total cut 25% - 10% 2011/12, then 5% per year	5.0	3.9	3.8
Total cut 30% - 15% 2011/12, then 5% per year	4.9	3.8	3.7

- 8.15 It will become increasingly difficult to bridge the budget deficits after 2011/2012 owing to the measures which will have already been implemented. Therefore, as well as developing detailed proposals for addressing the 2011/2012 deficit, the Council needs to begin planning now how it will address future deficits. This strategy needs to include:

- sharing services with other councils or organisations;
- commissioning services from other organisations;
- increasing income;
- prioritising services and identify areas which will be scaled back or stop completely.

## 9. REDUNDANCY ISSUES AND FUNDING

- 9.1 The scale of the impending cuts means that there will be redundancies within the public sector and the Council. At this stage it is unclear where these reductions will fall as the Government have not yet determined which areas they wish to protect and which areas will be cut. Once these details are known the Council will need to undertake detailed consultation with employees at risk. This will need to be completed within a very short timescale owing to the timing of the Government's grant announcement and the deadline for setting the 2011/2012 budget.
- 9.2 There will be significant one-off termination costs from making people redundant. Based on experience of implementing the management structure changes these costs could exceed the year one savings by 30%. On this basis the Council faces potential termination costs arising solely from the General Fund Grant cuts in the region of £5m to £8m. The actual figure may be higher when cuts to specific grant regimes are known.
- 9.3 In order to address one-off costs of this magnitude the Council will need to consider a combination of funding streams covering:

### i) Review of Reserves

Significant commitments already exist against the Council's main reserves. A comprehensive review of these commitments and resources will need to be undertaken to identify resources which can be released to support termination costs. This will need to include prioritising existing commitments and capitalising eligible expenditure if this releases reserves, although provision will need to be made for the resulting repayment costs.

### ii) Seeking Government Approval to Capitalise Termination Costs

The Council has previously not met eligibility criteria to capitalise termination costs owing to the level of reserves. This position is likely to change as reserves are used up.

Equally, the Government have been asked to review existing capitalisation rules to reflect the unprecedented financial challenges facing councils and to implement a new system based on local affordability.

iii) Allocate underspends and one-off benefits

As indicated earlier in the report the one-off benefits from lower interest costs have already been earmarked to partly mitigate in-year grant cuts and the Tall Ships income deficit. It is suggested that any further benefits which arise in the current year are earmarked for termination costs.

iv) Impact of Grant Settlement

Proposals for achieving cuts to offset a grant reduction of up to 15% for 2011/2012 need to be developed. In the event that the 2011/2012 grant cut is less than 15% Members will need to determine if they wish to implement these savings in full to offset grant reductions in 2012/2013. This would provide a temporary benefit in 2011/2012 which could be allocated towards termination costs.

## 10. BUDGET RISKS

- 10.1 The major financial risks facing the Council is the level of grant allocations, the detailed basis for implementing cuts to different grant regimes and the links between grant regimes at a local level.
- 10.2 The Council also continues to monitor a range of risks and to make appropriate plans to mitigate these risks so that services are not adversely affected. As part of the 2010/2011 budget the Council reviewed its previous strategy of mitigating risk by allocating monies to individual risks and carrying earmarked reserves. This strategy is dependent upon there being sufficient financial flexibility to do this. This is no longer the case, therefore, a 'Strategic Risk Reserve' was established for these risks. This reserve has a current balance of £2.3m.
- 10.3 The risks against this reserve were initially estimated at £4.8m. Further work has been carried out and continues to be done to refine these and other risks. Some risks have occurred and been addressed, including the 2009/2010 income shortfalls and the non payment of the Local Public Service Agreement Reward grant. Other risks have been reviewed.

- 10.4 A new risk has been identified in relation to the sustainability of the Area Based Grant contribution to the General Fund budget of £0.490m in 2011/2012.
- 10.5 Further details on current risks are provided in Appendix 3 and summarised in Table 5. In overall terms the table shows the total value of risks has reduced from £4.8m+ to £3.29m+. This is mainly owing to the significant reduction in the BSF one-off costs risks owing to the Government cutting funding for this programme. As indicated previously these risks fall over a number of years. It will be necessary to consider topping up this reserve in future years depending on changes to the underlying risk factors or the availability of any further flexibility. Should the amounts payable in any year exceed the risk reserves, the shortfall will need to be met from the General Fund balance as a last resort.

Table 5 – Risk Issues Summary

<b>Risk</b>	<b>Risk Assessment</b>	<b>Year</b>	<b>Estimated Value £'000</b>
<u>Income Shortfalls</u>	Red	10/11 + 11/12	300
<u>Equal Pay and Equal Value Claims</u>	Red	10/11 onwards	2,000+
<u>Achievement of Salary Turnover Target</u>	Amber	10/11 onwards	500
<u>Additional BSF One-Off Costs</u>	Green	11/12	?
<u>JE Appeal Exceed £0.4m</u>	Amber/ Green	Back- dated to 06/07	?
<u>Sustainability of the Area Based Grant contribution to the General Fund Budget</u>	Amber	11/12	490
<b><u>Estimated Value of Risks</u></b>			3,290

## 11. TIMETABLE

- 11.1 As indicated earlier in the report there is considerable uncertainty about the date the Government will announce details of grant allocations for individual councils. The latest indications suggest this announcement may not be made until early in January, 2011. It is also unclear whether this announcement will just cover 2011/2012, or it will be a multi-year settlement.

- 11.2 This uncertainty means that the Council cannot follow the normal budget process or timetable, as the level of cuts which will need to be made and consequently the level of redundancies cannot accurately be assessed at this stage. Therefore, it is not possible to put forward detailed proposals for consultation and scrutiny, as this would also require the Council to commence formal consultation on proposed redundancies.
- 11.3 This situation means that the budget process will need to be condensed into a shorter period, to enable the Council to set the 2011/2012 budget in February, 2011. A proposed timetable to achieve this objective is detailed at Appendix 4 and details the key milestones for preparing the 2011/2012 budget. This timetable is critically dependant on the Government providing details of key information, including grant allocations for all areas and information on Council Tax capping regulations.
- 11.4 The proposed timetable indicates that the next key stage in the development of a strategy for managing cuts to grants in 2011/2012 will be the Spending Review announcement on 20<sup>th</sup> October, 2010. This announcement will enable CMT and Cabinet to review the Council's financial position and develop a strategy for addressing the 2011/2012 budget deficit. This will require a period of intensive work from late October to early November to enable Cabinet to formally approve initial proposals for next years budget at a special Cabinet meeting on 29<sup>th</sup> November, 2010. These details can then be referred to Scrutiny Co-ordinating Committee for consideration. This milestone will also enable the difficult process of consulting staff on potential redundancies to commence.

## **12. SPECIFIC GRANTS**

- 12.1 This report concentrates on the impact of cuts to the Council's 'Formula Grant', which is the main un-ringfenced revenue grant received by the Council.
- 12.2 The Council also receives an Area Based Grant allocation of £14.4m, after the in-year cuts. This is also an un-ringfenced grant. The Area Based Grant includes a range of grants which were previously ringfenced, including funding for Supporting People and Connexions. This grant also includes the Working Neighbourhoods fund. The Government is likely to cut these grants and the position will need to be reviewed when detailed grant allocations are known.
- 12.3 The Council also currently receives ringfenced grants in the order of £15 million. These grants will also be reviewed by the Government and in many cases will be terminated or scaled back significantly. The impact on Hartlepool will need to be assessed when detailed grant allocations are known.



- 12.4 Given the significant pressures on the core budget from a cut in the Formula Grant the Council will not be in a position to mainstream either cuts in the Area Based Grant or Specific grants. Therefore, cuts to these grant regimes will need to be passported and services terminated or scaled back accordingly. For Council schemes the Council will need to fund redundancy costs from its own resources, as grant funding is generally committed to meeting running costs to the end of the year and redundancy costs are generally not eligible for grant funding. This will place an additional financial burden on the Council. Where redundancy costs can be funded from grants schemes will be scaled back where possible to reduce the financial impact on the Council.

### **13. CONSULTATION**

#### **13.1 Budget Consultation**

- 13.2 The Council has undertaken a range of consultation research to inform the 2011 budget process. These have included:

- Viewpoint panel survey – 954 responses;
- Public survey open to all online and paper survey – 235 and 574 response respectively;
- Staff survey open to all staff only online – 370 responses;
- Discussion meetings with young people (over 50 people), community representatives and business representatives (approximately 40 people). Consulting with young people was specific request of Members.

- 13.3 In addition there has been national research by a number of organisations. The next section below summarises some key points emerging from this national and local research.

- 13.4 The main focus on local views in this summary is on the results from the Viewpoint panel which are based on a representative sample of adult residents. These are augmented with the results from other sources where it adds to the analysis.

- 13.5 More detailed results from the local consultations are at Appendices 5 to 9.

#### **13.6 National Context**

- 13.7 A majority appear to accept the need for action to reduce spending and the deficit, although a significant minority do not. There is less consensus on how action to reduce the deficit should be taken. There is considerable reluctance to see reductions in some services.

Ipsos Mori, April 2010

54% agreed there is a real need to cut spending on public services in order to pay off the very high national debt, 39% disagreed

64% think that most savings can be made through efficiencies alone without affecting the nature of services they receive at all.

Globescan for BBC, September 2010

60% were in favour of reducing the deficit, 33% were not in favour

82% surveyed were against education and healthcare cuts.

66% opposed cuts in military spending.

### 13.8 **Local Views**

13.9 The Viewpoint panel were asked their views on:

- overall performance and value for money of the Council;
- the acceptability of cutting expenditure on a range of services;
- different options for providing services.

13.10 The same survey was made available to the general public online and in paper. The views expressed were broadly similar to those of Viewpoint. (See Appendix 5).

13.11 Only 29% of Viewpoint panel members agreed the Council provides value for money; 50% were pleased with the overall level of service provided by the Council.

13.12 The Viewpoint panel were asked to say whether it was acceptable or unacceptable to cut future spending on 47 services. For 34 out of 47 (72%) service categories a majority of respondents stated that reduced spending was unacceptable. See Table 6 below. Overall it appears residents have no great appetite for reduced spending.

13.13 From the panel there was strong support for working with other public sector agencies (86%) and voluntary community and charitable organisations (84%) in order to protect services. There was less support, although still a majority, for working with the private sector (63%) and neighbouring councils (56%).

### 13.14 **Table 6 – Summary of Viewpoint Survey**

13.15 Listed below are a number of services where the Council is thinking about changing its spending. For each individual service please let us know whether it would be acceptable or unacceptable to cut future spending on that service.

Excluding Don't knows and No Answers

	Acceptable to cut %	Unacceptable to cut %
Maintaining roads, footpaths, street lights and gullies/drains	9	91
Safeguarding children and young people (e.g. child protection)	10	90
Waste collection, disposal and recycling	10	90
Care in own home to support daily living	12	88
Support for children with disabilities and special needs (including education psychology and assessment)	12	88
Residential care / day centres	15	85
Support for children and young people in need, including adoption and fostering	15	85
Road safety (e.g. school crossing patrols, traffic calming measures, and winter gritting)	15	85
Street cleaning and litter picking	19	81
Support for young people in care (including young people leaving care)	21	79
Anti-social behaviour team	23	77
'Dial A Ride' for people with disabilities	23	77
Coast protection (e.g. sea defences)	25	75
Provision of equipment and aids to support daily living	26	74
School catering	27	74
Improved opportunities for employment	27	73
Working to reduce drug and alcohol misuse	28	72
Maintaining & cleaning Council property e.g. schools, leisure centres, libraries, and community centres	29	71
Public and environmental health (e.g. cemeteries and crematoriums, trading standards, and welfare rights)	31	69
Sport and physical recreation (e.g. Mill House, and Headland Sports Hall)	31	69
Security patrols (e.g. Community Support Officers)	32	68
Parks, playgrounds and countryside	35	65
Working with young people to reduce offending	36	64
Regeneration projects (e.g. run down housing areas, affordable housing, community regeneration)	36	64
Youth services (e.g. youth clubs, activities, advice and support for 13 to 19 year olds)	37	63
Youth offending service (e.g. working with young offenders)	38	62

	Acceptable to cut %	Unacceptable to cut %
Beach safety (e.g. lifeguards)	38	62
Libraries	39	61
Provision of advice to encourage self help	41	59
Environmental enforcement (dog wardens, noise pollution, pest control)	45	55
Maintaining grounds (e.g. grass, verges, flower beds)	46	54
Transport to school (e.g. mainstream and special needs schools)	47	53
Closed circuit television (CCTV)	49	51
Support for bus services and concessionary fares	49	51
Community development (e.g. community centres and support for voluntary organisations)	51	49
Museums, art gallery, theatre, Historic Quay, festivals and events	52	48
Support for schools (e.g. improve exam results and attendance)	53	47
Support for employers and businesses	53	47
Adult and community education and learning	55	45
Energy efficiency / management	58	42
Tourism, including the Tourist Information Centre	62	38
Dealing with abandoned vehicles	63	37
Support services, e.g. accountancy, legal advice, personnel, and housing benefit and council tax administration	63	37
Support for alternative transport, such as paths and cycle lanes	65	35
Climate change / carbon reduction	66	34
Planning, Building Control, and Development Control	69	31
Support for Councillors and democratic arrangements	91	9

Note to Table 6: For each service the proportion of “Don’t knows” varied from 1% (Waste collection and recycling) to 19% (Adults - Provision of advice to encourage self help). These responses have been excluded from the table. The range of results suggests that respondents have taken account of those areas where individuals are unclear or unfamiliar with the service.

- 13.16 In addition to Viewpoint other methods of consultation have been used. The different approaches mean the results are not directly comparable; however, it is useful to identify common themes and

differences. The paragraphs below indicate some common themes and some differences.

- 13.17 The public responses, particularly on rating services by acceptability for spending reductions, were very similar to Viewpoint. However, this group overall had a less favourable view of council performance.
- 13.18 Young people (see Appendix 6) were even less keen on reducing spending. For 20 out of 23 (87%) service categories a majority of young people stated that reduced spending was unacceptable. Services for vulnerable adults and children again emerged as areas unacceptable to cut. Supporting the economy and creating job opportunities was given greater emphasis. The views expressed also reflected their specific interests. So providing places to go and things for people to do was their top priority. Providing parks, playgrounds and open spaces were also rated more highly.
- 13.19 Community representatives (through the LSP, Community Network and Economic Forum) have had opportunities to feed in views (see Appendices 7 and 8). Community representatives were more positive about the council overall with 53% stating the Council provides value for money; and 78% were pleased with the overall level of service provided by the Council.
- 13.20 Staff (see Appendix 9) have a more positive view of Council performance and value for money. Staff tended to give lower priority to environmental services such as roads, street cleaning putting more emphasise on not reducing spending on services for vulnerable adults and children. This may reflect the mix of staff responding to the online survey.
- 13.21 **Consultation Conclusion**
- 13.22 The consultation provides some insights that may be useful for decision makers. However, on such a complex topic there are inevitably a range of views and no absolutely clear consensus. The methods adopted cannot answer some questions. For example, they do not show how the public would trade off reductions in various services in the likely scenario where most services will face reduced expenditure. For example, how the public would trade off spending on environmental services versus services for vulnerable adults and children which all emerge as priorities.
- 13.23 The comments below are provided as a basis for further discussion and consideration as part of the process of setting the budget.
- 13.24 **Prioritise front line services** and among front line services the environment and vulnerable adults and children are identified as areas least acceptable for reductions. From Viewpoint the top 10

services least acceptable to cut relate to the environment, vulnerable adults and vulnerable children. See box below and Table 6.

The 10 services least acceptable to reduce suggests 3 broad priorities for the public

- |                        |  |
|------------------------|--|
| 1. Environment         | Maintaining roads, footpaths, street lights and gullies/drains, Waste collection, disposal and recycling, Street cleaning and litter picking                             |
| 2. Vulnerable adults   | Care in own home to support daily living, Residential care / day centres   |
| 3. Vulnerable children | Safeguarding children and young people (e.g. child protection), Support for children with disabilities and special needs (including education psychology and assessment) |

**13.25 Priorities within front line services.** Within front line services there is a tendency to seek to protect services that address immediate needs over those with longer term aims. A range of service categories including alternative transport, climate change, planning and building control emerge as lower priorities. Where there was scope for broader discussions around the topic, for example with young people, the concern to protect services which could bring longer term benefits to the town also emerged, for example the need develop employment opportunities (see Appendix 6).

**13.26** Some front line services, while valued, are not regarded as such high priorities in the current circumstances. For example young people suggested only having one library and making facilities such as Museums self financing. For a wide range of services including environmental enforcement activity (dog wardens, noise pollution, pest control) to adult and community education (see Table 6) the Viewpoint results suggest views are very evenly divided.

**13.27 Prioritise efficiency savings.** The public have a poor opinion of the Council's value for money. Comments from survey forms and discussions with groups elicit a wide range of suggestions for how costs might be reduced. For example, reducing pay for those earning over £30,000, reducing sickness absence benefits and improved procurement. Hartlepool results accord with national research where a majority (64%) think that most savings can be made through efficiencies alone without affecting the nature of services they receive.

## **14. CONCLUSION**

**14.1** The public sector faces the most difficult financial position since the end of the Second World War. The Government are committed to reducing the budget deficit more quickly than planned by the previous Government. The Chancellor has indicated this will mean average cuts to unprotected areas of 25% over four years commencing

2011/2012. Details of the impact on individual Government departments will be announced on 20<sup>th</sup> October, 2010.

- 14.2 The impact on individual Council's will not be known until late December, or early January, 2011, when details of the Local Government grant allocations are announced. This makes financial planning significantly more difficult.
- 14.3 The Council has already taken significant action through the Business Transformation Programme to address a more challenging financial position. This will not be enough to address the scale of the grant cuts from 2011/2012. Therefore, work has begun to develop a strategy to address cuts in the Formula Grant between 25% and 30% over a four year period.
- 14.4 The Council will also need to address the impact of cuts to the Area Based Grant and Specific Grants. Given the pressure on the General Fund budget from a cut in the Formula Grant it is anticipated that these cuts will need to be passported to the areas affected and services stopped, or scaled back to the level of available funding.
- 14.5 The uncertainty about the level of future grant allocations and the timing of detailed announcements by the Government makes financial planning difficult. It also means that the normal budget timetable cannot be followed. Therefore, a revised timetable has been developed to reflect the timing of key Government announcements, as detailed in Appendix 4. As part of this timetable it is suggested that this report is referred to Scrutiny Co-ordinating Committee on 15<sup>th</sup> October, 2010, together with the following initial consultation issues:

Table 7 – Initial Consultation Issues

- i) Do Members support the proposal to use Unsupported Prudential Borrowing to continue to fund the following local capital investment priorities, which will have an unfunded revenue pressure of £35,000?
  - Neighbourhood Forum Minor Works allocations £156,000
  - Community Safety Initiatives £150,000
  - Disabled Adaptations £50,000
- ii) Do Members support the proposed revenue pressures identified in Appendix 3, totalling £1.289m?
- iii) Do Members support the proposals identified in paragraph 8.9 to reduce the 2011/2012 budget deficit?
- iv) If the phasing of grant cuts is less severe than 15% in 2012/2012 than forecast, do Member support the principle that

the Council should implement equivalent to a 15% grant cut in 2011/2012 if this protects the Council's financial position in the medium term?

15. **RECOMMENDATIONS**

15.1 It is recommended that Cabinet:

- i) Notes the report;
- ii) Approves the proposed budget timetable detailed in Appendix 4;
- iii) Refers the report and initial consultation proposals detailed to Table 76 to Scrutiny Co-ordinating Committee.



**Chief Executive's Department**  
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**HARTLEPOOL**  
Borough Council

10 August 2010

Jasna Begum  
Local Government Finance Directorate  
Department for Communities and Local Government  
Zone 5/D2 Eland House  
Bressenden Place  
LONDON  
SW1E 5DU

Dear Jasna

### **LOCAL REFERENDUMS TO VETO EXCESSIVE COUNCIL TAX INCREASES - CONSULTATION**

Thank you for providing the opportunity to respond to the Government's proposal to introduce local referendums to veto excessive Council Tax increases as an alternative to capping by Central Government.

The document issued by CLG states "this as a technical consultation seeking views from experts on the practicalities of implementing our proposals. Given this, the consultation will run for a shorter time frame of six weeks". In my opinion this is not a technical issue as the proposed change fundamentally undermines the democratic and financial independence of local authorities to determine the amount they raise from Council Tax and therefore the quality of services delivered to local people.

Since becoming a Unitary Authority in April, 1996, Hartlepool Council has actively engaged with local electors on our spending plans and Council Tax levels. As a result of this engagement over the period 1996/1997 to 2010/2011 the Council's element of the Council Tax bill has increased by 79% compared to the national increase of 122%. I therefore see no need for either the existing capping criteria or the introduction of local referendums both of which undermine the democratic legitimacy and financial independence of local councils.

The decision to reduce the consultation period to only six weeks and to schedule this consultation for the main holiday period clearly demonstrates that the coalition Government are not interested in local authorities' views. In my opinion this is an extremely important issue and a longer consultation would be appropriate.

If the Government believes referendums on tax increases are such a good idea perhaps they should hold one on the proposed VAT increase? The increase in VAT from 17.5% to 20% is a regressive increase which will hit the most vulnerable members of society hardest. My Council has recently written to the Government about this issue.

### **Issues which should be addressed by the Government**

In my opinion the proposal to introduce referendums fails to address the fundamental financial issues facing Local Government. The Government needs to address a number of key issues to enable councils to plan local services effectively in these challenging financial times:

10.10.11 - Cabinet - 4.2 - Medium Term Financial Strategy (MTFS) 2011-12 to 2014-15

- Provide a multi-year grant settlement so individual authorities can plan services;
- Provide clarity on the proposed Council Tax freeze and how/if this will be funded;
- Ensure that cuts in Government grants to local authorities are based on an amount per head of population as opposed to making across the board percentage cuts which impact adversely on areas with higher deprivation; and
- Ensure the element of resource equalisation included in the formula grant is protected. This is a critical issue for my Council as we currently lose £2.4m through the existing floor damping mechanism. If the Council received this money we would be able to reduce Council Tax by 6%.

### **Comments on proposed legislation (Section 9)**

The proposal that billing authorities should organise and administer referendums is practically a sensible proposal. However, these arrangements need to ensure that where the referendum is the result of a proposal by a precepting authority it is clear this is the case. It is important that billing authorities are not held accountable for the actions of independent precepting authorities. This will be a difficult issue to address as in my experience most members of the public still find it difficult to understand that a large part of the Council Tax they pay relates to services provided by precepting authorities.

The proposal to send out information on the proposed Council Tax increase and budget, the comparative non excessive Council Tax rise etc., needs careful consideration. The legislation needs to make it clear this information will be sent out separately but at the same time as the Council Tax bills. This will be necessary for two reasons:

- To ensure the public are clear which authority (or authorities) the referendum(s) relate to as you could have the situation where a billing, precepting authority and parish council all required to undertake a referendum;
- Existing Council Tax billing requirements already mean that envelope capacity is either fully used or close to capacity and there is insufficient room for referendum information.

### **Other Comments**

The proposals on referendum make only limited reference to the responsibilities of an Authority's Section 151 to advise the Authority on the robustness of the proposed annual budgets. The proposal requiring authorities to draw up budgets and proposed Council Tax levels in the usual way and to also draw up shadow budgets place increased responsibility on the Section 151 Officer. Presumably this Officer will also need to ensure the "supporting factual material setting out the proposed Council Tax increase and budget, the comparative non-excessive Council Tax rise and shadow budgets and the estimated cost of holding the referendum" is robust? If this is the case this needs to be recognised in the legislation.

### **Specific Consultation Questions**

Comments on the specific consultation questions are provided in Annex A.

Yours sincerely

COUNCILLOR R PAYNE  
FINANCE PORTFOLIO HOLDER  
Enc.

SCHEDULE OF 2011/12 BUDGET PRESSURES

## 2011/12 PRESSURES - CORPORATE ITEMS

Budget Area	Value of Pressure £'000	Description of Pressure
Repayment costs of using Prudential Borrowing to capitalise revenue expenditure in 2010/11.	50	Repayment costs of using Prudential Borrowing to capitalise revenue expenditure in 2010/11 to achieve revenue saving in 2010/11 of £0.5m.
Repayment costs of using Prudential Borrowing for local priorities.	35	Repayment costs of using Prudential Borrowing for local priorities covering following capital allocations for 2011/12 - Neighbourhood Forum Minor Works allocations £156,000, Community Safety Initiatives £150,000 and Disabled Adaptations £50,000.
Repayment costs from continuing SCRAPT programme.	180	Repayment costs arising from capital allocation of £2.2million in 2011/12 to continue SCRAPT programme, second phase of planned maintenance work and DDA works. Detailed proposals for using the capital allocation will be developed if Cabinet approves inclusion of this revenue pressure.
	265	

2011/12 PRESSURES - CHILD AND ADULT SERVICES

Budget Area	Value of Pressure £'000	Description of Pressure
Mental Health	155	Continuation of previous trend of an increase in the number of high cost community based packages associated with Aspergers/autism/complex dual diagnosis. These are complex cases requiring significant funding and trends are expected to continue in the coming years. Council is under a statutory duty to meet assessed needs and there are risks around failure in meeting our Duty of Care.
Older People demographics	190	Continuation of previous years trend demographic trend arising from an aging population and increase in individuals with severe dementia requiring care.
Learning Disabilities	250	Increase in number of individuals with complex care needs.
YOS Senior Practitioner	50	Increased capacity to address issue raised in OFSTED inspection.
	645	

2011/12 PRESSURES - REGENERATION AND NEIGHBOURHOODS DEPARTMENT

Budget Area	Value of Pressure £'000	Description of Pressure
Removal and disposal of abandoned and nuisance vehicles.	15	Funding for the removal and disposal of abandoned and nuisance vehicles. Formerly funded through I PSA reward grant monies.
Waste Disposal	50	Increase in Waste Disposal Costs arising from increase in EfW gate fee and landfill tax.
Concessionary Fares	110	Provision for above inflationary increase in Concessionary Fares.
Section 38 Budget	111	Loss on income arising from reduction in development, which is expected to continue owing to reductions in public sector capital spending. This risk was previously managed at a departmental level, but this is no longer sustainable as the existing reserves is expected to be fully committed in 2011/12. Therefore, this commitment need including in the budget forecasts for 2011/12 assume and the remaining reserve released to support the overall budget.
Environmental Enforcement Officers	93	3 x Environmental Enforcement Officers funded by Housing Hartlepool. Current funding is for one year only
	379	

Total Pressures	1289
Less Headroom included in budget forecasts for pressures	(1,000)
Additional net pressure to be funded	289

Schedule of Risk Issues

<b>Risk</b>	<b>Risk Assessment</b>	<b>Year</b>	<b>Estimated Value £'000</b>
<u>Income Shortfalls</u>  Continuation of adverse trends owing to impact of recession on shopping centre, car parking and land charges income.	Red	10/11 + 11/12	300
<u>Equal Pay and Equal Value Claims</u>  The Council continues to face a range of equal pay and equal value claims. A separate detailed report was reported to Cabinet on 27 <sup>th</sup> September, 2010 to provide an update on these risks. This report advises Members that this risk continues to be the single largest risk, after grant cuts. Therefore a significant provision continues to be necessary to attempt to safeguard services and the Council's position.	Red	10/11 onwards	2,000+
<u>Achievement of Salary Turnover Target</u>  The base budget includes a 3% reduction in staffing costs to reflect normal delays in filling vacancies. The target is currently some £1m and has generally been achieved. There is an increasing risk the target will not be achieved owing to lower turnover and reduction in public sector vacancies.  The turnover target will need to be reduced by down in proportion the value of salary savings taken to balance the 2010/2011 budget.	Amber	10/11 onwards	500
<u>Additional BSF One-Off Costs</u>  This risk was previously estimated at £1.8m for the full BSF programme and was not expected to arise until 2012/2013. Following the reduction in this programme this risk has reduced. Work is currently ongoing to assess this risk.	Green	11/12	?

<b>Risk</b>	<b>Risk Assessment</b>	<b>Year</b>	<b>Estimated Value £'000</b>
<u>JE Appeal Exceed £0.4m</u>  This risk has reduced following the completion of 'red circle' appeals which carried the highest risk. Other appeals continue to be progressed.	Amber/ Green	Back-dated to 06/07	?
<u>Sustainability of the Area Based Grant contribution to the General Fund Budget</u>  When the Area Based Grant was introduced a comprehensive review of existing commitments and grant flexibility was completed. This review identified resources to support the General Fund budget which for 2011/2012 are anticipated to remain at £0.49m. There is an increasing risk that the Government will cut the Area Based Grant, particularly the Working Neighbourhood Fund element, which will mean this support may reduce, or not be available at all.	Amber	11/12	490
<b><u>Estimated Value of Risks</u></b>			3,290

### PROPOSED BUDGET TIME TABLE

1. Cabinet 11<sup>th</sup> October, 2010
  - Overview of budget position
2. Scrutiny Co-ordinating Committee 15<sup>th</sup> October, 2010
  - Consideration of Cabinet Report from 11<sup>th</sup> October, 2010
3. Spending Review Announcement 20<sup>th</sup> October, 2010
4. Cabinet and CMT review impact of Spending Review on the Council's financial position and develop strategy for managing budget deficit – late October to early November.
5. Members Seminar – Impact of Spending Review on the Council's forecast position as reported to Cabinet on 11<sup>th</sup> October 2010.
6. Cabinet 29<sup>th</sup> November, 2010
  - Determine detailed proposals to be referred to Scrutiny Co-ordinating Committee
7. Scrutiny Co-ordinating Committee 3<sup>rd</sup> December, 2010
  - Consideration of Cabinet Report from 29<sup>th</sup> November, 2010
8. Local Government Grant announcement – late December, 2010./early January, 2011
9. Cabinet and CMT review impact of Local Government Grant announcement on the Council's financial position – late December, 2010./early January, 2011
10. Cabinet finalise budget proposals - early to mid February, 2011
11. Council consider Cabinet budget proposals – mid to late February, 2011.

## Detailed Consultation Results from Viewpoint and Public

**Have your say on Council spending - Viewpoint – 954 responses**

- The country has hit hard financial times. The new Government is taking financial decisions which will impact on the town and Council for many years to come.
- The Council has reduced spending in 2010/2011 by £4.2m to balance the budget for this year. Grant cuts announced by Government in June means that Hartlepool Council will have to make further savings totalling £1.66m by March, 2011. This is Hartlepool's share of the £1.2bn of savings that councils throughout the country have to make as part of the overall savings of £6.2bn announced by the Coalition Government.
- Councillor Robbie Payne, the Council's Cabinet Member for Finance and Procurement, said: "All councils were expecting to be hit so this has come as no surprise. To save such a significant amount in such a short timescale will not be easy but we have no other option."
- The Government is also examining spending beyond 2011 by holding what's called a "comprehensive spending review" this autumn. This will spell out Government spending levels for the next 3 years. While we don't know the details we know it is going to be tough.
- The spending review will impact heavily on the Council because 65% of Council spending comes from Government grants. Only 35% is made up from Council Tax and charges. The Government has said that Council Tax will not increase for 2011/2012.
- The Council anticipates that savings of £12m over the next 3 years will need to be made to offset reductions in Government grant. This has to be taken from a total Council spend of £93m per year. This is in addition to the £6m of efficiency savings already planned by the Council.
- To plan for this the Council will be talking to many people and organisations over the next 6 months as the Council agrees its budget for 2011/2012 and beyond.
- This is your first opportunity to help shape the Council's priorities for spending by telling us what is most important to you.

**If you would like any further information on this topic please contact us on (01429) 523101 or via e-mail [cemtpa@hartlepool.gov.uk](mailto:cemtpa@hartlepool.gov.uk)**

**1. To what extent do you agree or disagree that Hartlepool Borough Council provides value for money? Please tick one box only. (N=1111)**

Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Don't know
4%	25%	32%	27%	12%	*
Strongly agree / tend to agree:		29%			
Tend to disagree / strongly disagree:		39%			

**2. Before we begin collecting your views on different services, thinking of the overall service Hartlepool Borough Council currently provides, how pleased are you with our service? Please tick one box only. (N=1156)**

Very pleased	Fairly pleased	Neither pleased nor unhappy	Fairly unhappy	Very unhappy	Don't know
5%	45%	28%	19%	3%	*
Very pleased / fairly pleased:		50%			
Fairly unhappy / very unhappy:		22%			

## Appendix 5

3. Listed below are a number of services where the Council is thinking about changing its spending. For each individual service please let us know whether it would be acceptable or unacceptable to cut future spending on that service.

(Please tick one box on each line)

<u>Adult social services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Care in own home to support daily living (N=1183)	11	78	11
Provision of equipment and aids to support daily living (N=1178)	22	65	13
Provision of advice to encourage self help (N=1177)	33	48	19
Residential care / day centres (N=1174)	13	76	11
<u>Children's services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Safeguarding children and young people (e.g. child protection) (N=1181)	9	84	7
Support for children and young people in need, including adoption and fostering (N=1181)	13	75	12
Transport to school (e.g. mainstream and special needs schools) (N=1179)	41	47	12
Support for young people in care (including young people leaving care) (N=1177)	18	68	14
Youth services (e.g. youth clubs, activities, advice and support for 13 to 19 year olds) (N=1176)	32	54	14
Support for schools (e.g. improve exam results and attendance) (N=1175)	46	40	14
Support for children with disabilities and special needs (including education psychology and assessment) (N=1183)	11	82	7
<u>Crime and community safety</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Closed circuit television (CCTV) (N=1184)	46	47	7
Security patrols (e.g. Community Support Officers) (N=1181)	30	64	5
Working with young people to reduce offending (N=1180)	30	55	14
Dealing with abandoned vehicles (N=1182)	54	32	14
Working to reduce drug and alcohol misuse (N=1182)	26	66	8
Anti-social behaviour team (N=1183)	21	70	8
Youth offending service (e.g. working with young offenders) (N=1183)	32	52	16



## Appendix 5

<u>Environment &amp; health</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Waste collection, disposal and recycling (N=1178)	10	89	1
Maintaining grounds (e.g. grass, verges, flower beds) (N=1176)	42	49	9
Street cleaning and litter picking (N=1175)	18	77	5
Coast protection (e.g. sea defences) (N=1170)	23	67	11
Energy efficiency / management (N=1176)	49	36	15
Climate change / carbon reduction (N=1178)	57	30	13
Public and environmental health (e.g. cemeteries and crematoriums, trading standards, and welfare rights) (N=1179)	28	62	10
Environmental enforcement (dog wardens, noise pollution, pest control) (N=1174)	41	49	11
<u>Recreation, leisure and community</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Beach safety (e.g. lifeguards) (N=1181)	35	58	7
Parks, playgrounds and countryside (N=1177)	31	58	10
Libraries (N=1167)	35	55	11
Museums, art gallery, theatre, Historic Quay, festivals and events (N=1176)	47	43	10
Sport and physical recreation (e.g. Mill House, and Headland Sports Hall) (N=1174)	28	63	10
Community development (e.g. community centres and support for voluntary organisations) (N=1172)	45	43	12
<u>Regeneration and planning</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Planning, Building Control, and Development Control (N=1173)	59	26	16
Adult and community education and learning (N=1177)	48	40	12
Tourism, including the Tourist Information Centre (N=1176)	54	33	14
Support for employers and businesses (N=1178)	46	41	13
Improved opportunities for employment (N=1171)	24	66	9
Regeneration projects (e.g. run down housing areas, affordable housing, community regeneration) (N=1177)	32	57	11
<u>Support services and management</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Maintaining & cleaning Council property e.g. schools, leisure centres, libraries, and community centres (N=1182)	27	66	7
Support services, e.g. accountancy, legal advice, personnel, and housing and council tax administration (N=1169)	56	32	12
Support for Councillors and democratic arrangements (N=1181)	81	8	10
School catering (N=1175)	24	66	10

## Appendix 5

<u>Transport</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Support for bus services and concessionary fares (N=1182)	45	47	8
'Dial A Ride' for people with disabilities (N=1182)	21	70	9
Road safety (e.g. school crossing patrols, traffic calming measures, and winter gritting) (N=1182)	14	82	4
Maintaining roads, footpaths, street lights and gullies/drains (N=1184)	9	88	3
Support for alternative transport, such as paths and cycle lanes (N=1180)	59	31	10

**4. Do you have any suggestions or examples of how the Council could save money over the next 12 months? If so, please use the space below to tell us about them: (693 suggestions received)**

Reduce the level of services provided	(87)	Reduce managers pay	(18)
Have fewer councillors	(71)	Reduce the pay of the mayor	(15)
More efficient working / more productive	(69)	Charge more for council services	(11)
Scrap role of mayor	(69)	Fix the level of staff pay	(9)
Reduce councillor expenses	(52)	Scrap Hartbeat	(9)
Employ less staff	(45)	Reduce staff expenses	(8)
Reduce staff perks	(32)	Be more energy efficient	(7)
Fewer managers within the council	(32)	Privatise some services / get better value	(7)
Give those on benefits manual work to do	(22)	Increase the level of fines	(6)
Reduce the level of staff pay	(21)	Other	(81)
Cut councillors pay	(21)		

**5. If, to protect services, the Council needed to consider different ways of delivering them, which of the following methods would you support?**

(Please tick one box on each line)

	Strongly support %	Tend to support %	Don't really support %	Don't support at all %	Don't know %	Support %	Don't support %
a. Work with the private sector to provide services instead of the Council (N=1186)	24	39	23	14	*	63	37
b. Work with other public sector agencies to deliver services (e.g. NHS and police) (N=1118)	35	51	8	6	*	86	14
c. Work with voluntary community and charitable organisations (N=1106)	35	50	11	5	*	84	16
d. Share services with other councils (e.g. a neighbouring council such as Middlesbrough) (N=1101)	23	33	21	23	*	56	44



# Have your say on Council spending. Public results, 789 completed questionnaires (574 paper, 235 online)

**ALL councils are facing a challenging time as the new Coalition Government has given a commitment to reduce public sector spending.**

Hartlepool Borough Council has already reduced spending in 2010/11 by £4.2m to balance the budget. Due to cuts in Government grants, the Council will need to make further savings of £1.66m in the current financial year, as well as finding additional savings resulting from the Government's emergency budget, which was recently announced.

The new Government is also examining spending beyond 2011 and will decide this autumn how much grant the Council will get for the next 3 years. This will impact heavily on Council finances as two thirds of Councils spending comes from Government grants and the rest is made up from Council Tax and income. Council Tax will not increase for 2011/12. The Council will need to make savings of £12m over the next three years to compensate for reductions in Government grant. This is in addition to the £6m of efficiency savings already planned by the Council.

Councillor Robbie Payne, the Council's Finance Portfolio holder said: "All councils are expecting to be hit financially and we will face some tough choices in the months and years ahead. But the worst choice would be to fail to put in place a credible plan to deal with this situation. To help us plan we need to understand the priorities of people across the town."

To help plan for the future, we will be talking to many people and organisations over the next few months before our budget for 2011/12 and beyond is agreed. This is your first opportunity to help shape the Council's priorities for spending by telling us what is most important to you. You can also fill this questionnaire out online by going to <http://consultation.hartlepool.gov.uk>. If you would like any more information, please call (01429) 523041 or e-mail [yourtownyoursay@hartlepool.gov.uk](mailto:yourtownyoursay@hartlepool.gov.uk).

**1. To what extent do you agree or disagree that Hartlepool Borough Council provides value for money? Please tick one box only.**

Strongly agree %	Tend to agree %	Neither agree nor disagree %	Tend to disagree %	Strongly disagree %	Don't know %
7	23	22	30	19	*

**2. Before we begin collecting your views on different services, thinking of the overall service Hartlepool Borough Council currently provides, how pleased are you with our service? Please tick one box only.**

Very pleased %	Fairly pleased %	Neither pleased nor unhappy %	Fairly unhappy %	Very unhappy %	Don't know %
7	34	28	20	11	*

## Appendix 5

3. Listed below are a number of services where the Council is thinking about changing its spending. For each individual service please let us know whether it would be acceptable or unacceptable to cut future spending on that service.

(Please tick one box on each line)

<u>Adult social services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Care in own home to support daily living	12	80	8
Provision of equipment and aids to support daily living	20	70	10
Provision of advice to encourage self help	37	49	14
Residential care / day centres	14	78	8
<u>Children's services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Safeguarding children and young people (e.g. child protection)	11	81	8
Support for children and young people in need, including adoption and fostering	15	75	10
Transport to school (e.g. mainstream and special needs schools)	47	43	11
Support for young people in care (including young people leaving care)	22	64	14
Youth services (e.g. youth clubs, activities, advice and support for 13 to 19 year olds)	34	54	12
Support for schools (e.g. improve exam results and attendance)	47	42	12
Support for children with disabilities and special needs (including education psychology and assessment)	12	82	6

## Appendix 5

<u>Crime and community safety</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Closed circuit television (CCTV)	49	44	8
Security patrols (e.g. Community Support Officers)	39	56	5
Working with young people to reduce offending	37	51	13
Dealing with abandoned vehicles	53	34	13
Working to reduce drug and alcohol misuse	34	56	10
Anti-social behaviour team	29	64	8
Youth offending service (e.g. working with young offenders)	41	45	14
<u>Support services and management</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Maintaining & cleaning Council property e.g. schools, leisure centres, libraries, and community centres	32	60	8
Support services, e.g. accountancy, legal advice, personnel, and housing and council tax administration	64	25	11
Support for Councillors and democratic arrangements	81	9	10
School catering	37	51	11
<u>Environment &amp; health</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Waste collection, disposal and recycling	11	86	3
Maintaining grounds (e.g. grass, verges, flower beds)	42	48	10
Street cleaning and litter picking	19	75	6
Coast protection (e.g. sea defences)	27	62	11
Energy efficiency / management	62	25	13
Climate change / carbon reduction	65	22	13
Public and environmental health (e.g. cemeteries and crematoriums, trading standards, and welfare rights)	28	62	11
Environmental enforcement (dog wardens, noise pollution, pest control)	41	50	8

## Appendix 5

<u>Recreation, leisure and community</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Beach safety (e.g. lifeguards)	36	56	8
Parks, playgrounds and countryside	33	58	9
Libraries	28	68	5
Museums, art gallery, theatre, Historic Quay, festivals and events	50	40	9
Sport and physical recreation (e.g. Mill House, and Headland Sports Hall)	33	59	8
Community development (e.g. community centres and support for voluntary organisations)	43	48	9
<u>Regeneration and planning</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Planning, Building Control, and Development Control	63	23	14
Adult and community education and learning	53	38	9
Tourism, including the Tourist Information Centre	59	30	11
Support for employers and businesses	55	32	13
Improved opportunities for employment	32	57	11
Regeneration projects (e.g. run down housing areas, affordable housing, community regeneration)	37	53	10
<u>Transport</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Support for bus services and concessionary fares	38	57	5
'Dial A Ride' for people with disabilities	25	69	6
Road safety (e.g. school crossing patrols, traffic calming measures, and winter gritting)	20	75	5
Maintaining roads, footpaths, street lights and gullies/drains	11	86	3
Support for alternative transport, such as paths and cycle lanes	64	28	8

## Appendix 5

4. Do you have any suggestions or examples of how the Council could save money over the next 12 months? If so, please use the space below to tell us about them: (971 comments received)

	%	(no.)		%	(no.)
Reduce the level of services provided	8	81	Reduce managers pay	3	29
Have fewer councillors	14	138	Reduce the pay of the mayor	0	4
More efficient working / more productive	8	78	Charge more for council services	2	19
Scrap role of mayor	15	147	Fix the level of staff pay	1	10
Reduce councillor expenses	7	71	Scrap Hartbeat	1	14
Employ less staff	5	45	Reduce staff expenses	2	16
Reduce staff perks	4	41	Be more energy efficient	1	13
Fewer managers within the council	5	47	Privatise some services / get better value	2	23
Give those on benefits manual work to do	2	19	Increase the level of fines	1	7
Reduce the level of staff pay	1	11	Other	14	134
Cut councillors pay	2	24			

## Appendix 5

**5. If, to protect services, the Council needed to consider different ways of delivering them, which of the following methods would you support?**

(Please tick one box on each line)

	Strongly support %	Tend to support %	Don't really support %	Don't support at all %	Don't know
a. Work with the private sector to provide services instead of the Council	21	34	21	24	*
b. Work with other public sector agencies to deliver services (e.g. NHS and police)	38	47	6	9	*
c. Work with voluntary community and charitable organisations	38	39	13	10	*
d. Share services with other councils (e.g. a neighbouring council such as Middlesbrough)	22	26	19	34	*



## Appendix 5

### About you...

You do not need to answer the following questions, but it would be really useful to us if you would.

<b>6. Are you...</b>	Male % 43	Female % 48			
<b>7. How old are you?</b>	16-24 4	25-44 % 18	45-64 % 36	65+ % 31	No answer % 10
<b>8. Are you...</b>	White % 99	Other % 1			
<b>9. Please tell us your postcode?</b>	TS24: 15%; TS25: 33%; TS26: 8%; TS27: 4%; Outside H/pool: 0.5%; No answer: 25%				

### Report of Consultation with Young People

#### Young Peoples feedback on the Budget Spending Plan for Hartlepool

##### Background

Hartlepool IYSS was tasked to consult with young people from across the town on how the council should be spending the money it receives from the Government, as well as from Council Tax and other charges. Young people were asked to complete a town wide survey that had been designed to gain peoples views on spending. Along side this there were a number of focus groups ran with over 50 young people from different backgrounds, ethnicity and gender in order to gain some 'real feedback' and 'opinions' from young people in relation to Hartlepool Borough Councils spending plan for the coming years.

The groups of young people that took part in this consultation included:

- College of FE students
- Brinkburn Sixth Form College.- mixed gender young people aged between 16 – 17 years who access Brinkburn Youth Club during lunch and free time from the college
- Brinkburn Young Girls group - all female group of young women aged 14 – 16 years,
- Greatham Youth Centre - mixed gender young people accessing youth club activities predominantly in the 13 – 18 age range
- Salaam Girls group – all female group of young women aged 13 – 19 years
- Brinkburn Youth Centre – mixed gender young people accessing youth club activities predominantly in the 13 – 18 age range
- Hartlepool Young Carers – mixed group of young people aged 13 to 19 years
- UKYP - mixed group of young people involved in participation activities with a primary focus on giving a voice to young people aged 11-18 years
- Hartlepool Grant Givers mixed gender group of young people aged 13 – 18 years, who are actively involved in participation activities for young people.
- Hartlepool Young Inspectors – mixed group of young people aged 13 - 19 who are actively involved in participation activities for young people with a specific agenda for inspecting young peoples services
- Throston Project- mixed gender young people accessing youth club activities predominantly in the 13 – 18 age range

As well as the young people who took part in the focus sessions a number of young people from across the town filled in the questionnaires as way of offering the opportunity to participate and make their views count.

The workshops were run on an informal basis with facilitated discussion about council spending in general. Within those discussions there were some adult set questions asked to the group to begin the conversation around the budget.

Young people were given some background information on the current financial situation, including how the council is currently spending money in 2010 and 2011 and how much the council needs to reduce its spending in the coming years. The information given to the young people covered what the money is currently being spent on and how as a council we pay for the spending. Also discussed was the 'bigger picture' in terms of what the new Coalition Government is saying. After being given this information young people were asked to fill in the questionnaires. A summary of results from the questionnaires is provided below.

The groups also discussed three topics:

- 'Your suggestions and /or examples of how the council can save money over the next 12 months'
- 'Imagine you have to make the decision for the council, you are the mayor and you have to agree a budget for 2010 for each of the main service groups'.
- 'What council areas should be protected and why'?

A summary of points from the discussions is also provided below.



## Have your say on Council spending

**All councils are facing a difficult time as the new Government has committed to reduce public sector spending.** As a result, Hartlepool Borough Council has received LESS money than expected from Central Government this year and we will receive LESS money next year. We have also been told we cannot raise more money through Council Tax, as this has been frozen for next year. This means that Hartlepool Borough Council cannot continue to pay for all the services we currently provide. We need your help to decide which services we should reduce spending on and which services you think are important for us to continue spending money on.

### About you...

1. Are you...	Male	Female	2. How old are you?	12 – 14: 34% 15 – 17: 50% 18+: 16%
	50%	50%		
3. Are you...	White	Other		
	93%	7%		
4. Please tell us your postcode?			TS24: 21%; TS25: 51%; TS26: 10%; TS27: 4%; NA: 13%	

### 5. Do you agree or disagree that Hartlepool Borough Council provides value for money? Please tick one box only.

Agree	Neither agree nor disagree	Disagree	Don't know
23%	21%	37%	19%

### 6. How pleased are you with the service Hartlepool Borough Council provides? Please tick one box only.

Pleased	Neither pleased nor unhappy	Unhappy	Don't know
20%	31%	37%	11%

### 7. Listed below are a number of services where the Council is thinking about changing its spending. For each service please let us know whether it would be acceptable or unacceptable to cut future spending on that service.

Please tick one box on each line)

## Appendix 6

<u>Adult social services</u>	Can cut %	Can't cut %	Don't know %
<b>To help older people or disabled adults to live at home for longer</b> - by providing carers (e.g. nurses), equipment (such as hand rails and stair lifts) and advice.	11	81	7
<b>Providing care homes and day care centres</b> - for people who are no longer able to live at home, and to give carers a break	6	77	17

<u>Children's services</u>	Can cut %	Can't cut %	Don't know %
<b>Supporting schools</b> - e.g. transport to schools, school meals, and helping people get better exam results.	12	78	10
<b>Help for children with disabilities and special needs</b> - by providing equipment, carers and schools	13	81	6
<b>Providing places for young people to go and things for young people to do</b> - e.g. youth clubs and community centres.	6	84	10
<b>Adoption and fostering</b> - e.g. finding children safe families to live with and providing support when they leave care.	10	77	13
<b>Keeping young people safe</b> - by protecting children from abuse or neglect.	14	80	6

## Appendix 6

<u>Regeneration and planning</u>	Can cut %	Can't cut %	Don't know %
<b>Supporting the economy</b> - including helping small businesses, creating jobs, and promoting tourism	22	66	12
<b>Houses and buildings</b> - deciding where, when and how new houses, run down areas, and old buildings can be developed and restored	49	28	23

<u>Crime and community safety</u>	Can cut %	Can't cut %	Don't know %
<b>Monitoring crime</b> - through CCTV, patrols by Community Support Officers, & Anti-social behaviour teams	28	63	9
<b>Preventing and dealing with crime</b> - through reducing drug and alcohol misuse and working with people who are at risk of offending, and by removing abandoned vehicles and working with offenders	21	66	13

<u>Support services and management</u>	Can cut %	Can't cut %	Don't know %
<b>Looking after Council buildings</b> - including cleaning, and repairing Schools, Libraries and community centres	32	58	10
<b>The Mayor and Councillors</b> - including allowances, meetings, and staff that support them	62	22	16
<b>Council office staff</b> - such as accountants, lawyers, receptionists and secretaries	47	35	18

## Appendix 6

<u>Transport</u>	Can cut %	Can't cut %	Don't know %
<b>Roads and footpaths</b> - including streetlights, drains, and cycle paths	19	71	10
<b>Keeping roads safe</b> - including lolly-pop men, zebra crossings, and winter gritting	19	74	7
<b>Public Transport</b> - including cheaper bus fares for older people and 'Dial A Ride' for people with disabilities	24	69	7

<u>Recreation, leisure and community</u>	Can cut %	Can't cut %	Don't know %
<b>Cultural and leisure facilities</b> - including Libraries, Museums, Art galleries, Theatres, Leisure Centres and community centres	34	52	15
<b>Parks and open spaces</b> - including Summerhill, Ward Jackson Park, Burn Valley, playgrounds, and lifeguards	16	74	10

<u>Environment and health</u>	Can cut %	Can't cut %	Don't know %
<b>Rubbish and recycling</b> - including emptying your bins, getting rid of your rubbish, and recycling your waste	19	74	7
<b>Keeping Hartlepool clean and tidy</b> - including cutting grass, planting flowers, cleaning up litter and dog poo.	25	62	13
<b>Looking after Hartlepool</b> - including cemeteries, beaches, and stopping the sea flooding Hartlepool	7	90	3
<b>Protecting the environment</b> - by looking at how Hartlepool can be energy efficiency and reduce climate change	32	54	13

### **Summary of discussions with young people**

The workshops were run on an informal basis with facilitated discussion about council spending in general. Within those discussions there were some adult set questions asked to the group to begin the conversation around the budget.

The two topics discussed and key points were:

- 'Your suggestions and /or examples of how the council can save money over the next 12 months'
  - Everyone's has to take responsibility
  - Get better value for money from energy use, mobile phones, procurement, utilisation of council building
  - Reduce spending on lower priority areas such as flower arrangements and sculptures,
  - Integrate community safety services
  - Take opportunities for increasing income – e.g. museums
  - Providing only one library
  - Getting young people involved in the upkeep of parks
  - Involving communities in street cleaning and litter picking
- 'Imagine you have to make the decision for the council, you are the mayor and you have to agree a budget for 2010 for each of the main service groups. What council areas should be protected and why?'
  - Support for employees and business to help address unemployment
  - Beach safety
  - Youth centres, parks and activities for young people
  - Education and schools
  - Services for older people
  - Dial a ride
  - Street lighting
  - Waste collection

A fuller summary of points from the discussions is provided below.

### **Key areas of discussion:**

#### **'Your suggestions and /or examples of how the council can save money over the next 12 months'**

Some of the key thoughts and ideas expressed by young people were very different from group to group and varied depending on each group's knowledge of the council and what it does on the whole.

A key theme that came across from the majority of the workshops was that saving money was everyone's responsibility and that some simple things like switching off lights and computers at the wall would be contributing if everyone did it!

Some young people expressed the view that councillors expenses needed to be taken in to consideration as well as the 'Mayors' salary also.

A lot of the workshops brought about discussions over the yellow lines that had been put all around the town and the 'real need' for these. Young people felt they were a waste of council resources and the reasoning of them being put there for the tall ships did not justify the amount that was spent on them.

The use of work mobile phones was raised and young people thought that they needed to be monitored in terms of the deal you get from the company and using the cheapest handset as opposed to a 'blackberry' or 'iphone'.

## Appendix 6

Consistently young people talked about spending money on things that actually decorate the town like flowers and sculptures and thought that in the current financial situation this could be a key saving.

Recycling was again a common factor that came up in a number of workshops and young people did not feel that enough emphasis was placed on this as a money saving factor.

'Making use of existing council buildings and space' was another key concern the young people highlighted as they didn't think the council utilised their own spaces as much as they could.

Touching upon some personal experiences the young people thought that council catering at meetings and events should be stopped and that people should provide their own. Some young people had existing knowledge of the council catering prices and thought that they were very expensive compared to some other providers.

This led in to the discussion on procurement and how some council services are bound to use 'set providers'. Young people found this notion extremely hard to accept and thought in some cases this could lead to spending 'too much' money on things that could be bought cheaper elsewhere thus creating an immediate saving.

An issue raised in some of the workshops was that of 'museums being self funded', as young people thought that they should generate their own sources of income as they would be more that capable of doing so.

Finally young people discussed the area of what they termed as 'middle managers' and 'pen pushers'. They felt that there was not always a need to have managers for the sake of it and that those people who were key to delivering services were the most important people to employ. The young people did point out that they did not favour people losing their jobs but that job roles should reflect people being made accountable and that their work should make a difference.

**In relation to all council services and departments young people were asked to consider two main questions when making their comments. The two questions were:**

**'Imagine you have to make the decision for the council, you are the mayor and you have to agree a budget for 2010 for each of the main service groups'.**

**'What council areas should be protected and why'?**

### **Regeneration and planning**

Young people's views in this area were around protection and support for employees and businesses, so that the unemployment figure for Hartlepool could be reduced. The young people felt very strongly about protecting employment for people as they thought that it would have a detrimental effect on 'Hartlepool' as a whole if people lost their jobs. They also felt that it was important that new jobs were created as more and more people were leaving university and other training courses and found it difficult to find work. Young people expressed the view that we should put money in to existing buildings rather than 'knocking down and building new'. Also there was a general agreement that less money should be spent on tourism as they didn't feel it was a big enough priority and that perhaps Hartlepool being a small town didn't really need that much money spent on tourist information although it needs to be noted that they understood the value of tourism and the money it brings in to the town. They thought that it was important to have some support around adult training if the town were to get people back in to paid employment.



### **Crime and community safety**

A common theme in this area was that CCTV is important to both keeping people safe and making them feel safe as well as acting as a deterrent to people who may commit crime. However some cameras could be better located and positioned in some areas. In terms of some services that fall under the crime and community safety heading young people thought that they could be integrated in to one service as they seem to be aiming for similar goals. Also discussed was the emphasis of preventative work on drug and alcohol misuse and anti social behaviour with young people from an early age in order to influence their choices as an adult. Some young people thought that the Antisocial Behaviour Unit was not a service for young people but for adults only and that this should be the job of the police and not for a separate department. Another key theme was that the dealing with abandoned vehicles was not needed as a role as 'there are more important things to be dealt with than this' is how the young people put it. In terms of C.S.O's young people felt that they had little power and or authority and that perhaps they were not as important as some other services under this heading.

### **Recreation, leisure and community**

The majority of young people said that beach safety should be protected as it is used by a large majority of people across the town as well as sport and recreation as it promotes a healthy lifestyle although it is not a big 'need' for young people as they are involved in sport when they attend school. A key thought was that there should be one library in the town as Hartlepool is only small and the main library is centrally located and is easy to get to using public transport from all areas of town. Parks for young people should be protected but young people should be involved in the upkeep of them as they would appreciate them more, and it is young people who vandalise them most. Parks are also places that people who have little money can take their families free of charge so they should be kept. Museums and art galleries should not have any money put in to them because they can generate their own and that they are not a 'need' unlike some other services.

### **Children's services**

The majority of young people wanted to protect youth centres and activities for young people. They thought that this helps keep them 'out of trouble and from committing antisocial behaviour and getting ASBO 13s and may increase the quality of a young person's life. Also Education should be protected as this was important for all young people having a good quality of life in the future. Young people said that children and young people are vulnerable so safeguarding is important but it was important that 'young people' should be allowed to be 'young people' and that sometimes procedures are silly and a waste of time. Transport is important to get to school but where possible young people can walk as it keeps them healthy and fit. The conversations around support for attendance and exam results was felt that it was less important than the rest of them as young people who had knowledge of attendance officers didn't really think they made that much difference.

### **Support services and management**

Majority of young people agreed it was important to keep up the maintenance and cleaning of schools etc in order to allow people safe and healthy environments to work and learn in. The vast majority of the young people said it was not important to have support for councillors and democratic arrangements as they should be doing this themselves and at the very least it should be cut down because they felt it wasn't value for money. One option was to have an integrated service within support services and management. However school catering was important as for some young people their school dinner may be the only meal they have all day and so this need to be nutritional and well balanced and young people should be allowed seconds if they like.

### **Adult Social Services**

Young people had some mixed views in this area with some young people taking the approach that families should be responsible where as the majority felt it was important to

## **Appendix 6**

offer support in the whole of this area. The common argument was that OAPs in particular have paid their way in society all their lives and should be looked after and given a good quality of life. Day centres and residential centres were deemed to be important in enabling a good quality of life and making sure that some people did not become housebound and could have some form of social activity in their lives.

### **Transport**

Young people generally felt that there should be concessionary fares for not only the elderly but for young people as well. Young people discussed the difficulty of getting to different parts of the town for activities and the cost associated with this. Young people would protect dial a ride as they felt this was important for people who have disabilities and ensuring their quality of life. Young people thought that street lighting was important in all areas of the town and should be protected but that more efficient lighting (such as solar lights) should be used. They did not think that cycle paths and lanes were important as they felt they were not used enough to justify spending any amount of money on them.

### **Environment and health**

Majority of young people said to protect waste collection but that a bigger emphasis should be placed on recycling. Some groups discussed the idea that things like street cleaning and litter picking should be done within the element of community service to save money. Most of the young people were not concerned with the protection of dog wardens and coast protection etc as they did not think that people listened and that it was value for money.

### Notes from Meeting Community Network Representatives Meeting

#### Community Network Notes of meeting Tuesday 7 September Budget Consultation – questions, comments and responses –

The meeting started with a presentation about the Council's overall budget position.

Community Network representatives were then asked to complete a questionnaire seeking views on overall council performance and areas where reductions/cuts in spending would be acceptable or unacceptable. Questions were also asked about preferences regarding who would be acceptable as service provider. This was the same questionnaire used for Viewpoint, public and staff consultation.

## Initial comments following budget presentation

#### **Is reduction in pay for higher paid staff (over £30,000) being considered?**

Council: No plans as yet to review higher pay but national review of pension arrangements likely to consider increasing payments and reducing benefits.

#### **Council saved £2.5m in management costs. Is that a net figure or were there costs?**

Council: Cost in year 1 was slightly more than £2.5m.

#### **Does £21,000 pay cap for eligibility to receive £250 flat rate pay increase take account of overtime?**

Council: Government proposal not clear so don't know.

#### **Is absenteeism being addressed?**

Council: Yes and have done so for several years. Absence rates have reduced. Council as an employer is probably more sympathetic to sickness and would not want to force people back to work when for example they are caring for vulnerable older people.

Further comment: That still didn't explain why Hartlepool higher than other councils.

#### **Volunteers being asked by Government to take on more roles in their communities. Why was HVDA cut by 17%.**

Council: Council decision, judgement about priorities and action required to balance the budget for 2010/11.

#### **Reserves and investment: how much and where does it go?**

Council: Interest rates currently very low, less than 1%.

Council is a cautious investor, had no money invested in Icelandic banks.

Overall reserves £30m but much of this earmarked for specific costs or held in trust.  
e.g. school reserves £5m but these controlled by schools, reserves set aside to meet insurance claims.

#### **Council should cut mayor and his gang**

Council: no comment

#### **Council should have addressed spending long time ago. Money wasted for example replacing adequate roundabout with traffic lights, building bus station. Council should consult on these projects before going ahead.**

Council: no comment

#### **Council should reduce use of consultants.**

Council: Council do seek to use council staff but sometimes necessary where it would be uneconomic to retain our own staff. For example work on Building Schools for the Future.

**Agree with central government plans to ring fence education and health but not overseas aid. Government should have consulted before deciding what would be ringfenced.**

Council: no comment

# Completion of questionnaire

**Difficult to respond using questionnaire, too simple, does not give enough information. Consulted needed more information in order to provide considered responses. For example, those consulted might not appreciate that voluntary and community sector provided valuable services to the elderly and other communities.**

Council: This is the first phase of consultation to get broad overview of priorities. Further consultation on detailed proposals is planned.

**Not enough information for effective consultation. Not just about cuts. Look at alternative providers, eligibility criteria, and opportunities for increasing income. Want to see cost reduced not services.**

Council: Council addressing these issues through a programme for service delivery option reviews (SDOs). Situation is often complicated. Scope for cost reduction often limited where staff costs are the main costs because TUPE regulation protect staff.

**How can organisation feed their views into these reviews? Some organisations feel they could provide services at a lower cost e.g. Youth Connexions Service.**

**Consultation with potential providers should happen. Need to make sure consultation takes place.**

Council: Officers leading reviews should be consulting organisations on their views but capacity was limited.

**Services for the elderly, infirm and children should be ringfenced.**

**There is scope to reduce support for schools. Leave head teachers to decide if they want to buy in support. Reference to Learning Support team where staff were made redundant and schools made their own arrangements. In some case support was taken because it was free rather than because it was valued.**

**There are statutory services which must be provided but there is room to interpret what this means. For example free school meals could be water, fruit and a sandwich rather than a hot meal or salad. But there as value in the better service because for many children this was their main meal.**

**Consider using charities to deliver services. Give them the job and monitor what they do.**

Council: Council looking at whether there is a better way to deliver services. All services are being looked at. Council often seeks to use other providers such as charities.

Keith Bayley confirmed and provided examples.

**Will change to benefit regulations, such as introduction of Fit Notes, impact on the number of volunteers.**

**Increasing unemployment will mean there is no shortage of volunteers.**

**Concern about availability of money to regenerate areas already demolished or that remain unfit. Need to ensure these properties remain maintained.**

**Use local small builders to maintain and refurbish rather than demolish.**

Council: Over the recent years council had been successful in winning bids for regional money and had done better than many neighbouring authorities.

Housing regeneration is often complex, for example, the impact of property speculators buying properties in the hope of profits.

**Bus companies holding council to ransom. Why can't council run its own bus service which might be less expensive?**

Council: Changes to bus regulation would require national change. Some councils had tried to run their own bus services and these had been bankrupted by low cost competition from national bus companies.

**Block off Villiers Street**

Council: raise with Engineers

Council response:

Villiers Street is already closed at one end. There is no plan to change this arrangement. Villiers Street is used for access to the public display area (Army Careers, Hartlepool Mail, etc), it has a taxi rank on it and also as pick up and drop off for disabled visitors to the library.

**Need to invest to save. Alcohol services, for example, for which Hartlepool has been red flagged. These services save £5 for each £1 invested because fewer people require treatment; there is less anti social behaviour etc. There are too many targets about activity rather than outcomes and prevention.**

Council: Often the investment by the council produces savings by other organisations. For example council invest in alcohol services and NHS and other organisation such as the Police make the savings. Need to find a way of sharing the costs and benefits.

**Working with the private sector: the voluntary sector also makes a profit or surplus but the difference is that this is retained in the local area. Private sector takes profit out of the town.**

**Protect most vulnerable jobs – need to protect low earners with least power.**

**Procurement – often view given by a council officer is that it doesn't matter who delivers the services. This is too simplistic. Need to construct tenders so local companies and voluntary sector have fair opportunity to bid successfully. These factors need to be built into the process. Often easy approach is taken aggregating contracts which may only be attractive to larger companies.**

**Procurement: 2 stages. Portfolio holder agrees to procurement and officers then arrange and manage procurement process. Mayor is speaking about procurement on Thursday at the People Centre.**

**Dredging harbour £230,000 for Tall Ships. Contract payment but work not completed.**

Council: to investigate dredging contract.

Council response:

Discussions took place during the Tall Ships planning process between HBC, Marina and PD Ports on the possible need to dredge parts of the West Harbour approach to enable Tall Ships to safely navigate their way into Hartlepool Marina.

At no point was a contract for £230,000 discussed or agreed.

Professional soundings were taken and this research showed that with very careful navigation, the Tall Ships would be able to have safe passage through the West Harbour approach. This proved to be the case during the event.

## Community Representative Results, 23 Completed Questionnaires

**1. To what extent do you agree or disagree that Hartlepool Borough Council provides value for money? Please tick one box only.**

Strongly agree %	Tend to agree %	Neither agree nor disagree %	Tend to disagree %	Strongly disagree %	Don't know *
10	43	14	29	5	

**2. Before we begin collecting your views on different services, thinking of the overall service Hartlepool Borough Council currently provides, how pleased are you with our service? Please tick one box only.**

Very pleased %	Fairly pleased %	Neither pleased nor unhappy %	Fairly unhappy %	Very unhappy %	Don't know *
13	65	13	4	4	

- 3. Listed below are a number of services where the Council is thinking about changing its spending. For each individual service please let us know whether it would be acceptable or unacceptable to cut future spending on that service.**

(Please tick one box on each line)

<u>Adult social services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Care in own home to support daily living	4	96	0
Provision of equipment and aids to support daily living	9	87	4
Provision of advice to encourage self help	35	61	4
Residential care / day centres	17	78	4
<u>Children's services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Safeguarding children and young people (e.g. child protection)	5	96	0
Support for children and young people in need, including adoption and fostering	5	96	0
Transport to school (e.g. mainstream and special needs schools)	27	56	18
Support for young people in care (including young people leaving care)	27	73	0
Youth services (e.g. youth clubs, activities, advice and support for 13 to 19 year olds)	18	64	18
Support for schools (e.g. improve exam results and attendance)	50	50	0
Support for children with disabilities and special needs (including education psychology and assessment)	5	96	0

## Appendix 8

<u>Crime and community safety</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Closed circuit television (CCTV)	59	32	9
Security patrols (e.g. Community Support Officers)	18	82	0
Working with young people to reduce offending	5	82	14
Dealing with abandoned vehicles	55	41	5
Working to reduce drug and alcohol misuse	18	73	9
Anti-social behaviour team	23	73	5
Youth offending service (e.g. working with young offenders)	18	68	14
<u>Support services and management</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Maintaining & cleaning Council property e.g. schools, leisure centres, libraries, and community centres	35	48	17
Support services, e.g. accountancy, legal advice, personnel, and housing and council tax administration	61	30	9
Support for Councillors and democratic arrangements	78	9	13
School catering	27	64	9
<u>Environment &amp; health</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Waste collection, disposal and recycling	14	82	5
Maintaining grounds (e.g. grass, verges, flower beds)	36	55	9
Street cleaning and litter picking	18	77	5
Coast protection (e.g. sea defences)	35	48	17
Energy efficiency / management	55	36	9
Climate change / carbon reduction	55	32	14
Public and environmental health (e.g. cemeteries and crematoriums, trading standards, and welfare rights)	18	77	5
Environmental enforcement (dog wardens, noise pollution, pest control)	26	65	9
<u>Recreation, leisure and community</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Beach safety (e.g. lifeguards)	35	61	4
Parks, playgrounds and countryside	41	55	5
Libraries	30	52	17

## Appendix 8

Museums, art gallery, theatre, Historic Quay, festivals and events	52	44	4
Sport and physical recreation (e.g. Mill House, and Headland Sports Hall)	22	70	9
Community development (e.g. community centres and support for voluntary organisations)	9	83	9
<u>Regeneration and planning</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Planning, Building Control, and Development Control	61	22	17
Adult and community education and learning	39	48	13
Tourism, including the Tourist Information Centre	52	44	4
Support for employers and businesses	61	39	0
Improved opportunities for employment	9	83	9
Regeneration projects (e.g. run down housing areas, affordable housing, community regeneration)	9	82	9
<u>Transport</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Support for bus services and concessionary fares	35	56	9
'Dial A Ride' for people with disabilities	17	74	9
Road safety (e.g. school crossing patrols, traffic calming measures, and winter gritting)	14	82	5
Maintaining roads, footpaths, street lights and gullies/drains	27	68	5
Support for alternative transport, such as paths and cycle lanes	73	18	9

4. Do you have any suggestions or examples of how the Council could save money over the next 12 months? If so, please use the space below to tell us about them:

Results being summarised

5. If, to protect services, the Council needed to consider different ways of delivering them, which of the following methods would you support? (Please tick one box on each line)



## Appendix 8

	Strongly support %	Tend to support %	Don't really support %	Don't support at all %	Don't know
a. Work with the private sector to provide services instead of the Council	24	19	24	33	*
b. Work with other public sector agencies to deliver services (e.g. NHS and police)	50	50	0	0	*
c. Work with voluntary community and charitable organisations	82	18	0	0	*
d. Share services with other councils (e.g. a neighbouring council such as Middlesbrough)	14	52	24	10	*

## Appendix 8

### About you...

You do not need to answer the following questions, but it would be really useful to us if you would.

<b>6. Are you...</b>	Male % 52	Female % 48			
<b>7. How old are you?</b>	16-24 0	25-44 % 39	45-64 % 30	65+ % 30	
<b>8. Are you...</b>	White % 100	Mixed 0	Asian or Asian British 0	Black or Black British 0	Chinese or other ethnic group 0
<b>9. Please tell us your postcode?</b>	TS24: 39%; TS25: 22%; TS26: 39%				

## Staff Results, 370 Completed Questionnaires

**1. To what extent do you agree or disagree that Hartlepool Borough Council provides value for money? Please tick one box only.**

Strongly agree %	Tend to agree %	Neither agree nor disagree %	Tend to disagree %	Strongly disagree %	Don't know %
17	48	22	10	3	*

**2. Before we begin collecting your views on different services, thinking of the overall service Hartlepool Borough Council currently provides, how pleased are you with our service? Please tick one box only.**

Very pleased %	Fairly pleased %	Neither pleased nor unhappy %	Fairly unhappy %	Very unhappy %	Don't know %
19	56	20	5	1	*

**3. Listed below are a number of services where the Council is thinking about changing its spending. For each individual service please let us know whether it would be acceptable or unacceptable to cut future spending on that service. (Please tick one box on each line)**

<u>Adult social services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Care in own home to support daily living	8	81	11
Provision of equipment and aids to support daily living	18	68	14
Provision of advice to encourage self help	29	50	20
Residential care / day centres	16	70	14
<u>Children's services</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Safeguarding children and young people (e.g. child protection)	5	92	4
Support for children and young people in need, including adoption and fostering	6	84	10
Transport to school (e.g. mainstream and special needs schools)	50	35	15
Support for young people in care (including young people leaving care)	12	76	13
Youth services (e.g. youth clubs, activities, advice and support for 13 to 19 year olds)	43	42	15
Support for schools (e.g. improve exam results and attendance)	47	39	15
Support for children with disabilities and special needs (including education psychology and assessment)	8	83	10
<u>Crime and community safety</u>	Acceptable to	Unacceptable to	Don't

## Appendix 9

	cut %	cut %	know %
Closed circuit television (CCTV)	62	30	8
Security patrols (e.g. Community Support Officers)	41	50	9
Working with young people to reduce offending	29	56	15
Dealing with abandoned vehicles	63	20	17
Working to reduce drug and alcohol misuse	30	55	15
Anti-social behaviour team	33	53	15
Youth offending service (e.g. working with young offenders)	31	51	18
<u>Support services and management</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Maintaining & cleaning Council property e.g. schools, leisure centres, libraries, and community centres	41	50	9
Support services, e.g. accountancy, legal advice, personnel, and housing and council tax administration	49	37	14
Support for Councillors and democratic arrangements	85	5	10
School catering	38	48	13

## Appendix 9

<u>Environment &amp; health</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Waste collection, disposal and recycling	19	76	6
Maintaining grounds (e.g. grass, verges, flower beds)	58	32	11
Street cleaning and litter picking	30	63	7
Coast protection (e.g. sea defences)	30	55	15
Energy efficiency / management	58	28	14
Climate change / carbon reduction	62	24	15
Public and environmental health (e.g. cemeteries and crematoriums, trading standards, and welfare rights)	31	56	13
Environmental enforcement (dog wardens, noise pollution, pest control)	45	45	10
<u>Recreation, leisure and community</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Beach safety (e.g. lifeguards)	37	54	10
Parks, playgrounds and countryside	39	50	11
Libraries	49	44	8
Museums, art gallery, theatre, Historic Quay, festivals and events	56	36	9
Sport and physical recreation (e.g. Mill House, and Headland Sports Hall)	39	53	8
Community development (e.g. community centres and support for voluntary organisations)	53	36	11
<u>Regeneration and planning</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Planning, Building Control, and Development Control	58	29	13
Adult and community education and learning	53	36	11
Tourism, including the Tourist Information Centre	60	27	13
Support for employers and businesses	50	37	13
Improved opportunities for employment	28	59	13
Regeneration projects (e.g. run down housing areas, affordable housing, community regeneration)	29	59	12

## Appendix 9

<u>Transport</u>	Acceptable to cut %	Unacceptable to cut %	Don't know %
Support for bus services and concessionary fares	61	32	7
'Dial A Ride' for people with disabilities	23	69	9
Road safety (e.g. school crossing patrols, traffic calming measures, and winter gritting)	18	76	6
Maintaining roads, footpaths, street lights and gullies/drains	18	76	6
Support for alternative transport, such as paths and cycle lanes	70	21	9

**4. Do you have any suggestions or examples of how the Council could save money over the next 12 months? If so, please use the space below to tell us about them:**

	%	(no.)		%	(no.)
Reduce the level of services provided	9	26	Reduce managers pay	1	4
Have fewer councillors	10	28	Reduce the pay of the mayor	0	0
More efficient working / more productive	15	41	Charge more for council services	1	4
Scrap role of mayor	6	17	Fix the level of staff pay	1	2
Reduce councillor expenses	4	10	Scrap Hartbeat	1	2
Employ less staff	2	6	Reduce staff expenses	3	7
Reduce staff perks	7	18	Be more energy efficient	3	9
Fewer managers within the council	4	12	Privatise some services / get better value	3	9
Give those on benefits manual work to do	1	3	Increase the level of fines	0	0
Reduce the level of staff pay	2	6	Other	25	69
Cut councillors pay	1	3			

## Appendix 9

5. If, to protect services, the Council needed to consider different ways of delivering them, which of the following methods would you support? (Please tick one box on each line)

	Strongly support %	Tend to support %	Don't really support %	Don't support at all %	Don't know
a. Work with the private sector to provide services instead of the Council	9	25	27	41	*
b. Work with other public sector agencies to deliver services (e.g. NHS and police)	35	54	5	6	*
c. Work with voluntary community and charitable organisations	21	55	17	7	*
d. Share services with other councils (e.g. a neighbouring council such as Middlesbrough)	26	40	16	18	*

## Appendix 9

### About you...

You do not need to answer the following questions, but it would be really useful to us if you would.

	Male %	Female %	No answer %		
<b>6. Are you...</b>	26	52	22		
<b>7. How old are you?</b>	16-24 5	25-44 % 43	45-64 % 29	65+ % 0.5	No answer % 22
<b>8. Are you...</b>	White % 76	Other % 1	No answer % 23		
<b>9. Please tell us your postcode?</b>	<div> TS24: 11%; TS25: 10%; TS26: 8%;  TS27: 4%; Outside: 5%; No answer: 63% </div>				



## **CABINET REPORT**

11 October 2010



**Report of:** Director of Regeneration and Neighbourhoods  
and Chief Solicitor

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

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### **SUMMARY**

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

To consider and agree a revised Constitution and revised 'Shared Services' Arrangement for the North Eastern Purchasing Organisation, following the approval of a new Business Plan for the organisation by the ANEC Leaders and Elected Mayors Board on 15 June 2010.

#### **2. SUMMARY OF CONTENTS**

The report highlights developments in the collaborative procurement landscape across the region and how the Council needs to respond in order to maximise efficiencies. It outlines the latest details of the review of the Regional Improvement and Efficiency Partnership/North East Purchasing Organisation (NEPO), considers Hartlepool's position and seeks Cabinet agreement to a revised constitution and revised "shared services" Arrangement.

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.

### 3. RELEVANCE TO CABINET

Regional collaborative procurement is a key element in the Council's medium term financial strategy.

### 4. TYPE OF DECISION

Key Test (i). Forward Plan reference Number RN31/10

### 5. DECISION MAKING ROUTE

Cabinet to agree revised Constitution and Shared Services Agreement with Full Council to agree the Council's member representation on NEPO.

### 6. DECISION(S) REQUIRED

#### 6.1 It is recommended that Cabinet:

1. Approves the revised Constitution for the Joint Committee of the North Eastern Purchasing Organisation, as set out in **Appendix 2**.
2. Approves the revised 'Shared Services' Arrangement for the North Eastern Purchasing Organisation, as set out in **Appendix 2**, and authorise the Chief Solicitor to enter into the Arrangement subject to further investigation into operational protocols and funding.
3. Requests that Full Council appoints two members to serve on the Joint Committee, one of whom is the Executive Member with responsibility for procurement.
4. Authorises the Chief Solicitor to make any consequential changes to the Council's constitution to give effect to these revised arrangements in conjunction with Constitution Committee.
5. Considers a further report on the progress of the review of operational protocols and funding that will be undertaken.

**Report of:** Director of Regeneration and Neighbourhoods  
and Chief Solicitor

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

---

## **1. PURPOSE OF REPORT**

- 1.1 To consider and agree a revised Constitution and revised 'Shared Services' Arrangement for the North Eastern Purchasing Organisation, following the approval of a new Business Plan for the organisation by the ANEC Leaders and Elected Mayors Board on 15 June 2010.

## **2. BACKGROUND**

- 2.1 The main content of this report from Section 2.3 to the end of Section 5 is in the form of a standard template supplied by NEPO in order that each north east Council receives the same information in relation to the regional collaborative procurement recommendations. There is additional information included to reflect views and comments on the Hartlepool Council perspective.
- 2.2 A previous report was considered by Cabinet on 8th February 2010 with comments from that included in the consultation process. The Portfolio Holder for Finance and Procurement and Contract Scrutiny Committee have also received reports and the Council's NEPO Members have been briefed. The report includes those views and comments from the Council's consultation process.
- 2.3 The North Eastern Purchasing Organisation (NEPO) is responsible for organising collaborative contracts through which councils purchase goods and services. It comprises a small number of staff managed by the Head of Procurement of Gateshead Council, and is governed through a Joint Committee of 36 members drawn from the 12 councils in this region. Member councils pay an annual subscription of circa £30k to contribute to its costs.
- 2.4 NEPO has performed well over recent years and has developed a good reputation for delivering savings through contract rebates and lower prices, which are estimated to exceed £5m per annum. Nevertheless it has been recognised for some time by the Joint Committee that only a relatively small proportion of local authority

contracts are organised collaboratively, and that considerable scope exists to develop the role of NEPO further. It has been estimated by the North East Regional Improvement and Efficiency Partnership (NE-IEP) that potential savings in excess of £25m per annum could be generated by 2012/13 through collaborative procurement by NE Councils, and this is especially important in the light of public spending reductions that are likely to impact on local authorities over the next few years.

- 2.5 In October 2008 the Joint Committee agreed to commission with the NE-IEP an assessment of its own capacity, capability and organisational arrangements to determine the scope for increasing the volume of collaborative procurement between councils. Initial options were considered by the Joint Committee in October 2009, following which it was agreed that a Business Plan should be commissioned to enable a decision on the future governance arrangements of NEPO to be reached by the summer of 2010.
- 2.6 In line with this decision, and following extensive consultation, a detailed Business Plan for the development of NEPO was finalised earlier this year. The Business Plan proposed a new organisation designed to expand the influence of NEPO in the region; to increase the level of financial savings substantially and to support the regional supply chain to benefit from better public sector contracting opportunities.
- 2.7 In summary the Business Plan 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
  - 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
- 2.8 The Business Plan is attached at **Appendix 1** (there is an executive summary at the front end to assist).
- 2.9 The Business Plan was considered at an ANEC Leaders and Elected Mayors Board Meeting held on 15 June 2010. Leaders and Elected Mayors expressed their support for the approach taken in the Business Plan and agreed:
- The recommendations set out in the Business Plan
  - In relation to governance, a member body of 12 Executive Members, 6 Scrutiny Members and 6 Audit Members – i.e. a Joint Committee of 24 Members with 2 from each Council
  - The 12 local authorities in the region be asked to give approval, through their Executives, to the new organisational and governance arrangements by no later than 30 September 2010 (subsequently changed to 28<sup>th</sup> October 2010)
  - The existing NEPO Joint Committee should continue to operate for an interim period, with an AGM for the new organisation being held in October once approval from all 12 Authorities to the new constitution is in place
  - Subject to appropriate arrangements being made for member involvement in the process, authority be delegated to Barry Rowland, Roger Kelly, Martin Ryan and George Garlick (or their nominated representatives) to agree the process for recruitment of a Chief Officer, to interview candidates and to make the appointment. (**NOTE:** An appointment of Director of NEPO took place on 30 July 2010, and the successful candidate will take up the post on 4th October 2010)
- 2.10 The inaugural Annual General Meeting of the newly constituted Joint Committee is due to take place on 28 October 2010.
- 2.11 In view of the above, it is necessary to make significant amendments to the existing NEPO Constitution under which the Joint Committee currently operates, and to update the 'Shared Service' Arrangement between member councils. These documents are attached to the report as **Appendix 2** respectively, and have been the subject of detailed consultation with legal officers from all member councils.

- 2.12 Each Council is also required to nominate two members to serve on the Joint Committee, one of whom is recommended to be an Executive Member with responsibility for procurement.

### **3. CONSTITUTION**

- 3.1 The revised constitution brings into effect the recommended governance changes set out in the agreed business plan. The significant features are as follows:

- A Joint Committee of 24 Members, rather than 36 members, with a new set of functions to develop the long term strategy for regional strategic procurement, approve business plans and ensure organisational effectiveness through its sub-committees
- A new Executive Sub-Committee of 12 members, comprising Executive Members from each council with responsibility for procurement, to review performance and monitor the effectiveness of the organisation, and to take on such strategic duties as are delegated by the Joint Committee
- A new Scrutiny Sub-Committee of 6 members to develop and deliver an annual programme of scrutiny reviews of procurement activity within the organisation
- A new Audit Sub-Committee of 6 members to provide the Joint Committee with assurance of the efficient and safe operation of its affairs
- An extended tenure for Chairs and Vice Chairs from one year, up to two years to facilitate consistency and longer term planning
- An Officer Advisory Board of the Chief Executive or Senior Director with responsibility for Procurement from each Council, to ensure that the regional agenda is being pursued effectively and that the Joint Committee is meeting the objectives of each Council
- More extensive delegation to a full time Director to manage the new organisation, determine contracts and represent councils in national discussions concerning procurement activity, within the overall strategic framework set by members

### **4. 'SHARED SERVICES' AGREEMENT**

- 4.1 A revised 'Shared Services' Agreement establishes the formal relationship between member councils, as required by the agreed Business Plan. The significant features are as follows:

- Commencement of the 'Agreement' on 28 October 2010
- Agreement that Gateshead Council will act as Host Authority for NEPO until at least 31 March 2012, subject to a decision by the ANEC Leaders and Elected Mayors Board before 31 March 2011 on the arrangements thereafter

- An obligation by member councils not to withdraw from regional contracts following a commitment to participate, without the prior agreement of the Joint Committee
- An agreement to share relevant data, and to support regional working on a cost reimbursement basis
- A freeze in the annual member subscription to NEPO until 31 March 2012, with any additional running costs being met from NE-IEP funds and rebate income
- A review of the funding/subscription model by 31 March 2011, so as to enable a new arrangement to be in place by 1 April 2012
- The admission of other local authorities or public sector organisations to become NEPO members, by unanimous agreement of the Joint Committee
- A biannual report by the Joint Committee to the ANEC Leaders and Elected Mayors Board on outcomes
- Shared liabilities, other than those arising from gross negligence, gross misconduct or persistent breach of law or duty
- Withdrawal of membership subject to 6 months notice, expiring on 31 March in any given year

## **5. THE NEPO AND NE-IEP CONCLUSIONS**

- 5.1 The above changes to NEPO represent a real opportunity for the region to benefit substantially from additional and more strategically focused collaborative procurement, both in terms of financial savings for member councils, and to stimulate the regional economy. To bring the new organisation into being requires agreement by all Council Executives of a revised Constitution and 'Shared Services' Agreement. As required by the ANEC Leaders and Elected Mayors Board, this needs to be completed prior to the inaugural AGM of the Joint Committee to be held on 28 October 2010.

## **6. HARTLEPOOL'S CONSIDERATIONS**

- 6.1 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, Corporate Management Team and Contract Scrutiny Committee (20/9/10) with a briefing for the Council's NEPO Members. The Portfolio Holder has also been monitoring developments and input his comments.
- 6.2 Comments from the above 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 Team
- 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.

6.3 The Mayor reinforced the Council’s position in a letter to ANEC attached at **Appendix 3**.

6.4 Officers across the Council and via our Tees Valley Network have made further comments as follows:-

- Whilst we are fully committed to the principles of regional collaboration it is essential to ensure 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 the new organisation 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. cost 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 the structure of the organisation and its sustainability over time.

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

- 7.1 As a result of the comments in Sections 6.2 and 6.4 and consultation NEPO / NE-IEP made 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 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.

- 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. The Business Plan highlights the estimates and assumptions made and it must be emphasised 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. In addition the savings from the 10 areas considered do not take into account the individual position of Councils e.g. Hartlepool is tied into an ICT arrangement with Northgate and work has already been done to achieve savings in some areas such as Adult Social Care.

## **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 could be termed '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 the Council's 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. The Council receives around £50k per annum in rebates and they form part of our "base budget" to fund salaries in the procurement team and therefore this presents some risk.
- 8.7 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.
- 8.8 In considering the future method of funding, a number of principles are expected to be established by members. These are:
- Equality of contribution
  - Rebates
  - Payment for regional work undertaken by member councils
- 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. The review will also need to encompass the process / subscription model of “associate members”.

## **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 2 of the report.
- 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 management agreement to set out the terms of the shared services.
- 9.4 The Council now needs to select our 2 representatives on the NEPO Joint Committee. Our current 3 NEPO representatives are -
- Councillor Robbie Payne (Executive member for Finance and Procurement)  
Councillor Stephen Akers-Belcher  
Councillor Lillian Sutheran
- 9.5 One of the new representatives is required to be the Executive Member for Procurement.
- 9.6 Full Council will be required to appoint the two NEPO Joint Committee representatives.
- 9.7 The AGM of the “new” NEPO Joint Committee will be held on 28th October 2010 and it is intended that the new representatives from each of the local authorities will attend.
- 9.8 At Hartlepool, Full Council does not meet until the evening of the 28th October and therefore no decision will have been made on the member representation. It is suggested that the Executive Member for Procurement attends the NEPO meeting to represent the Council.
- 9.9 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 It is recommended that Cabinet:

1. Approves the revised Constitution for the Joint Committee for the North Eastern Purchasing Organisation, as set out in **Appendix 2**.
2. Approves the revised 'Shared Services' Arrangement for the North Eastern Purchasing Organisation, as set out in **Appendix 2**, and authorise the Chief Solicitor to enter into the Arrangement subject to further investigation into operational protocols and funding.
3. Requests that Full Council appoints two members to serve on the Joint Committee, one of whom is the Executive Member with responsibility for procurement.
4. Authorises the Chief Solicitor to make any consequential changes to the Council's constitution to give effect to these revised arrangements in conjunction with Constitution Committee.
5. Considers a further report on the operational protocols and funding review that will be undertaken.

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# **REGIONAL GOVERNANCE REVIEW OF COLLABORATIVE PROCUREMENT**

## **Executive Summary**

**v2.2 [final]  
8 June 2010**

# **REGIONAL GOVERNANCE REVIEW OF COLLABORATIVE PROCUREMENT**

## **NEW DEMOCRATIC AND ORGANISATIONAL ARRANGEMENTS**

**June 2010**

### **EXECUTIVE SUMMARY**

1. Local Government in the North East spends vast sums of public money on the procurement of a wide range of goods and services. This expenditure helps deliver services and supports the local and regional economy by offering trading opportunities for local firms. Effective and efficient procurement is therefore essential to the social and economic wellbeing of the region.
2. In October 2008, at an extraordinary meeting of the NEPO Joint Committee, it was agreed to jointly commission with the North East Improvement & Efficiency Partnership, a comprehensive assessment of existing regional procurement capacity, capability and organisational arrangements. Price Waterhouse Coopers [PWC] consultants were engaged to examine these issues. They subsequently conducted extensive consultations with all local authorities in the region, and produced a range of options for consideration. These options were considered by NEPO Elected Members and Chief Executives in October 2009, following which it was agreed that a full business plan should be developed, to enable a decision on the future governance arrangements to be reached by the summer of 2010.
3. The next few years will be very demanding for the whole of the public sector, particularly local authorities and Fire & Rescue services as they attempt to protect front line services in the face of funding reductions, demographic change and increasing customer expectations. Increasingly the focus of local authorities in attempting to resolve this dilemma is to ensure that back office functions, including the processes surrounding the procurement of goods and services, are being provided as efficiently and effectively as possible, through removal of waste and greater collaboration. It has been estimated that over £70m over the next five years could be saved in the North East region alone through regional collaborative procurement by local authorities.
4. The North East is ideally positioned to move forward quickly with this collaborative agenda. Unlike many regions, the North East has its own 'Public Sector Buying Organisation', the North Eastern Purchasing Organisation [NEPO], and an established Regional Improvement and Efficiency Partnership, [NE IEP], both of which form a solid base from which to develop a new strengthened approach to regional collaborative procurement. However, a recent analysis by the NE IEP highlighted some weaknesses in the sharing of information between individual member councils efficiency programmes. It concluded that opportunities are being lost to promote collaboration and to thus optimise and secure efficiencies.
5. PWC carried out an assessment of current procurement practice within individual councils in the North East and has pointed to 'differing levels of maturity' across the 12 local authorities. The work demonstrated substantial scope for improvement when compared with national benchmarks. Councils have expressed a willingness to work together at regional and sub regional level, with a shared purpose of delivering greater financial savings and becoming more adept at managing and developing the supply chain, however to achieve this will require senior level commitment at Member and Chief Executive level.

6. 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.*

7. The current constitution of NEPO gives it a predominantly operational remit, focusing on day to day buying activities, rather than setting out a strategic framework for regional collaboration. **To meet the wishes of member councils a new organisation is required** with a much greater commercial focus, giving it flexibility to adapt quickly to changing circumstances and take advantage of opportunities as they arise.

8. **The business plan therefore proposes a new organisation, with a new set of strategic objectives.** The new organisation will have clear local, regional and national links to key organisations involved in the procurement and economic development fields, with a key role in developing the regional supply chain to enable the region to benefit from improved public sector contracting opportunities, as well as generating significant financial savings for member councils. This will require a greater level of understanding of local and sub regional priorities to ensure issues relating to the local economy are adequately considered. Its introduction will require additional investment, which it is proposed is funded from the financial benefits of greater collaboration and existing NE IEP resources. Although as detailed in paragraph 17 below, subscription fees will be frozen at 2009/10 levels until at least the end of the transition period (April 2012).

9. NEPO currently operates under a Joint Committee arrangement under the Local Government Act 1972. In setting up the new organisation it is recognised that significant changes are required to create a more commercial approach to business in the future. This will require five distinct functions to be recognised separately within the system of governance, i.e. strategic development, commercial decision making, performance management, gaining assurance and scrutinising efficiency & effectiveness.

10. This business plan has been built on the agreed outputs of the PWC report taking account of the views expressed by member councils, as follows:

- a. **Governance & Constitution** – refreshed / modernised Joint Committee;
- b. **Operating Model** – a Local Authority Procurement Unit;
- c. **Scope** – realigned NEPO / NE IEP model;
- d. **Funding** – investment model / dividend;



- e. **Supplier Engagement / Development** – inclusion of sustainable activities to increase the opportunity of more public sector work being won by North East businesses; and
  - f. **Branding** – review after new arrangements established (*not included in plan*).
11. In terms of **governance and constitution** a refreshed Joint Committee is proposed, however **a decision is required on whether the membership should be 24 or 12 Members**; one or two from each member council, each option would include a powerful Executive made up of Portfolio Holders and / or Procurement Champions. Full remits are provided in the detailed business plan, with a new set of key objectives designed to create a dynamic strategic and leadership approach to regional collaborative procurement. Recommendations include the option to extend future tenures of the Joint Committee Chair and Vice Chair for a maximum of two years (although it would be anticipated that following the forthcoming AGM a new Chair and Vice Chair would be appointed in the first instance), to significantly expand Chief Officer delegation and create an Officer Advisory Board of local authority Chief Executives or senior Finance Directors, representing a fundamental change to current governance arrangements. Roles of **audit and scrutiny** would also be included.
12. In terms of the **operating model and scope of operation**, an enhanced officer structure for the new organisation is proposed, based on adopting a regional category management approach which includes significantly greater supplier engagement and support. This has major differences to the existing structure and remit of NEPO. A greatly enhanced operating model, whilst also increasing the volume of collaborative contracts dealt with on behalf of the region, will require additional specialist support. The proposals include a full-time Chief Officer, Regional Category Specialists and a 'Business' function to ensure the focus on performance and good business practice is maintained, together with sustaining additional elements that have been developed by the NE IEP, where appropriate. A transitional period to 31 March 2012 is proposed during which the new organisation will develop its strategic influence in the region and introduce a new '**hub and spoke**' arrangement' under which member councils will undertake key regional activities.
13. In terms of **funding**, full costs and benefits of the revised and increased operating model for the new organisation are presented. In response to the increased volume of contracts administered and new functions of the organisation, running costs of the independent procurement unit will rise; however these also include an allowance for work done by member councils under the hub and spoke arrangement. The increase to running costs arises from the anticipated additional resources required to negotiate and manage significantly greater, in both value and quantity, collaborative contracts, which could initially increase from approximately £177m to in excess of £500m, as well as sustaining the developmental role of the NE IEP and providing essential strategic support to the Regional Development Agency in building the regional economy. Additional costs are more than covered by the significantly increased financial savings from new collaborative procurements, **which by 2012/13 are estimated by the NE IEP to be £26.5m from the first 10 priority areas of spend to be identified for regional collaborative procurement, through a category management approach.**
14. The business plan recognises that the new organisation will need to include sustainable and long term arrangements for supplier development activities so that there is ongoing opportunity for more public sector work to be won by North East businesses. ONE NorthEast have already provided their commitment to the new organisation and work is currently ongoing to secure additional financial support for this

element, which would help to offset any increase in running costs, as detailed in paragraph 13 above.

15. **The appointment of any key staff will only be made once the Chief Officer has determined the true requirements of the new organisation**, and associated costs will not be greater than that stated in Table F of the full business plan. **Appointments will be made only on the basis of need**, and a range of contract arrangements will be considered, which would include, up-skilling of existing staff, fixed term appointments, new recruitments, secondments and/or buying in short term specialists as and when required, appropriate to need. Existing NEPO staff will be incorporated in the new organisation.
16. **Gateshead Council currently undertake a range of duties as the Accountable Body** for NEPO under a “host” authority model. Throughout the consultation process one key issue has been to **review the host authority status** and to ensure that the staff are not co-located with any existing Procurement team, to ensure independence. It is therefore recommended that a review takes place within the six months following approval of this business plan, to address the Accountable Body status and ongoing accommodation needs. Gateshead Council has agreed to continue to undertake these duties during the interim period. All local authorities will be invited to “volunteer” to undertake any or all of these roles.
17. The business plan recognises the risks that member councils may perceive from a major change of this nature, especially during a period of financial stringency. It therefore proposes that **the current annual NEPO subscription of circa £30k per member council is frozen and maintained at the current 2009/10 level**, during the transitional period to March 2012, and that:
  - additional running costs in 2010/11 are met from NE IEP resources;
  - additional running costs in 2011/12 are met from the benefits of additional collaborative procurement; and,
  - the performance and viability of the new organisation is reviewed by the Officer Advisory Group during the transitional period, to enable member councils to determine whether their long term requirements are being met.
18. A **review of the funding / subscription model**, including any associate member fees etc., will be required and undertaken within the first six months following approval of this business plan, and it is expected that this would be complete by early January 2011, with recommendations for a more appropriate ongoing funding mechanism proposed.
19. The move to a **category management** approach, as detailed in Appendices K, L & M of the business plan, **will always allow for individual councils to ‘opt out’** of any specific collaborative arrangements, based on their individual needs and priorities. However, any such decision must be taken by the Chief Executive or Director of Finance (or equivalent) based upon all relevant information available. A category management approach doesn’t mean always aggregating spend at a regional level. It will however allow for each local authority to better determine the most appropriate approach for them individually to take on each case, based on better information, analysis and thus providing a range of options for consideration.
20. Each authority will be required to agree a **revised Constitution** for the new organisation, which would encompass the revisions recommended within this business plan. It is proposed that a draft report and constitution are compiled and circulated for

approval by all 12 individual authorities. **Agreement is being sought no later than 30 September 2010.**

21. In order to ensure that no momentum is lost in implementing the recommendations in the business plan, to oversee the appointment of the new Chief Officer and to secure the early benefits and outcomes as highlighted, it is recommended that **interim management arrangements** are implemented.

## **KEY RECOMMENDATIONS**

1. The implementation date of this business plan immediately follows its final approval, with a move to new working arrangements and appointment of key staff as soon as possible during 2010/11.
2. The appointment of any key staff will only be made once the Chief Officer has determined the true requirements of the new organisation, and the associated costs will not be greater than that stated in Table F. Appointments will be made on the basis of need, and a range of contract arrangements could be considered, which would include, fixed term appointments, secondments and/or buying in short term specialists as and when required, appropriate to need.
3. The purpose and objectives of the new organisation, as set out in paragraph six of this business plan, be agreed.
4. That a decision is reached on whether the new organisations Joint Committee consists of 12 or 24 Members, with one (or two) Members drawn from each member council, as set out in paragraph 7.1.
5. The Joint Committee has the powers and duties specified in Appendix E [i] through to E [iv] and in paragraph 17 of the business plan.
6. The Chief Officer delegation scheme set out in paragraph 7.2 of the business plan be agreed.
7. An Officer Advisory Board comprising a Chief Executive or senior a Director with line responsibility for Procurement from each member council be formed in accordance with paragraph 7.3 of the business plan, to be chaired by a designated Chief Executive.
8. If the option is agreed for 12 Members to make up the Joint Committee, then the roles of audit and scrutiny would be undertaken by the Officer Advisory Board.
9. Bi-annual reports will be made by the Chief Officer into the ANEC Leaders & Elected Mayor's Board.
10. 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, and that by 1 April 2011 the Joint Committee reviews the options available for these services and makes a decision on their longer term provision as from 1 April 2012.

11. **The first 10 areas of spend shown in Appendix J [i] should be reviewed as a priority in the first instance, using a category management approach, and that the remaining areas of spend shown in Appendix J [ii] should form part of the future work plan for the new organisation.**
12. **Member councils pay an equal subscription to the new organisation during the transition period to March 2012, frozen at the current level set in 2009/10, with a review of future funding / subscription models to be undertaken within the first six months of operation, with clear recommendations made for implementation from 1 April 2012, which includes a review of the associate members fee / process.**
13. **The performance and viability of the new arrangements be reviewed by the Officer Advisory Group during the transitional period, to enable member councils to determine whether their long term requirements are being met.**
14. **The new Chief Officer will review and make recommendations, by 31 December 2010 on the future branding of the new organisation.**
15. **The agreement by each individual local authority to a revised Constitution is required as soon as possible following approval of this business plan. Chief Executives are required to ensure that an appropriate report is taken through its Executive by 30 September 2010.**
16. **Interim management arrangements will be put in place to ensure a speedy implementation to the recommendations / content of this business plan, prior to the appointment of a new Chief Officer.**



# **REGIONAL GOVERNANCE REVIEW OF COLLABORATIVE PROCUREMENT**

## **Business Plan**

**v2.2 [final]  
8 June 2010**

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# **DETAILED BUSINESS PLAN**

## **1. INTRODUCTION AND PURPOSE**

Local Government in the North East spends vast sums of public money on the procurement of goods and services. This expenditure helps deliver services and supports the local and regional economy by maximising opportunities for local firms. Effective and efficient procurement is therefore essential to the social and economic wellbeing of the region.

In October 2008, at an extraordinary meeting of the NEPO Joint Committee, it was agreed to jointly commission with the North East Improvement & Efficiency Partnership, a comprehensive assessment of existing regional procurement capacity, capability and organisational arrangements. Price Waterhouse Coopers [PWC] consultants were engaged to examine these issues. They subsequently conducted extensive consultations with all local authorities in the region, and produced a range of options for consideration. These options were considered by NEPO Elected Members and Chief Executives in October 2009, following which it was agreed that a full business plan should be developed, to enable a decision on the future governance arrangements to be reached by the summer of 2010.

## **2. STRATEGIC CONTEXT**

The next few years will be very demanding for the whole of the public sector, particularly local authorities and fire and rescue services, as they attempt to protect front line services in the face of proposed funding reductions, demographic change and increasing customer expectations. Increasingly the focus of local authorities in attempting to resolve this dilemma is to ensure that back office functions, including the processes surrounding the procurement of goods and services, are being provided as efficiently and effectively as possible, through removal of waste and greater collaboration. Central Government, as part of its Operational Efficiency Programme (OEP), has recognised the potential for substantial efficiency savings in this area, and it is clear that they will expect such savings to have been made when fixing the level of future grant settlements, or even consider other forms of compulsion. Those local authorities who fail to pursue such an agenda may therefore find it challenging financially to continue to provide a full range of effective front-line services to their communities, and may be liable to external challenge as a result.

Over the recent past a number of key strategic drivers within the national procurement landscape have emerged, and 'better procurement' has been pushed higher up the political agenda of all the political parties. In particular the OEP (referred to earlier), the Review of Local Government Procurement Efficiency report (Roots) and the Accelerating the SME Economic Engine through Transparent, Simple and Strategic Procurement report (Glover) have all stimulated a greater interest in the procurement process. These three reports give a clear impetus to increase the level of collaborative procurement throughout the public sector, to introduce smarter procurement in local government and to improve SME engagement in public sector procurement. The Office of Government Commerce (OGC) is also leading

strongly in the identification of common spend categories to enable a more consistent engagement by public bodies in the procurement process, and to determine optimum national, regional or local leads for the procurement of key commodities and services. A key recommendation of the OEP is to set an ambitious target of 50% of all available spend within the wider public sector to be channelled through public sector buying organisations or other collaborative strategies by 2010/11, with a national savings target of £7.7bn per year by 2013/14. In the North East Region it is estimated that over £70m over the next five years could be saved by local authorities under collaborative procurement arrangements and savings of this magnitude would clearly make a significant contribution to meeting future reduction targets without affecting front line service provision.

As community leaders, local authorities in the North East also have a crucial responsibility to protect and enhance the local economy through effective economic development, and a key feature is to use their spending as a mechanism to fuel economic growth and to provide local employment. Realising such community benefits must be tempered with the requirement under European Law to obtain best value in individual contracts, which means that local authorities have a sensitive role in managing their procurement strategically to maximise opportunities for local and regional firms to compete for contracts within a mixed economy of provision, including regional activity that encourages innovation and develops strategic routes to market, whilst protecting the integrity of their procurement processes.

The North East is ideally positioned to move forward quickly with this collaborative agenda. It no longer faces the complications of two tier local authorities; all councils have done well in CPA terms and the region has a reputation for effective joint working. Unlike many regions, the North East has its own 'Public Sector Buying Organisation', NEPO, and a well regarded Regional Improvement and Efficiency Partnership, NE IEP, both of which form a solid base from which to develop a new approach to regional collaborative procurement. They also provide the base from which the region can take early advantage of the developing national approach to procurement through the PRO5 Group of Professional Buying Organisations (PRO5) arrangement and OGCs commercial arm; Buying Solutions.

However, a recent analysis by the NE IEP has pointed to some weaknesses in the sharing of information on key priorities within individual member councils efficiency programmes. It concluded that opportunities are being lost to promote collaboration and to secure optimum efficiencies. PWC, as part of its analysis, also carried out an assessment of current procurement practice within individual councils in the North East, and this pointed to 'differing levels of maturity' across the 12 local authorities. The work demonstrated substantial scope for improvement when compared with national benchmarks. This has been further corroborated through the NE IEP analysis as follows:

- ***Tyne & Wear** authorities have relatively larger procurement teams, with a degree of centralisation, and are at different stages in the implementation of a category management approach. However, while they are contributing to and following the regional approach to categories, their individual programmes are driving their activity.*
- *In the **Tees Valley**, authorities have small corporate procurement teams, with much greater devolution of procurement activity. A higher degree of sub-regional collaboration is apparent, though less progress is being made towards a category management approach.*



*There is potential for strengthened sub-regional arrangements to develop quickly in Tees Valley in order to maximise capacity.*

- ***Durham and Northumberland*** both face the challenges of being new unitary councils, having to bring together contract and spend information from predecessor councils, and build procurement capacity. This provides both challenges and opportunities for the two new councils in participating in regional procurement activity.
- ***North East Fire & Rescue Services (FRS)*** all face similar challenges to those of the Tees Valley local authorities, with small procurement teams, and little focus currently on category management.

In considering this issue, although all 12 councils and the four FRS have exhibited an appetite for change both at an individual level and collectively, which is an essential prerequisite for improvement, there is still much to do to secure a truly regional collaborative approach. All have expressed a willingness to work together at regional and sub regional level, with a shared purpose of delivering greater financial savings and becoming more adept at managing and developing the supply chain, but to achieve this will require senior level commitment at Member and Chief Executive level, and the development of new skills in category management and complex contracting methods.

A recent report by the National Audit Office called 'Commercial Skills for Complex Government Projects' has highlighted skill shortages on major projects and has made recommendations for skills development, performance frameworks and graduate development, all of which have considerable relevance to developing the scarce procurement skills in the North East. In particular, skills for both strategic sourcing and tactical procurement are in very short supply in the region, and although some North East Councils are moving rapidly to fill skill gaps, there is a real need for this effort to be coordinated regionally to make effective use of the currently limited pool of staff with the appropriate skills, knowledge and talent to make an impact on the procurement agenda, and then to expand and develop the regional skill pool to meet future requirements. Some work has already started through the NE IEP to develop a skills analysis across the region and initial discussions have confirmed that there are significant issues both in terms of training and skills development within many member councils.

### **3. North Eastern Purchasing Organisation [NEPO]**

NEPO has been established for over 30 years and, as indicated above, provides a sound platform from which to build a new system of regional collaborative procurement and governance arrangements. Within the confines of its current remit, NEPO has performed well in recent years, has developed a good reputation and is influential with other public sector buying organisations, the supply markets and with the OGC. It is however, principally a 'contracting' rather than a 'strategic procurement' organisation. This is not a criticism of NEPO, as it has consistently delivered significant net financial savings from its framework contracts, but it demonstrates that the organisation must change its formal rationale to take on a much wider, more strategic and more commercial collaborative role in the region if it is to succeed in meeting the strategic challenges ahead, and the aspirations of its members. In particular it must embrace the challenges of undertaking a true regional category

management approach, whilst continuing to add value rather than duplicate the activities of local authorities and existing regional bodies. Key findings of PWC concerning the future of NEPO and the collaborative agenda were:

- all authorities recognised the need for change, and for a more strategic approach to collaborative procurement;
- all authorities said elected Member input, at a senior strategic level, is critical to the success of any future model;
- 90% of authorities said NEPO is good at “buying” but weaker at procurement;
- over half of authorities stated that they had little confidence that the current NEPO model could make the transition needed to deliver a robust collaborative procurement solution;
- 75% of authorities thought the current NEPO model needed to change to move collaborative procurement forward;
- 60% of participants felt that the current lead authority delivery model led to lack of transparency of what happened to their investment;
- all authorities felt that NEPO lacked the skills and capacity to develop harmonised systems and processes and to influence individual authorities to implement best practice;
- 30% of authorities felt NEPO did not take sub-regional and local supplier issues into consideration when formulating specifications; and,
- there was considerable variation in the level of commitment to NEPO contracts across the region.

These findings are helpful in proposing a way forward to develop a new organisation. Currently NEPO is integrated with Gateshead Council’s Corporate Procurement Unit, and located in Gateshead Councils Civic Centre, whilst it also receives its support services from the Gateshead Council. Gateshead Council also employs NEPO staff and signs all contracts on behalf of member councils. Members have expressed a wish for the new organisation to become more independent from Gateshead Council, and this has been reflected in the recommendations later in this report.

Appendices A to C set out the following information relating to the current NEPO:

- Annual Budget for 2009/10 (Appendix A);
- Current Officer Structure (Appendix B); and,
- Current contracts administered and benefits realised (Appendix C).

#### **4. Regional Improvement & Efficiency Partnership [NE IEP]**

The strand of work being undertaken by the NE IEP in respect of procurement is the ‘collaborative procurement and commissioning programme’, which was established in acknowledgment of the need to design a more strategic approach to regional procurement in the North East. In doing so the NE IEP has taken on the responsibility for some of the more strategic led tasks, as well as additional and important research and development concerning procurement in the region. Its current work on procurement reform can be summarised as follows:

- category spend planning / management approach;

- demand and supplier data collection / analysis;
- supplier engagement and development to increase the opportunity of more public sector work being won by North East businesses;
- building market intelligence;
- harmonisation, standardisation and simplification of policies, practice, documentation and systems;
- capacity & capability development and training and performance management / monitoring; and,
- portal development and roll-out.

Significant progress is being made on these issues, with professional support from NEPO and through member councils, coordinated by a small central NE IEP team. However it is important that the key strategic areas of this work are not dissipated when NE IEP funding expires in March 2011. The benefits of previous schemes of this nature, especially those pursued through Regional Centres of Excellence, often lapsed quickly once funding was withdrawn.

In developing this business plan it has therefore been recognised that significant elements of the work being carried out directly, or coordinated by the NE IEP will need to become integral to the new organisation, and that the NE IEP is an important conduit through which early progress can be made whilst the new organisation is being established. The proposals which follow important facets of the NE IEP agenda, and attempt to make the best use of the resources currently available to the NE IEP for the development of regional collaborative procurement, will be for the benefit of the new organisation.

The core officer structure for NE IEP, specifically working on the Collaborative Procurement & Commissioning programme is currently:

- Programme Manager;
- Two Project Managers; and,
- Project Support Officer.

## **5. PLANNING FORWARD – THE BUSINESS PLAN**

Whilst it is very clear that the work of NEPO and the NE IEP provide a sound base for developing a new regional approach to collaborative procurement, there are considerable gaps that need to be filled before the region can be confident that it has an effective model that is capable of meeting the economic challenges ahead, and the aspirations of its member councils.

Discussion with member councils and the FRS has demonstrated a collective 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;

To achieve these aims will require greater commitment and buy in by member councils and the FRS to regional collaboration, and a clear business plan of how they can be achieved. To be successful the new organisation must be considered by members as 'us' as opposed to 'them', which needs top level support, with councils working together with trust, openness and honesty to deliver mutually beneficial outcomes that they cannot achieve alone, with:

- a clear purpose and objectives that all members have committed to;
- agreed responsibilities and accountabilities based upon the degree of commitment and the resources each brings to the table;
- a culture based on trust, openness, honesty and a drive to continuously improve;
- the generation of added value, both quantitative and qualitative;
- outcomes that can only be achieved by working together; and,
- equitable reward based on the nature and value of resources contributed.

Some of these issues were rehearsed in the strategic review of collaborative procurement carried out by PWC. The PWC report presented a continuum between no change and radical change in terms of the overall operating model; the future scope and governance of the new organisation, its funding and branding. Members have already debated the content of the PWC report, and proposed a moderate but practical approach to change that retains full public ownership, enhances democratic control through a refreshed and refocused Joint Committee and provides a mechanism for retaining the productive work of the NE IEP through a significant move from pure purchasing activities to a more commercial and strategic category management led approach.

This business plan has been built on the previous decisions and recommendations made by Members, Chief Executives and a range of relevant stakeholders who were consulted, whilst taking full account of the collective wishes of member councils as expressed in earlier paragraphs.

## **6. PURPOSE AND OBJECTIVES OF THE NEW ORGANISATION**

The current constitution of NEPO gives it a highly operational remit which is predominantly aligned to the day to day activities of the organisation, rather than setting out a strategic framework for regional collaborative procurement, within which the Joint Committee can innovate and deliver improvement, and reflect key relationships with local, regional and national players in this field.

The objectives of the new organisation in the future need to be more focussed with a commercial outlook and approach to collaborative procurement in its widest sense, giving flexibility to the organisation to adapt quickly to changing circumstances and to take advantage of opportunities as they arise. They must also reflect the growing understanding that effective procurement cannot take place in isolation to other developments in the public sector, and the increasing expectations of central government to collaborate beyond local, regional and sectoral boundaries to promote efficiency and increase effectiveness. This is necessary to ensure the highest level of cashable savings are delivered from the outset.

There is also an increasingly important role for the new organisation to play in assisting the Regional Development Agency and member councils to strengthen the regional supply base by stimulating regional markets to compete effectively for a full range of public sector contracts. There also needs to be a focused approach around encouraging regional suppliers to recognise the potential to engage in emerging national contracts emanating from greater collaboration at a national level. A greater level of coordination across services within each individual authority, particularly the economic development function, will help to ensure that this is achieved in a coordinated and focused way.

Work is already underway through the existing NE IEP programme to strengthen the relationship with suppliers, and as such, has dedicated a work strand to develop this further. It will be essential to the future success of the new organisation that some elements of this work are continued post NE IEP funding.

The underlying objective of this work is to improve the way in which public sector organisations collaborate with each other and do business with commercial suppliers and the third sector. This will bring significant benefits to suppliers, who will have greater access to demand forecasts knowledge, which will allow them to more adequately plan ahead (with appropriate help from a business support organisations), and to develop collaborative proposals. This will in turn drive efficiency and contract aggregation. Involvement of regional partners to date has included: ONE NorthEast, North East Business Link, NE Chamber of Commerce, Confederation of British Industry, Voluntary Organisations' Network NE Government Office NE, Federation of Small Businesses, NE Social Enterprise Partnership and Buy North East.

The public sector currently spends **£3.5 billion** per annum on goods and services and around **£1.6 billion is spent directly with North East suppliers**, across more than 400 different types of goods and services. By looking at secondary and tertiary impacts of public procurement spend, it is estimated that the **overall GVA impact is close to £4 billion**, and that **over 120,000 jobs** are supported by public procurement<sup>1</sup>.

More efficient, knowledgeable, procurement-focused regional suppliers can act as **drivers for innovation, economic and social development**, contributing to increased GVA and job creation and contribute to achieving the region's vision outlined in the Regional Economic Strategy (RES).

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<sup>1</sup> Public Procurement – Quantifying Economic Value in NE, Adam Wilkinson for One NorthEast, 2007

Recent evidence suggests that there is real scope to target specific sectors and opportunities to support regional economic growth<sup>2</sup>. For example, if just 1% more of the public procurement spend each year was won by regional suppliers, over £180m in GVA and around 5,000 additional jobs by 2016 would result<sup>3</sup>. Nevertheless, there are continuing risks to the region's supplier base from drives for efficiency and contract aggregation.

Therefore the capacity of the region's procurers and suppliers needs to be enhanced to meet these challenges and opportunities. By supporting groups of procurers to work together, and groups of suppliers to work together and win new business in the region, the quality and cost-effectiveness of the region's public services can be improved, alongside the selling skills of suppliers, creating a more successful and sustainable supplier base for the future.

There is significant potential to improve the economic impact of Local Government spend, and the challenge of CSR07, with a three percent year on year reduction in budgets to deliver efficiencies has the potential to impact upon the growth of the region.

A sub regional and regional market category approach provides the opportunity to harness procurement spend to stimulate the regional economy, supporting regeneration, delivery of broader policies; drive innovation and market shaping. Elements of the ongoing work programme specifically include:

***Demand and Supply Side Intelligence:***

- visibility of regional procurement projects and spend enabling easier identification of collaborative procurement opportunities;
- support for strategic and collaborative category management ;
- improved supplier visibility of forthcoming regional demand from local authorities;
- support to enable performance and the success of the category spend management approach to be measured; and,
- improved understanding of the type of organisations from which local authorities procure, enabling all organisations to gain an improved understanding of the regional profile of spend.

Demand and Supply Intelligence is the data processing "work horse" that provides the information and intelligence to support the decision making and operational processes that will drive the efficiency gains to be realised from the new organisation.

***Supply coordination and development:***

- meaningful supplier engagement to drive procurement reform;
- simpler processes for doing business with the region's public sector;
- supplier workshops to develop skills, knowledge and capability, including awareness raising and 'master classes';
- meet the buyer / commissioner events;
- improved supplier feedback;
- standardised "how to do business" guides; and,
- procurement helpdesk function.

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<sup>2</sup> The North East Economy – production & spending patterns of sectors, NERIP, 2007

<sup>3</sup> Taking into account changes in technology and efficiencies during the period to 2016.

### ***Harmonisation of policies and documentation:***

- minimum tender / quotation thresholds for all 12 local authorities;
- Equalities & Diversity voluntary charter / minimum standards
- sustainability standards / promotion of good practice; and,
- Pre-Qualification Questionnaires & Invitation to Tender simplified and standardised documents embedded and used by all 12 local authorities.

### ***NEPO Portal development and roll-out:***

- sustainability standards / promotion of good practice Reverse e-Auction functionality;
- online depository for suppliers to store their pre-qualification information;
- advanced on-line tender evaluation;
- risk assessment functionality;
- more comprehensive regional information;
- sustainability toolkit;
- Equalities & Diversity toolkit;
- refresh / re-design of website; and,
- support the development and roll out of these.

Specific business improvements and both cash and non-cashable savings are anticipated from both the demand and supplier side, and will result from:

- rich intelligence to a regional community of stakeholders to realise the greater potential for regional collaborative procurement to contribute, through a partnership approach, to service improvement and market development to achieve significant social, economic and environmental outcomes for the North East;
- ability to generate more efficient, quality and innovation led public services;
- making the most of the opportunities presented by the increasing scale of public procurement in the North East;
- ensuring that the substantial economic, social and environmental benefits of procurement can be realised;
- enabling regional suppliers to take advantage of opportunities elsewhere in the UK and wider European markets;
- improved tender submissions that better match LA requirements; and,
- simplified tender process, reducing inconsistencies and duplication and deliver time and money savings.

### **Why a Regional Category Management Approach?**

Leading public and private sector organisations are using category management approaches to realise benefits for their organisations. Category management is different from the current procurement approaches as it considers the ***what (is needed), why (it's needed), and how (it's purchased)***, as opposed to focusing solely on '***where***' it's purchased from.

### ***What is different?***

<b>Traditional Procurement: Current Model</b>	<b>Category Management: Future Model</b>
Reactive to organisational demands	Predict future demand more accurately to meet organisational needs
Procurement driven by contracts ending	Managed spending, with procurement driven by market changes and conditions
Selection of suppliers based on a bid response	Sourcing / supplier selection driven by a Category Sourcing Strategy that works with the market
Individual management of contracts	Management of markets and supplier relationships
One off contracts let - often many times throughout the region, duplicating effort	Understanding of regional requirements with ability to jointly go to the market
Generic contracting skill sets	Specialist commercial skills required

### **What are the benefits for authorities from a regional category management approach?**

- **Proactive forward planning of procurement activity** - a regional understanding of future demand not just that of individual organisations.
- **Increased current levels of influenced spend** – the opportunity to enable more complex areas of spend to be addressed, increasing current levels of spend considered for regional collaboration from 13%, and creating a step change in the efficiencies delivered via procurement.
- **Improved value for money demonstrated** - better collaboration and market management has been proven to deliver lower cost services throughout the supply chain without compromising on quality.
- **Improved service quality for users** - a strategic category management approach can help develop markets and actually improve service quality for end users.
- **Cost reduction opportunities** - recognition that not everyone will do everything all of the time. However, aggregation of spend does offer significant opportunity to reduce costs.
- **Suppliers perceive the buyer as "a customer of choice"** - better coordination will improve councils' marketplace profile which will provide greater opportunity to attract better quality providers of goods and services.
- **Better spend management and planning** - understanding future demand for particular goods and services will allow much tighter control of budgets and ensure that savings targets are met.
- **Motivated professional procurement staff** - a category management approach will allow procurement staff to develop specialist skills, improve motivation and become proactive in delivering efficiency savings.
- **Defined category sourcing strategies** - better understanding of individual areas of spend including market pressures, future demand and good practice.

NEPO has already undertaken some elements of category management, particularly in relation to its work on energy, fleet and agency workers. Evidence from undertaking this approach indicates that significant cashable savings are already being delivered.



Further information in relation Strategic Category Management is set out in Appendices K / L.

## **Operational Functions / Objectives**

In developing the objectives of the new organisation and working towards much greater regional collaboration, it has been recognised that effective collaborative procurement has **strategic, tactical** and **transactional** aspects, which influence the way activity is distributed between the various players. In addition there is an element of ongoing business development activity which plays a significant part in ensuring that the truly 'strategic' and 'commercial' aspects of the organisation are delivered.

**Strategic collaborative procurement** (from a regional perspective) contains activities such as the development and management of common regional procurement policy, strategy, systems, processes and procedures, as well as detailed regional spend analysis, the development of regional sourcing strategies and strategic supplier relationship management for master categories of spend. This would also include the development of key relationships with other regional and national players in the procurement field. These are the activities that should underpin the strategic objectives of the new organisation at a regional level, and link to the work of the Category Managers in individual councils, who will have a key coordination role to play.

**Tactical collaborative procurement** contains activities such as competitive tendering (including OJEU), contract award, contract management and local supplier management. Whilst currently these activities are carried out by NEPO, there is merit in some of this activity being conducted by individual councils on behalf of the region through a 'hub and spoke' arrangement, and it is assumed in this report that the new organisation will move gradually to this position as circumstances permit. *To maintain continuity and speed at which work can be expedited during the transition period, it is expected that this work could continue to be carried out by NEPO, supported through secondments if necessary.*

**Transactional collaborative procurement** (post contract award) will be in the main conducted locally, and covers activities such as quotation gathering, analysis, order placing, invoice payment etc.

The OGC is attempting to introduce standardised national categories of spend around which public authorities can potentially more easily collaborate. This is important as it attempts to introduce a measure of consistency, which aids good partnership working, although not necessarily always leading to single national contracting arrangements. However, effective national procurement requires effective regional input at a strategic level, which recognises the importance of regional spend and regional modes of supply and which can help to coordinate the procurement processes of individual councils through common contracting procedures and documentation, common policies, standard categorisation and regional spend analysis.

It is therefore important that the new organisation takes on the regional strategic role in respect of master categories of spend. Therefore in the longer term it is expected that a significant proportion of the tactical and operational aspects of regional contracts would be undertaken by those individual councils are willing to act on behalf of the region. This will require a formal transition period (see paragraph eight below), during which the Chief Officer

of the new organisation will negotiate and agree with individual councils how the regional contracts will be managed on a consistent basis. This process will be heavily assisted through the work already ongoing by the NE IEP prior to March 2011, building on existing project work that need to become integrated as part of the day to day activities of the new organisation. Particularly in respect of the ongoing regional category spend planning work using the valuable data collection and analysis that has already taken place and further developing the ongoing tools and systems to support the new organisation.

Based on this analysis, a recommended set of objectives for the new organisation are as follows:

- **Lead on collaborative procurement for local government in the North East through a commercial approach to its activities, determining appropriate procurement strategies, adding value, removing duplication and streamlining procurement landscape through common policies, procedures, systems and processes.**
- **To work innovatively and at pace to deliver the required outcomes for local authorities.**
- **To generate a positive impact for local and regional communities and suppliers.**
- **Seek ways to maximise financial savings for member councils.**
- **Co-ordinate the management of regional procurement strategies to ensure a consistent approach and equitable distribution of effort between its members.**
- **Deliver efficient and effective collaborative procurement arrangements for all member councils and FRS.**
- **Continually seek new areas of collaboration, e.g. Social Care, Construction etc.**
- **Understand the needs of individual councils and the sub regions, paying particular attention to the diversity of, and impact on, the local economy when considering sourcing strategy outputs.**
- **Build on existing links to provide more streamlined and integrated support to other regional bodies, e.g. the Regional Development Agency etc., as appropriate.**
- **Help to energise the supply market and recommend appropriate approaches to market.**
- **Stimulate common alignment of master and sub-categories of spend between member councils to develop strategic category sourcing strategies, understand markets and thus build innovative solutions to ensure best value.**
- **Research, develop, simulate and create regional supply markets for current and future requirements and improving market intelligence, with particular regard to**

energising local and regional business development and opportunity, working with the third sector and small medium enterprises.

- **Become a regional centre of best practice for all collaborative procurement activity**
- **Implement and maintain a rigorous and transparent performance management framework.**
- **Keep under review opportunities to collaborate with other public sector organisations to enhance efficient procurement.**
- **Keep under review the capacity and capability of professional procurement officers in the region; provide tailored training and development opportunities.**
- **Provide on demand and at economic cost, discretionary procurement services to individual councils, if required.**
- **Contribute to national public sector procurement agenda's through the organisations membership of PRO5, the OGC, Department for Communities & Local Government (CLG), Department for Children Schools & Families (DCSF) and other public agencies.**
- **Report through the ANEC Leaders & Elected Mayor's (or similar) board, performance and savings, at appropriate intervals, expected to be no more than bi-annually.**

These objectives, if accepted by member councils, will move from the current NEPO organisation of primarily an operational collaborative procurement organisation to a new commercially focused organisation of regional strategic significance. It will build on the operational good practice of NEPO and further continue the strategic development of the NE IEPs objectives, which will provide clear local, sub-regional, regional and national links to key players in the procurement and economic development fields.

Their implementation will require additional investment, which will need to be funded from the financial benefits of greater collaboration if the new approach is to be sustainable in the long term.

## **7. MEMBER GOVERNANCE**

### ***7.1 Joint Committee arrangements***

NEPO currently operates under a Joint Committee arrangement under the Local Government Act 1972. It is not therefore a legal entity, and cannot employ staff or enter directly into supply contracts. It operates under a traditional written constitution based on local authority practice, which gives little recognition of the strategic role of the organisation, or its commercial nature.

The Joint Committee currently has 36 Members drawn from 12 member councils and meets four times a year. All member councils have equal status, and the Joint Committee has no standing sub committees to consider normal business, although it has in the past formed sub-committees to consider specific items. The position of Chair of the Joint Committee rotates annually between councils.

It appears to be recognised that the Joint Committee is too large for efficient and speedy decision making, even accounting for the relatively high level of apologies. Nor does this kind of arrangement meet the need for a more commercial approach to business in the future that will require five distinct functions to be recognised separately within the system of governance, i.e. strategic development, commercial decision making, performance management, gaining assurance and scrutinising efficiency & effectiveness. Currently Joint Committee agendas do not distinguish between these roles, leading to insufficient democratic control and dissatisfaction by some member councils in the way in which NEPO currently operates.

Following the appraisal by PWC, member councils expressed a preference for a refreshed and refocused Joint Committee arrangement, rather than other options which included a joint venture company or a limited liability partnership. These other options have therefore been discounted in this business plan, in favour of the development of a more effective and expanded Joint Committee model that takes account of the weaknesses expressed in the previous paragraph. It should be stressed however that to be successful in a commercial environment the Joint Committee, whilst retaining its legal status as a local government committee, will need to move towards a Partnership Board approach of strategic development, planning and oversight and monitoring of overall performance, with a Chief Officer (Commercial Director) having significant and very wide delegated responsibility for day to day affairs, including contract negotiation and contract acceptance. Crucially also, the Members serving on the Joint Committee would need to act like Board Members, and not as representatives of their own authorities, as is often the case in traditional Joint Committee arrangements. It would also be helpful to have a greater measure of consistency at Chair and Vice Chair level, in order to establish a deeper understanding of the business and to facilitate longer term planning. **It is therefore recommended that a term of office of up to two years for each position would be more appropriate, with the Vice Chair stepping up automatically to Chair after his/her term, to give further continuity.** It should be noted that for the purposes of the 2010 NEPO AGM, both a new Chair and Vice Chair would be appointed.

To be effective the Joint Committee obviously needs to have sufficient representation from its member councils to exercise true democratic oversight, but without being overly large; thus stifling decision making through heavily attended meetings with long agendas. Representation should also allow sufficient membership to reflect participation by minority parties in the decision making process, although this is not a legal requirement.

A number of options regarding the overall size of, and representation on, the Joint Committee have been considered in constructing this business plan. These are as follows:

- 36 Members – *three Members per authority;*
- 24 Members – *two Members per authority;* or,
- 12 Members – *one Member per authority.*

As indicated above, the existing system of a Joint Committee of 36 Members does not lend itself to effective and speedy decision making, and is a significant commitment for member councils. This seems to be an unnecessary burden on Members' time. A Joint Committee of 12 Members will facilitate more effective decision making, but there may be insufficient Members to allow a proper separation of duties between Executive functions and those of Audit Assurance and Scrutiny of efficiency and effectiveness of the procurement operation, which are crucial if the organisation is to operate more commercially with consequent increases in the level of delegation, contract value and risk.

Based on this analysis, **two options are proposed for consideration, as follows:**

**Option 1: a Joint Committee made up of 24 Members; two from each member council, with appropriate sub committees,** as follows:

- **Joint Committee:** 24 Members undertaking strategic planning, business plans, budgets and dividend distribution;
- **Executive Sub-Committee:** 12 Members to oversee contractual issues and approvals, performance monitoring, budget control and Chief Officer appraisal;
- **Scrutiny Sub-Committee:** six Members to undertake a scrutiny programme with periodic reviews; and,
- **Audit Sub-Committee:** six Members to review code of corporate governance, assurance framework, risk register and other audit matters.

**Option 2: a Joint Committee made up of 12 Members; one from each member council.** *In this scenario, it is suggested that any audit or scrutiny roles would be undertaken by the Officer Advisory Board.*

Although the Joint Committee will meet less frequently under either proposed structure, it will allow a greater emphasis to be placed on the strategic direction of the new organisation, whilst allowing smaller more focussed sub-committees to exercise greater levels of democratic monitoring of performance and efficiency. It would also seem sensible for each member council to appoint the Portfolio Holder for Procurement or Procurement Champion as its representative. The suggested remit of the **Joint Committee** is appended at Appendix E [i].

Much of the work concerning performance review and monitoring would, under this arrangement, be carried out by an **Executive Sub Committee** of the Joint Committee, comprising, wherever possible, the Portfolio Holder for Procurement, or the Procurement Champion, from each council. Appendix E [ii] sets out the suggested remit. If option 2 above is the preferred choice, then the role of Joint Committee and Executive Sub Committee would be merged.

Whilst it is important in a commercial environment that Members do not become involved in considering individual contracts before they are let, it is necessary to ensure that contracting is being carried out effectively and is meeting the objectives of the organisation. A robust scrutiny function is therefore desirable. Whilst clearly it would not have the authority to overturn decisions already reached, it would be able to supply occasional reports to the Joint

Committee on contracting and associated activities to enable the Joint Committee to review its contracting procedures in light of the scrutiny findings. This is especially valuable given the increasing value of regional collaborative contracts that could be undertaken by the new organisation, and the need for member councils to be satisfied that this work continues to be conducted in an efficient and effective manner. A suggested remit for the **Scrutiny Sub-Committee** is included at Appendix E [iii].

It is equally important that member councils are given the assurance that the organisation is operating safely, and is operating in accordance with a robust code of corporate governance, including a comprehensive examination of risk and up to date policies such as ‘fraud and corruption, whistle blowing’, etc. The potential size of some contracts is likely to be substantial and this inevitably carries risk of abuse. A suggested remit for the **Audit Sub Committee** is shown in Appendix E [iv].

Once members have considered the issues set out in paragraph 7.1 and Appendices E [i] to E [iv], and agreed the preferred option as detailed above, it will be necessary for a revised Agreement and Constitution to be drawn up, as well as standard procedural rules and the other relevant constitutional matters set out in this business plan.

## ***7.2 Chief Officer Delegation Scheme***

Alongside the Democratic structure there is a need to provide the Chief Officer with sufficient delegated powers to manage a commercial organisation effectively. To operate successfully the Chief Officer will require wide powers to manage day to day work, agree contracts of significant potential value, appoint specialists, allocate work in partnership with individual member councils and other duties that are required to respond to the demands of commercial activity. It is clearly a matter for Members to decide on the extent of delegation and a suggested **Chief Officer Delegation Scheme** is as follows:

- **Have authority over all the paid officers of the organisation so far as is necessary to facilitate the efficient management of its functions.**
- **Negotiate, agree the terms and enter into all regional contracts on behalf of the organisation and member councils, irrespective of value, so long as these fall within the agreed strategic objectives agreed by Members.**
- **Appoint staff within the agreed budget provision.**
- **Incur expenditure of a non-staff nature within the agreed budget provision.**
- **Research, develop and implement all relevant “system” requirements for the new organisation. To include all future developments of the current Procurement (NEPO) Portal and the setting of minimum requirements in respect of how the Portal is used and appropriate data captured.**
- **Represent the organisation in national discussions concerning procurement activity, and take such decisions that are in the organisations and its member councils best interests, concerning its participation in national contracts.**

- **Determine which contracts to lead on behalf of PRO5, and which national contracts to recommend to councils in the region.**
- **Take such other decisions in the name of the organisation where he/she has a professional or managerial responsibility, with the exception of any matters reserved to the Joint Committee or its sub-committees.**

It is acknowledged that these are very wide powers, which will separate Members from the day to day running of the new organisation and from agreeing terms of individual contracts. In exercising these powers the Chief Officer will be required to have regard to the desirability of consulting appropriate Members and refer matters to the Executive Committee where it is considered expedient to do so. The Chief Officer will also be required to maintain an 'audit trail' of all decisions taken under these powers, with this record being available to Members and member councils on request.

The Chief Officer will also be expected to prepare timely and accurate reports to Members as set out in the powers and duties of the Joint Committee and Sub-Committees (to ensure that the delegated powers are being exercised effectively and safely in accordance with agreed policies), and also report periodically to the Officer Advisory Board referred to below on appropriate activities. Bi-annual reports will also be presented to the ANEC Leaders & Elected Mayor's Board, as appropriate. There will be continuing support from individual councils liaison officers to support Members and from the NE IEPs Technical Advisory Group (TAG) to support the Officer Advisory Board at an operational level.

### ***7.3 Officer Advisory Board***

To facilitate effective links between the Chief Officer and senior officers of member councils, it is suggested that an Officer Advisory Board is established, which will meet periodically to ensure issues of concern can be aired at an early stage, that the regional organisation is tuned into the early thinking of councils regarding their plans for the future that may impinge on the collaborative procurement agenda, and that the Chief Officer is exercising his/her delegated powers in accordance with the wishes of member councils. It is not intended that this should replace day to day meetings between procurement officers dealing with specific issues, but rather be an opportunity for member councils Chief Executives or senior a Director with line responsibility for Procurement to meet to ensure the regional agenda is being pursued effectively and that the new organisation is meeting the objectives of each member council and tackling any barriers to delivery. It is suggested that this may need to meet two or three times per annum to be effective, and be called and chaired by a designated Chief Executive of one of the member councils.

Should the Joint Committee structure consist of 12 Members only (as highlighted above in section 7.1 - Option 1 or 2), the audit and scrutiny roles would be undertaken by the Officer Advisory Board.

## **8. OFFICER STRUCTURE, ROLES AND RESPONSIBILITIES**

In considering the PWC report Members expressed a preference for the creation of a Local Authority Procurement Unit, independent from all member councils, and this preference has been followed in the business plan. It was acknowledged in the PWC report that the Procurement Unit would need to increase its skills and capacity through appointments, secondments and / or the use of 'hub and spoke' arrangements that would utilise the currently untapped expertise throughout the region. This would allow acceleration of the release of benefits from collaboration, as well as sharing knowledge and allowing skills transfer back to individual councils. The report suggested an indicative staffing structure with a Relationship Manager; a Procurement Manager and a Systems Manager (each with support staff) reporting to a Commercial Director, who in turn was accountable directly to Members.

Clearly, for the new organisation to operate successfully it must add value to regional procurement, avoid duplication and respect the autonomy of individual councils to manage their own spending and realise benefits according to local needs and priorities. To achieve maximum benefits from a regional procurement unit there are significant advantages in adopting a regional category management approach and considerable progress has already been made by the NE IEP in producing a standard set of categories for use by local authorities and the new organisation. Standardising categories across the region allows a hierarchy of roles and responsibilities to be developed which will assist in providing clarity of roles and responsibilities between the key players in the procurement system, and removing duplicated processes.

The master categories of spend agreed between member councils are as follows:

- Building Materials;
- Business & Office Support;
- Education;
- Energy & Utilities;
- Facilities Management;
- Front-Line & Environmental Services;
- Highway Equipment & Materials;
- ICT & Telecoms;
- Professional Services;
- Social Care – Adults;
- Social Care – Children;
- Transport & Fleet; and,
- Works – Construction, Repair and Maintenance.

It will be essential that all appropriate and necessary data is captured in respect of current and future spend by authorities, to enable the new organisation to function correctly and to make appropriate recommendations to authorities on the above spend areas. In order to also capture appropriate performance data on an ongoing basis, it is suggested that appropriate minimum levels are agreed in respect of the future throughput of contracts / quotations etc.



are maintained through the NEPO Portal (or equivalent). It will be the responsibility of the new Chief Officer to agree these levels, as appropriate.

A suggested officer structure for the new organisation is set out in Appendix D, which is based on a regional collaborative category management approach. This structure does differ from that suggested by PWC in the original report, which adopted a functional split of activity rather than one based on identifiable categories of spend. A proposed structure, covering the roles required to fulfil the requirements set out in this business plan, which could be introduced during the transitional period, is summarised as follows:

- a Chief Officer;
- four Senior Regional Category Specialists;
- a Business Development Manager;
- a Procurement Team Leader;
- four Procurement Category Specialists;
- six Procurement Officers;
- two Performance Analysts;
- four Business Development Officers (includes a minimum of one Portal Administrator); and,
- two Procurement Administration Officers (one part time).

All current NEPO staff (below Head of Service level) would transfer into the new organisation.

The structure set out in Appendix D provides one option as a suggested model of operation for the new organisation. A 'fit for purpose' structure will be critical to the success of the new organisation and the refinement of this will be the first task required of the new Chief Officer, when appointed.

The new organisation will require additional capacity (through secondments or new appointments) to undertake the additional strategic and tactical activities required to put in place regional framework contracts across the initial ten categories, where appropriate.

These will support the regional and national infrastructure, and link with Heads of Procurement and Category Managers in individual councils. As in the PWC report, secondments could be sought from member councils to fill some of these posts, at least during the transitional period, for the reasons previously stated.

## **Transition period**

There is a need to recognise a **transitional period**, which is suggested from approval of the proposals, up to 31 March 2012, during which time the new organisation should change its emphasis towards a more strategic role in the region. The initial part of the transitional period will be supported by the NE IEP through its ongoing work described in sections four and six of this business plan, in particular on category spend analysis and harmonisation of working practices, and the identification of further regional collaborative opportunities. This is a valuable specialist resource, which will enable early progress to be made whilst the new structures are being implemented, and provision has been made in the new structure for an

element of the longer term aspects of the NE IEPs activities, which will need to be maintained after March 2011.

The advantages of adopting a 'hub and spoke' arrangement (described in more detail later in this paragraph) are clearly significant to the region. In addition to the benefits stated above, it will significantly increase the capacity of the region to respond to the regional collaborative procurement challenge, and will enable valuable expertise in member councils to be shared effectively. It will be important for the 'spokes' to be organised within standard categories to enable work to be coordinated effectively and to link where possible to national procurement contracts to maximise economies of scale.

The negotiation of this transition to the more strategically focussed officer structure suggested in Appendix D will be a key initial role for Members and the Chief Officer, supported initially by the NE IEP. The appointment of the Chief Officer will therefore be a crucial decision for the Joint Committee. This will represent a major shift in role for the Chief Officer, from managing (part-time) a purchasing organisation with a predominantly contracting role, to the full time management of a more strategic regional organisation with potentially powerful links to regional and national players, the Regional Development Agency and Local Authority Chief Executives, and a significant co-coordinating role in respect of regional contracts being distributed across a number of councils.

Under this arrangement, and as suggested in the PWC report, the Chief Officer would report directly to the Joint Committee, rather than to a Chief Executive of a member council. Such an arrangement clearly requires appropriate safeguards, which will be provided through the Officer Advisory Board, (which as indicated above would have the authority to report directly to the Joint Committee on any issue of concern relating to the actions of the Chief Officer), and through the Chief Executive of the employing council insofar as employment matters are concerned.

The suggested high level duties of the **Chief Officer** are set out in Appendix F.

The new organisational structure in Appendix D envisages the appointment of four Senior Regional Category Specialists and four Procurement Category Specialists who will undertake key strategic roles within the new organisation both during the transition stage and thereafter. These are important regional posts through which category spend will be co-ordinated regionally, and will provide a conduit through which appropriate Category Managers and other Procurement Officers in individual councils will manage aspects of regional procurement, as well as undertaking their local procurement role. It is envisaged that the Chief Officer will attempt to fill some of these posts through secondment from member councils, at least in the transitional period, with the cost being reimbursed from the new organisations budget. This carries significant advantages of promoting consistency and allowing a greater understanding of the regional framework as secondees return to their substantive duties.

There are elements of existing work programmes with both NEPO and the NE IEP that may continue through the new organisation during its transition period and as such, for expedience these will be maintained by much of the existing staffing complement (and within existing contracts). As is highlighted later in this report, it will be a key role of the new Chief Officer to refine all roles and staffing structures during the implementation period.

Insofar as regional contracts are concerned, the appointment of Senior Regional Category Specialists will clearly have an impact on the role and regional expectations of local authority procurement officers, especially local Category Managers, through the 'hub and spoke' arrangement that is recommended for the region.

The suggested high level duties of both the **Category Specialist roles** are detailed in Appendix G.

### **'Hub and Spoke' Arrangement**

Under a 'hub and spoke' arrangement, the regional Senior Regional Category Specialists and Procurement Category Specialists (as the **'hubs'**) will provide a strategic input and oversee the regional category plans for the areas for which they are responsible. They will coordinate the provision of market intelligence and appropriately interpret the regional spend analysis to enable individual councils to understand the options and opportunities that are available to them. They will work with individual councils to support the development of local information and local sourcing strategies as necessary; with local sourcing strategies remaining the responsibility of local procurement officers. On behalf of all 12 councils the Senior Regional Category Specialists will also maintain key regional and national strategic relations and use this to both improve market intelligence and undertake key discussions with suppliers.

The size of the 'hub' is relatively small in comparison to the expectation to undertake a much greater number of high value and potentially high risk contracts on behalf of the region. Therefore the suggested staffing compliment will need to increase slightly over the current arrangements. The 'spoke' arrangements will appropriately complement this structure, by undertaking lower value and lower risk work, ensuring that the 'hub' does not become overly large or a burden on resources.

Local Category or Procurement Managers (as the **'spokes'**), in addition to providing an effective local procurement service, will then take on a proportion of the tactical procurement activity associated with collaborative contracts. The precise relationship between the 'hubs' and the 'spokes' will vary according the category of spend, the skills and capacity identified within individual councils. It will be a key role for the new organisation, through the Chief Officer and the Executive Sub-Committee to negotiate this interface to ensure all member councils have the opportunity to contribute to the regional effort without detracting from their local roles.

It is anticipated that any collaborative work carried out on behalf of the region will include activities such as pre-sourcing studies, competitive tendering (including OJEU), contract award, contract management and local supplier management, although it may be possible for some member councils to take on more of the strategic role for some categories of spend where local expertise in those categories exists. In any case, this would need to be negotiated on an individual basis, though tightly managed through the Senior Regional Category Specialists. The projected costs set out later in this business plan include a provisional sum to allow the new organisation to reimburse the cost of any regional collaborative activity carried out locally.

Individual member councils will be given the opportunity to 'opt out' of any collaborative arrangements where they feel that it is in their best interest. However, any decision to opt out

of an arrangement should be done at an appropriate time, i.e. when data has been analysed and recommendations made. Opting out will be an informed decision made by the Chief Executive or Finance Director (or equivalent) based on the information provided.

A category management approach doesn't mean always aggregating spend at a regional level. It will however allow for each local authority to better determine the most appropriate approach for them individually to take on each case, based on better information, analysis and thus providing a range of options for consideration. Further detail on the process to be followed can be found in Appendices K and L of this business plan.

Under the above arrangements a network of local Category Managers or Procurement Officers will need to be established to work with each of the Senior Regional Category Specialists through which the regional collaborative procurement activity carried out locally could be co-ordinated.

The skills required by **Local Category Managers** have been reviewed as part of another ongoing exercise sponsored by the NE IEP, and their role is summarised in Appendix H.

The initial staff structure in Appendix D also includes a new Business Development Manager and team who would take on some of the key strategic elements of work currently being conducted through NEPO and the NE IEP and other cross category functions where it will be necessary to ensure continued development and good quality co-ordination across the region.

A suggested role for the **Business Development Manager** is detailed in Appendix I.

***It should be noted that the respective roles of Regional Category Specialists, Local Category / Procurement Managers, and the role of the Business Development Manager, will need to be refined by the newly appointed Chief Officer during the implementation of this business plan. The above division of duties should therefore be regarded as illustrative at this stage.***

## **9. ACCOUNTABLE BODY DUTIES**

Currently the Accountable Body is Gateshead Council, which acts as the host authority for all NEPO activity. It therefore provides accommodation, employs the staff, is the named council for contracts and generally manages the function. NEPO staff members are co-located with the Gateshead Council procurement team, and the Head of Service is a shared post. Professional support services are also provided by Gateshead Council.

In considering the report produced by PWC, Members have expressed a preference for a more independent procurement unit. Retention of the Joint Committee model will still require some duties to be carried out by member councils, given that the Joint Committee is not a legal entity and cannot therefore employ staff directly or enter into contracts in its own name. Based on the preference expressed by Members, it is recommended in this business plan that the new organisation is detached from Gateshead Councils procurement team, and is located separately. Alternative locations are considered below in paragraph 10. Although the new organisation will have its own dedicated Chief Officer and functional strategic support

team, with the roles and responsibilities described in paragraph eight above, there will still be a requirement to carry out the following functions by one or more member councils:

- Act as employer of all staff, and provide such Human Resources input as is necessary to discharge this responsibility effectively, including assisting the Joint Committee in monitoring the performance of the Chief Officer.
- Be accountable for effective financial services, including liaison between Section 151 officers, internal audit, accounting services, banking and resource management.
- Provide effective legal services, including liaison between monitoring officers, providing legal advice, committee administration, advising on changes to standing orders and procedure rules and being a signatory for contracts.

The current cost of these services to NEPO is set out in Table A:

**Table A – Current cost of support services supplied to NEPO by Gateshead Council**

<b><i>Service Provided</i></b>	<b><i>2009/10 Budget (£000s)</i></b>
Legal and democratic services	<b>35</b>
Financial services	<b>8</b>
Accommodation recharges	<b>16</b>
Computing/technical support	<b>9</b>
Other	<b>3</b>
<b>Total Cost:</b>	<b>71</b>

*Source – Finance Department – Gateshead Council – January 2010*

The Joint Committee will need to keep under review how these services in the future could be provided, and at what cost, but there are considerable advantages in retaining the services of Gateshead Council during the transition period referred to above, until the change to a more focussed and strategic organisation, using ‘hub and spoke’ arrangements, has taken place, at which time the number of staff required by the new organisation will be better understood, and the future workload associated with financial and legal services can be more accurately determined. Moreover, Gateshead Council will need a period of time to transfer its own staffing resources and accommodation facilities currently dedicated to NEPO to other activities, if a change is considered.

**It is therefore recommended later in this report that the services of Gateshead Council be retained for a transition period from the inception of the new organisation, and that by 1 April 2011 the Joint Committee reviews the options available for these services and makes a decision on their longer term provision as from 1 April 2012.**

## **10. FUTURE LOCATION OF THE NEW ORGANISATION**

As indicated previously, NEPO is currently located in the Gateshead Council Civic Centre, in an open plan setting with Gateshead’s procurement function. This has the advantage of high quality accommodation, integrated ICT provision and proximity to professional legal and

financial support staff. Currently NEPO has use of generic meeting rooms, reception facilities, toilets and security, all of which will be required if a new location is to be selected. The costs attributed to this accommodation are shown in Table A above.

Until the final configuration of the new organisation is known, which will be determined largely by the willingness and capacity of member councils to participate in the 'hub and spoke' contracting arrangements, it will not be possible to determine accurately the future space requirements of the organisation. Along with the provision of Accountable Body duties, this will need to be determined during the transition period referred to earlier. Given this uncertainty the following location options have been considered:

- retain joint accommodation with the Gateshead Council Procurement team during the transition period;
- retain accommodation at Gateshead Civic Centre (in a separate location to the Gateshead Council Procurement team) during the transition period; **or**,
- re-locate staff to other accommodation, either in Gateshead or elsewhere.

Retaining joint accommodation with the Gateshead procurement team during the transition period is clearly the least cost option until it is possible to determine the exact accommodation requirements of the new organisation. However, it is understood that this option may not be favoured by member councils in line with their wish to create a strategic unit that is separated from any individual council. Whilst this is understandable, it must be appreciated that the other options set out above carry an additional element of risk, given the initial uncertainty of the eventual size of the new organisation, which will depend largely on the willingness and ability of individual councils to take on a significant part of the regional procurement role. There is also a large increase in cost in setting up, renting, cleaning etc. a new office suite, when compared to using a civic centre already equipped with the facilities required. To assist in making a decision, the following costs are based on an initial organisational establishment of 24.5 staff, with reasonable accommodation for meetings etc.

**Table B – Estimated costs of alternative accommodation**

<i><b>Detail</b></i>	<i><b>Gateshead Civic Centre (if available) (£000s)</b></i>	<i><b>Alternative Accommodation (£000s)</b></i>
Accommodation: inclusive of heating, lighting etc.	<b>30</b>	
Office rent		<b>55</b>
Cleaning, security & utilities		<b>16</b>
<b>Total Cost:</b>	<b>30</b>	<b>71</b>

Based on the figures in Table B, it is recommended in this business plan that the new organisation initially seeks to retain accommodation in the Gateshead Civic Centre (separated from the Gateshead procurement team), but a decision be taken by the Joint Committee as soon as possible to identify a permanent location following advice

from the Chief Officer; with any move to take place during the transitional period referred to above.

## **11. ESTIMATED COST OF THE NEW STRUCTURE**

In order to justify the change in stance recommended in this business plan, it is necessary to determine the overall cost to member councils. A financial plan for the transitional period referred to earlier has been prepared, (i.e. to 31 March 2012) using the best information available. The current cost of NEPO is shown in Appendix A.

The estimated cost of the new organisation for 2010/11 and 2011/12 is set out in Table C below. Clearly this costing will change as new contracts come on stream and the 'hub and spoke' arrangement starts to operate. For costing purposes only, the additional cost of accommodation outside of Gateshead Civic Centre has been assumed for the whole of 2011/12, together with appropriate set-up costs.

It can be seen from the table that there is a significant increase in the cost of the new organisation. The current cost of NEPO is shown as £0.56m in Appendix A, and this would increase to £1.25m in 2011/12, which is due to the recommended increase in staffing numbers and additional accommodation costs. It should be noted however that the new organisation will take on the developmental and strategic work currently being carried out by the NE IEP, as well as the work involved in organising and maintaining a greater number of substantial regional contracts. The current budget of the NE IEP will support the setting up and running of the shadow organisation during 2010/11, by which time the benefits should already have started to accrue. The NE IEP total budget for 2010/11 is up to £1.1m; although for the purposes of this report only £248K is calculated as a cash contribution. However, these figures, if taken into consideration alongside the current NEPO budget provide a fairer indication of the costs needed by the new organisation.

As can be seen below in Table C, any additional costs will be more than offset by the net savings from greater regional collaborative procurement, which will not be secured without a properly funded organisation at regional level. The NE IEP will also make a substantial contribution to the additional costs in 2010/11 to secure the longer term continuation of its strategic work in the region.

**Table C – Estimated cost of new organisation – 2010/11 & 2011/12**

<b><i>Detail</i></b>	<b><i>2010/11 (£000s)</i></b>	<b><i>2011/12 (£000s)</i></b>
Employee cost (24.5 staff)	<b>640</b>	<b>962</b>
Running costs	<b>38</b>	<b>38</b>
Support costs	<b>71</b>	<b>83</b>
Accommodation	<b>*60</b>	<b>71</b>
Regional work by councils on behalf of region	<b>50</b>	<b>100</b>
<b>Total cost</b>	<b>*859</b>	<b>1254</b>

*Source – Gateshead Finance*

*\* Includes £30K one-off set up costs, and is based on accommodation outside the Gateshead Civic Centre.*

## 12. FINANCIAL SAVINGS ARISING FROM THE NEW STRUCTURE

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. Appendix C sets out the forecast financial benefits of current NEPO contracts, summarised in Table D.

**Table D – Forecast of financial benefits from existing NEPO Contracts**

<b><i>Type of Saving</i></b>	<b><i>2009/10 (£000)</i></b>	<b><i>2010/11 (£000)</i></b>	<b><i>2011/12 (£000)</i></b>
Rebate to the new organisation	<b>1,126</b>	<b>1,126</b>	<b>1,126</b>
Rebate to member councils	<b>1,707</b>	<b>1,707</b>	<b>1,707</b>
Reduced prices	<b>3,087</b>	<b>3,087</b>	<b>3,087</b>
<b>Total Saving</b>	<b>5,920</b>	<b>5,920</b>	<b>5,920</b>

*Source – Head of Corporate Procurement, NEPO – February 2010*

It must be emphasised that the total annual contract savings and rebates for existing NEPO arrangements are shown in Table D as ongoing benefit to local authorities. Where contracts are expected to end over the next three years, for the purpose of this report it has been assumed that this level of saving will be sustained through future contracting arrangements. The possibility of greater savings from better collaboration will exist but this has not been factored into these figures. The continued buy-in from local authorities to these collaborative arrangements during the transitional period and in the future will ensure that this level of benefit continues, over and above the results of individual procurement exercises. This will avoid future increases in costs for local authorities, hence their inclusion.

Appendix J shows an assessment by the NE IEP of additional financial savings from new regional collaborative contracts, providing individual authorities take full advantage of the regional category management approach. The results are summarised in Table E below for 2010/11, 2011/12 and 2012/13.

**Table E - Potential financial savings from future collaboration – NE IEP analysis**

<b><i>Year</i></b>	<b><i>Amount (£000)</i></b>
<b>2010/11</b>	<b>2,649</b>
<b>2011/12</b>	<b>26,525</b>
<b>2012/13</b>	<b>26,629</b>

*Source - NE IEP as at 11 February 2010*

These figures are based on an initial analysis by the NE IEP ***on the first 10 priority categories shown in Appendix J [i]***, using spending information collected from member councils. The estimated level of saving will be refined over time as more information becomes available and external validation of saving percentages is received. The analysis does however demonstrate the significant additional savings that can be derived from collaboration using a regional category management approach. The remaining 11 priority categories shown in Appendix J [ii] provide information on the forward plan to be implemented and potential additional savings.



### **13. FUNDING – MEMBER COUNCILS**

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.

In considering the future method of funding, a number of principles must be established by members. These are:

1. **Equality of contribution?** – As indicated earlier, all member councils pay the same level of subscription irrespective of the size of council and the financial benefit that can be derived from collaborative procurement. This is designed to reflect equality of ownership, representation and influence and this subscription policy has been assumed to continue in this business plan, at least during the transitional period, after which members may wish to consider an alternative self financing model once the additional collaborative benefits projected by the NE IEP analysis come on stream.
2. **Rebates?** – Currently rebates generate substantial income, much of which is directed to member councils based on their usage of various contracts. It can be argued that the requirement for contractors to provide a rebate simply reduces their ability to further reduce prices and that if rebates were abandoned prices would fall to compensate. The administrative burden of accounting for rebates would therefore be removed. However, rebates do have other advantages, providing a cash incentive to commissioners to induce them to participate in contracts, providing a mechanism to evaluate the volume of business being undertaken and providing consistency with other national and regional contracting agencies that operate a rebate system. ***The current policy of requiring rebates has therefore been applied in this business plan.***
3. **Payment for regional work undertaken by member councils?** – During the transitional period it is anticipated in the business plan that member councils will take on some of the tactical regional work. Clearly staff time will need to be paid for, and given the wide spread in capacity between member councils and the desire to spread the burden equally, it would be desirable for a recharge mechanism to be developed that will compensate member councils for their work on regional contracts. It is envisaged in the initial implementation plan (paragraph 16) that it would be an early task for the Chief Officer to recommend such a system to the Joint Committee.

Based on the above, it is recommended in this 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.

It is 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. The review will also need to encompass the process / subscription model of “associate members”. A summary of the projected financial position of the new organisation is summarised in Table F.

**Table F – Summary Financial Position**

<b><i>Detail</i></b>	<b><i>Annual costs/savings (£000)</i></b>			
	<b><i>2009/10</i></b>	<b><i>2010/11</i></b>	<b><i>2011/12</i></b>	<b><i>Full year</i></b>
<b><u>Estimated COSTS – NEPO / new organisation</u></b>				
Running costs – NEPO	<b>561</b>	<b>809<sup>(2)</sup></b>	<b>1,154</b>	<b>1,154</b>
Allowance for regional work by member councils <sup>(1)</sup>	<b>-</b>	<b>50</b>	<b>100</b>	<b>100</b>
<b>Total estimated cost</b>	<b>561</b>	<b>859</b>	<b>1,254</b>	<b>1,254</b>
<b><u>INCOME – NEPO / new organisation</u></b>				
Subscriptions	<b>362</b>	<b>362</b>	<b>362</b>	<b>362</b>
Contribution from NE IEP	<b>-</b>	<b>248<sup>(3)</sup></b>	<b>-</b>	<b>-</b>
Retained rebates	<b>191</b>	<b>241</b>	<b>884</b>	<b>884</b>
Other	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Total estimated income</b>	<b>561</b>	<b>859</b>	<b>1,254</b>	<b>1,254</b>
<b><u>NET SAVINGS TO COUNCILS</u></b>				
Existing contracts (Table D)	<b>5,965</b>	<b>5,920</b>	<b>5,920</b>	<b>5,920</b>
New contracts (Table E)	<b>-</b>	<b>2,649</b>	<b>26,525</b>	<b>26,629</b>
Less retained rebates	<b>-191</b>	<b>-241</b>	<b>-884</b>	<b>-884</b>
<b>Total net savings</b>	<b>5,774</b>	<b>8,328</b>	<b>31,561</b>	<b>31,665</b>

Sources – Gateshead Finance & NE IEP

(1) Provisional sum only – to be refined when workload identified

(2) Includes £30k accommodation set up costs (to be covered by NE IEP).

(3) Additional costs over 20010/11 paid by NE IEP in cash or in kind. If ‘in kind’ this will require NE IEP employees to carry out work for the new organisation, with a compensating reduction in cost

Table F shows that additional costs in 2010/11 are covered by a cash contribution from the NE IEP and a slight increase in retained rebates, thus keeping subscriptions at their current level. In 2011/12 the level of rebates retained to cover additional costs will need to increase, but this is more than covered by the additional savings arising from new regional collaborative contracts. Table F also excludes any potential contribution from other regional organisations to recognise the positive contribution the new organisation can play in the economic

development of the region. If such contributions are forthcoming, this will allow a greater distribution of rebates to member councils than that shown in the table.

**Based on the analysis in Table F, the financial return to member councils from regional collaborative procurement will rise from £5.77m in 2009/10 to £31.67m in 2012/13, after deducting the running costs of the new organisation.**

## **14. RISKS / BARRIERS TO DELIVERY**

Making a strategic change of the magnitude suggested in this business plan carries a number of significant risks and potential barriers. Successful regional collaborative procurement requires the co-operation and participation of member councils in a much greater number of regional contracts, which may imply a loss of some local control by Heads of Procurement, who are charged with making significant financial savings for their councils. It implies a willingness of individual councils to accept that some of the work they currently carry out locally will be done by either the new organisation or by another member council on their behalf, and that they will also participate in the delivery of regional contracts. This greater level of sharing requires a high level of trust, openness, communication and mutual support between all those charged with procurement responsibilities, and may at times lead to delays beyond those that might have applied in developing new local contracts. ***All of this will not be achieved overnight, and will require a measure of top down direction from Members and Chief Executives for it to be wholly delivered.***

Based on this scenario, the following risks have been identified, all of which have 'high likelihood' and a 'high impact', and will require actions, such as those suggested below, for these to be mitigated.

### **Risk 1 - Opting out**

There is a risk that some councils will wish to be selective in the use of regional collaborative contracts and attempt to find alternatives that improve their local position. Although it is clearly the right of individual councils to do so, this will dilute the throughput of the regional contract and make it less attractive to suppliers. This would also use up scarce procurement expertise in the region that might be better deployed to improving the overall collaborative procurement offer to everyone. Significant opting-out might therefore prejudice the success of the overall programme, and it is interesting to note that in the Governments OEP, increasing the level of uptake in regional collaborative procurement contracts is seen as a major priority. To mitigate this risk will require Members, through the Joint Committee, to seek the full co-operation of its members to use regional collaborative contracts where-ever possible, to robustly monitor uptake through the Executive Sub-Committee and to seek improvements to regional collaborative contracts before alternative solutions are progressed by individual councils.

### **Risk 2 – Lack of trust**

Heads of Procurement in member councils have stringent efficiency targets that must be met to secure local budgets. Whilst regional collaborative procurement will assist in reaching these targets, this will require Directors of Finance to acknowledge that the time taken to deliver procurement savings through collaboration may be longer than working independently, however the savings that are ultimately delivered may be larger, whilst it will also require a

greater level of sharing, and hence trust between procurement officers. Lack of trust will be mitigated by positive results, which will take time to achieve. Currently NE IEP is investing considerable effort in creating a greater understanding of the procurement skills and capacity across the region, and bringing procurement officers and commissioners together to promote collaborative working, and to mitigate this risk this needs to be continued in order to create a greater measure of trust between officers. The introduction of an Officer Advisory Group, together with the continuation of the Technical Advisory Group (TAG) and liaison officers input will further mitigate this risk by ensuring a flow of information and priorities from operational procurement officers through to Directors with responsibility for Procurement and / or Chief Executives on a regular basis.

### **Risk 3 – Unwillingness / inability to administer regional contracts**

Some member councils do not currently have the capacity to carry out regional work, or may be unwilling to do so, preferring to concentrate on local activity. Whilst it is for each member council to determine its own stance, member councils should not be precluded from participation purely through lack of capacity, or benefit disproportionately through a lack of involvement, and it is therefore important in mitigating this risk that an adequate recharge mechanism is established by the Chief Officer to reflect local costs of administering regional contracts.

### **Risk 4 - Skill shortages**

As indicated earlier in this business plan, there is recognition of some skill shortages that already exist in the region in the public procurement field. In order for the proposals set out in this business plan to be fully met, these shortages must be addressed and key posts filled to gain maximum advantage from effective procurement. This risk must be mitigated through a clear remit by the new organisation to keep under review the skill mix in the region and to take steps to fill gaps through effective ongoing training and development, and recruitment programmes. There may also be a requirement to investigate the skill set and opportunities that exist to in other public and / or private sector organisations to fill any gaps of procurement professionals. Through the ongoing work of the NE IEP other routes are to be explored, such as more formalised training programmes to 'grow our own', and upskill existing staff where appropriate.

### **Risk 5 - Protecting local suppliers**

There is a risk that member councils may perceive that a move to regional collaborative procurement may disadvantage the local supply base, and hence they may be less willing to participate in regional collaborative contracts. This was covered extensively in the PWC report referred to earlier as follows:

*“Provided there is compliance with the EU Public Procurement Regulations and ‘Best Value’, councils can work with suppliers to realise ‘community benefits’ through their procurement activities – typically through engagement with Small to Medium Enterprises (SMEs). SMEs are often local businesses and members of the local community; therefore any assistance given to them can also bring benefits to the local community. The same holds true for many social enterprises, voluntary and community organisations and Black and Ethnic Minority Enterprises. SMEs are generally locally owned and often employ people from a smaller catchment area than larger competitors. Local Authorities should not, however, ignore the benefits offered by small firms who trade on a wider national or regional basis and must ensure that their policies are consistent with EU law i.e. that there is also no discrimination*

*against larger firms. Small firms can offer real benefits to Local Authority clients, some of which are outlined below:*

- can often respond quickly and flexibly to customer needs;*
- can be a source of innovation, ideas and products;*
- can offer cash savings, improved quality, service and effectiveness;*
- are frequently close at hand;*
- some, like social enterprises and those operating in the voluntary and community sector, may have better access to hard to reach customer groups; and,*
- may attach more importance to doing business with a Local Authority.*

*There is an opportunity to seek to enhance relationships with local suppliers and help to maintain and improve the range of skills, products and services that can be delivered from within the region that will lead to greater economic prosperity and sustainability in communities across the region.”*

To mitigate this risk, the new organisation must have clear policies relating to the use of local suppliers whilst complying with EU law, and be seen by member councils to monitor the effectiveness of this policy through the agreed governance arrangement. As detailed in paragraph six earlier in this report, a greater level of demand forecasting will ensure that local suppliers are more knowledgeable about the future needs of the region's individual councils, and are therefore better able to plan ahead.

#### **Risk 6 – Potential delays in securing regional agreements**

Experience has shown that securing regional procurement can be time consuming, and can take longer than the development of more local arrangements. This may create difficulties for Heads of Procurement who are committed to meeting in-year financial targets. It will be the responsibility of the new organisation to resolve issues of concern promptly, but the risk will only be mitigated through a commitment by all concerned in the procurement process to resolve differences quickly in the interests of greater collaborative savings, and the effective coordination role of Senior Regional Category Specialists in the process.

To further mitigate this risk, robust performance management will need to be implemented and this will be key to ensuring savings are realised as quickly as possible. This could be achieved through the development of a three year forward plan which would be agreed on an annual basis. The forward plan would detail the categories as the current Appendix J [ii] shows, i.e. when they will be actioned, together with appropriate target savings. Exception reports with recommendations for mitigation will be produced to appropriate committees as and when necessary.

#### **Risk 7 – Failure to deliver forecast savings**

Whilst every effort has been taken to ensure that the savings figures quoted in this business plan are realistic, there is a risk that the full potential, or not enough potential is realised to make the new organisation a viable financial proposition in the long term. To mitigate this risk it is recommended that a review is scheduled to be undertaken by the Officer Advisory Board before the end of the transition period.

### **Risk 8 – Rejection of the proposals by Chief Executives / Leading Members**

The cumulative effect of the seven risks / barriers described above will require a high degree of 'top down' commitment to mitigate, and there is a risk that this may lead to a rejection or deferral of the proposals in this business plan, in favour of a more localised or sub-regional approach. This is a major issue for member councils, who will not fully realise the benefits of regional collaboration without a measure of compromise and mutual trust. To mitigate this risk a review process by the Officer Advisory Group is recommended, to be carried out before the end of the transitional period (31 March 2012), where member councils have the opportunity to reassess the new approach, to review whether the original objectives are being met. As further mitigation, it is recommended that as far as possible NE IEP resources are used in 2010/11 to meet much of the initial cost above the current subscription level, and that additional regional contracts are introduced quickly to ensure that additional costs arising from these proposals are fully covered by additional benefits, thus retaining the 2011/12 subscription at its current level.

## **15. KEY RECOMMENDATIONS**

- 1. The implementation date of this business plan immediately follows its final approval, with a move to new working arrangements and appointment of key staff as soon as possible during 2010/11.**
- 2. The appointment of any key staff will only be made once the Chief Officer has determined the true requirements of the new organisation, and the associated costs will not be greater than that stated in Table F. Appointments will be made on the basis of need, and a range of contract arrangements could be considered, which would include, fixed term appointments, secondments and/or buying in short term specialists as and when required, appropriate to need.**
- 3. The purpose and objectives of the new organisation, as set out in paragraph six of this business plan, be agreed.**
- 4. That a decision is reached on whether the new organisations Joint Committee consists of 12 or 24 Members, with one (or two) Members drawn from each member council, as set out in paragraph 7.1.**
- 5. The Joint Committee has the powers and duties specified in Appendix E [i] through to E [iv] and in paragraph 17 of the business plan.**
- 6. The Chief Officer delegation scheme set out in paragraph 7.2 of the business plan be agreed.**
- 7. An Officer Advisory Board comprising a Chief Executive or senior a Director with line responsibility for Procurement from each member council be formed in accordance with paragraph 7.3 of the business plan, to be chaired by a designated Chief Executive.**
- 8. If the option is agreed for 12 Members to make up the Joint Committee, then the roles of audit and scrutiny would be undertaken by the Officer Advisory Board.**

9. Bi-annual reports will be made by the Chief Officer into the ANEC Leaders & Elected Mayor's Board.
10. 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, and that by 1 April 2011 the Joint Committee reviews the options available for these services and makes a decision on their longer term provision as from 1 April 2012.
11. The first 10 areas of spend shown in Appendix J [i] should be reviewed as a priority in the first instance, using a category management approach, and that the remaining areas of spend shown in Appendix J [ii] should form part of the future work plan for the new organisation.
12. Member councils pay an equal subscription to the new organisation during the transition period to March 2012, set at the level appertaining in 2009/10, with an early review of the future funding / subscription models to be undertaken within the transition period, with clear recommendations made for implementation from 1 April 2012, which includes a review of the associate members fee / process.
13. The performance and viability of the new arrangements be reviewed by the Officer Advisory Group during the transitional period, to enable member councils to determine whether their long term requirements are being met.
14. The new Chief Officer will review and make recommendations, by 31 December 2010 on the future branding of the new organisation.
15. The agreement by each individual local authority to a revised Constitution is required as soon as possible following approval of this business plan. Chief Executives are required to ensure that an appropriate report is taken through its Executive by 30 September 2010.
16. Interim management arrangements will be put in place to ensure a speedy implementation to the recommendations / content of this business plan, prior to the appointment of a new Chief Officer.

## **16. INITIAL IMPLEMENTATION PLAN**

An initial implementation plan is provided in Table G below, which sets out the key dates for the period to March 2011. This will require further work once decisions on the way forward have been agreed by Members.

**Table G – Recommended Implementation Plan**

<b><i>Date</i></b>	<b><i>Action</i></b>	<b><i>Responsibility</i></b>
<i>July / August 2010</i>	Current NEPO organisation begins alignment of current working practices to a regional category management approach, new structures and job roles.	Head of Corporate Procurement – NEPO / NE IEP Collaborative Procurement Programme Manager
<i>July 2010</i>	<ol style="list-style-type: none"> <li>1. Work commences on first 10 priority areas selected for regional collaborative procurement.</li> <li>2. Review of accommodation requirements.</li> <li>3. Establishment of new democratic arrangements for the new organisation.</li> </ol>	<ol style="list-style-type: none"> <li>1. &amp; 2. As above</li> <li>3. Chief Executives</li> </ol>
<i>July 2010</i>	Approval of Officer Structure, and agreement to terms and conditions and recruitment procedures for Chief Officer.	Joint Committee
<i>July / September 2010</i>	Advertisement for Chief Officer and recruitment.	Joint Committee
<i>November / Dec 2010</i>	Commencement of Chief Officer	N/A
<i>December 2010</i>	Review of Branding of new organisation	Chief Officer / Joint Committee
<i>January 2011</i>	Agreement of KPIs / performance management requirements.	Chief Officer / Joint Committee
<i>January 2011 onwards</i>	Agreement / implementation of appropriate system requirements (see above)	Chief Officer
<i>January / February 2011</i>	Recruitment of key roles, where appropriate.	Chief Officer
<i>October 2010 / March 2011</i>	<ol style="list-style-type: none"> <li>1. Discussions with individual council are on hub and spoke arrangements and recharge mechanisms.</li> <li>2. Option appraisal on accountable body selection.</li> <li>3. First new regional contracts let.</li> <li>4. Decisions made on accountable body status / new accommodation / branding of the new organisation for implementation as soon as possible.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chief Officer / Senior Regional Category Specialists</li> <li>2. &amp; 3. Chief Officer</li> <li>4. Joint Committee / any interested local authority.</li> </ol>
<i>By March 2011</i>	Agreement to new constitutional arrangements	Leaders / Elected Mayor's



## APPENDICES A - J

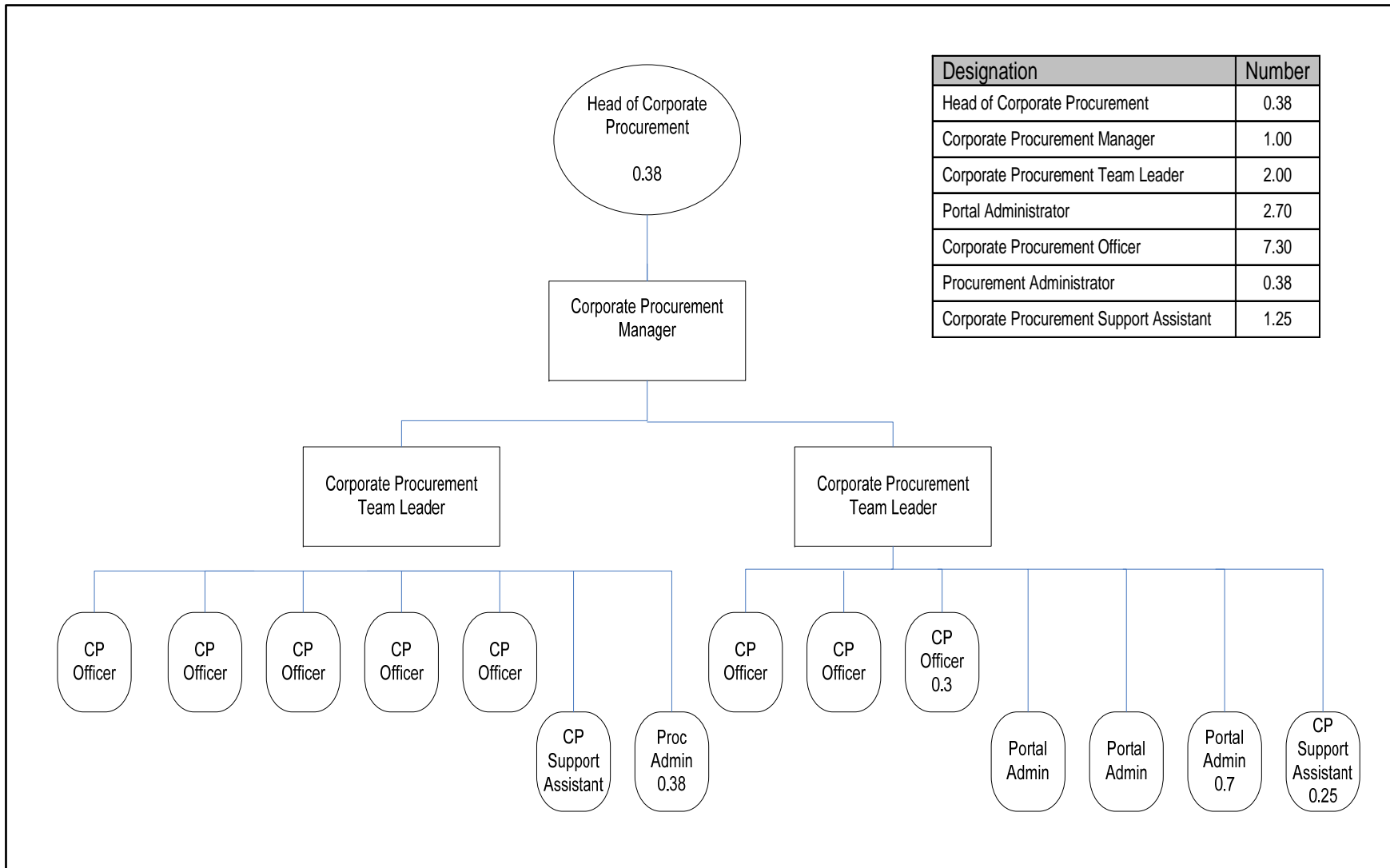
### APPENDIX A

#### Annual NEPO Budget 2009/10

<i>Budget Heading</i>	<i>Amount (£000s)</i>
Employee costs	<b>452</b>
Direct Supplies and Services	<b>38</b>
<b>Costs</b> recharged from Gateshead Council <ul style="list-style-type: none"> <li>• Legal</li> <li>• Financial</li> <li>• Accommodation</li> <li>• Computing</li> <li>• Other</li> </ul>	<b>35</b> <b>8</b> <b>16</b> <b>9</b> <b>3</b>
<b>Total Expenditure</b>	<b>561</b>
<b>Income</b> <ul style="list-style-type: none"> <li>• Membership Fees</li> <li>• Rebates</li> <li>• Other</li> </ul>	<b>362</b> <b>191</b> <b>8</b>
<b>Total Income</b>	<b>561</b>
<b>Total Expenditure less Income</b>	<b>0</b>

## APPENDIX B

### Current Officer Structure of NEPO



## **APPENDIX C**

### **Current NEPO contracts and assessed savings and rebates**

Category		Annual On Contract Spend (£000's)	Estimated Annual Savings (£000's)	Future Rebate Values					
Master	Sub			2010/11 (£000's)		2011/12 (£000's)		2012/13 (£000's)	
				New Org	LA	New Org	LA	New Org	LA
Building Materials	Building Materials	271	n/a	16	0	16	0	16	0
Business Support Services	Furniture	1,585	80	57	0	57	0	57	0
	Mail Services	25	n/a	6	0	6	0	6	0
	Stationery	6,000	347	128	0	128	0	128	0
Energy and Utilities	Utilities	97,000	539	355	1,653	355	1,653	355	1,653
Facilities Management	Catering	6,540	11	136	0	136	0	136	0
	Cleaning and Janitorial	1,075	30	21	0	21	0	21	0
	Facilities and Management Services	5,812	100	51	0	51	0	51	0
	Health and Safety	48	n/a	1	0	1	0	1	0
Front-line and Environmental Services	Environmental Services	149	1	4	0	4	0	4	0
	Horticultural	120	n/a	1	0	1	0	1	0
	Sports and Playground Equipment	168	n/a	8	0	8	0	8	0
ICT and Telecoms	Information Communication Technology	400	n/a	0	0	0	0	0	0

## **APPENDIX C continued**

### **Current NEPO contracts and assessed savings and rebates**

Category		Annual On Contract Spend (£000's)	Estimated Savings (£000's)	Future Rebate Values					
Master	Sub			2010/11 (£000's)		2011/12 (£000's)		2012/13 (£000's)	
				New Org	LA	New Org	LA	New Org	LA
Professional Services	Financial Services	20	n/a	0	0	0	0	0	0
	Human Resources	16,000	1070	49	0	49	0	49	0
Schools and Education	Education	2,200	44	0	0	0	0	0	0
Social Care – Adults	Social Community Care Supplies	600	n/a	9	0	9	0	9	0
Transport and Fleet	Vehicles	38,774	824	264	54	264	54	264	54
	Traffic Management	1,000	41	20	0	20	0	20	0
TOTAL		177,787	3,087	1,126	1,707	1,126	1,707	1,126	1,707

Source – NEPO / NE IEP as at 17 February 2010

#### *Notes*

- Savings are based on previous NEPO contracts. Where there was no previous contract to compare costs, this is shown as n/a. Benchmarking has been completed by NEPO which indicate that the prices are competitive at current levels. Where benefits have been predicted using a range, the mid-point has been used to calculate annual saving.*
- This list is as at February 2010 so NEPO contracts will continue to be let during the transitional period into the new organisation. Total future rebate and savings therefore may increase as further contracts are let or better terms are negotiated for existing contracts*

## Recommended New Organisational Structure



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## **APPENDIX E**

### **[i] Joint Committee Powers & Duties**

1. Develop, approve and keep under review a long term strategy setting out the future direction of the new organisation.
2. Approve annually the medium term business plans, annual budgets and annual accounts (including the annual governance statement following consideration by the Audit Sub Committee).
3. Agree the level of annual subscriptions from member councils.
4. Consider, approve and keep under review the constitution and management agreement of the new organisation, including its Standing Orders, Financial Procedure Rules and the Officer Delegation Scheme and to carry out such actions as are required by these rules.
5. Appoint annually at the Annual General Meeting an Audit Sub-Committee and an Executive Sub-Committee, and receive minutes or reports from them highlighting any areas that require action by the Joint Committee.
6. Appoint annually at the Annual General Meeting a Scrutiny Sub Committee of 'Non-Executive' Members and to receive reports on completed scrutiny reviews.
7. Approve and keep under review the code of corporate governance and associated documents, including a register of corporate and commercial risk, following recommendations by the Audit Sub Committee.
8. Receive reports as appropriate from the Chair of the Officer Advisory Board on issues of concern to member councils that cannot be resolved directly with the Chief Officer.
9. Delegate to an Executive Sub Committee a duty to keep business operations under continuous review through a robust performance management framework, and take such actions as are necessary to adhere to approved business plans and annual budgets.
10. Approve an annual programme of Scrutiny Reviews, following a recommendation by the Scrutiny Sub-Committee.
11. Approve the senior management structure.
12. Provide for the appointment of the Chief Officer through an appropriate ad-hoc Appointments Sub Committee, and make appropriate arrangements for his/her annual appraisal by the Executive sub-committee.
13. Keep under review the scope and cost of 'accountable body' duties provided by member councils, and the location, scale and standard of staff accommodation

14. Receive reports from the Chief Officer on changes to the national procurement landscape, and its potential effects on the economic, social and environmental wellbeing of the region, and to make such amendments to strategic plans as are appropriate.
15. Receive reports and take action to resolve potential skill shortages in the procurement field through the development of regional development and training programme.
16. Receive an annual report from the Chief Officer containing summary details of previous year's contracts and any significant changes in business planning for the following year.
17. Support and promote the creation of appropriate partnership arrangements, including other public sector buying organisations, the OGC, CLG and the Regional Development Agency.
18. Keep under review the corporate identity and branding of the organisation.
19. Ensure that an appropriate member development programme is provided to facilitate the work of this Committee and its Sub-Committees.
20. Provide member councils with an annual report on the organisations activities.
21. Exercise such other responsibilities as are provided for under the formal constitutional 'Agreement' between member councils.

### **[ii] Joint Committee: Executive Sub Committee responsibilities**

1. Review the performance of the organisation in achieving its objectives through an examination of performance data and relevant performance indicators.
2. Determine and recommend to the Joint Committee a suite of performance indicators, including an annual target of rebate income and reduced prices that are expected for the following financial year.
3. Receive reports on spending against approved budgets and make such decisions as are necessary to ensure year-end targets are achieved.
4. Keep under review the division of work of a regional nature between the organisation and member councils, to ensure as far as possible an equitable distribution or a fair allocation of costs.
5. Examine periodically the take up of regional contracts by member councils, examine reasons for opt outs, and report its conclusions to the Joint Committee.
6. Appraise the performance of the Chief Officer.
7. Take urgent decisions where it is not practicable to call a full meeting of the Joint Committee, subject to reporting any decisions made, and the reasons for the urgency, to the next meeting of the Joint Committee.

**[iii] Joint Committee or Officer Advisory Board: Scrutiny Sub Committee responsibilities**

1. Prepare and submit to the Joint Committee for approval an annual programme of scrutiny reviews.
2. Conduct scrutiny reviews in accordance with the approved programme.
3. Call witnesses and receive evidence as appropriate for each review.
4. Prepare a report following each review, setting out conclusions and recommendations, for submission to the Joint Committee.
5. Review periodically the response of senior managers to completed reviews.
6. Carry out reviews requested by the Executive Sub-Committee and the Joint Committee.

**[iv] Joint Committee or Officer Advisory Board: Audit Sub Committee responsibilities**

1. Provide the Joint Committee with a reasonable assurance of the efficient and effective operation of the overall internal control environment within the organisation, through a systematic appraisal of its framework of internal controls, processes and data quality.
2. Consider the internal audit plans of the Accountable Body insofar as they relate to the organisation.
3. Recommend an annual governance statement to the Joint Committee for inclusion in the annual statement of accounts.
4. Ensure that the highest standards of probity and public accountability are demonstrated in the letting of contracts and by member councils.
5. Ensure that an appropriate risk management strategy has been drawn up, to monitor that risk management procedures are being carried out effectively and to monitor key risks.
6. Keep under review the actions of the Chief Officer in developing a code of corporate governance, including policies and procedures relating to anti-fraud and corruption.
7. Review annually its terms of reference and report any additions and amendments to the Joint Committee.
8. Submit to each Annual Meeting of the Joint Committee a report of its activities during the previous year.



## **APPENDIX F**

### **Chief Officer Duties**

1. Adopt a prominent strategic leadership role in terms of regional collaborative procurement.
2. Maintain effective links with other regional agencies, especially the Regional Development Agency, to identify opportunities to strengthen the regional economy through effective supplier development, engagement and market intelligence
3. On behalf of the Joint Committee provide effective leadership of the organisation and be accountable for the delivery of its services through the effective and efficient exercise of the Chief Officer Delegation scheme.
4. Drive cultural change to procurement in the region by promoting a hub and spoke approach to procurement, seek an equitable sharing of effort, benefit and cost between member councils and challenge non-collaborative behaviour.
5. Champion a commercial approach to regional procurement by adding value and streamlining the procurement landscape.
6. Take the lead role on relevant work undertaken by the NE IEP in relation to policy and document harmonisation, supplier development and engagement, Portal development, supply/market and demand intelligence, build regional procurement capacity and capability.
7. Facilitate a constructive and open approach to the supply market, and creating opportunities for local and regional suppliers, including the third sector and SMEs, to participate in regional contracts.
8. Lead and manage Senior Regional Category Specialists in coordinating regional procurement contracts, promoting consistency and professionalism and securing optimum financial savings for member councils.
9. Assist Members of the Joint Committee in meeting their strategic objectives.
10. Report to the Joint Committee, and advise its Members, on best procurement practice including the social, economic and environmental implications of local government procurement.
11. Research and keep under review the capacity and capabilities of procurement professionals in the region, to recognise gaps and provide tailored opportunities for the development of underrepresented skills.
12. Represent and raise the status of the region on procurement matters at a national level, both individually and through membership of PRO5, and to promote constructive relations with the OGC, CLG and other public agencies.

## **APPENDIX G**

### **Regional Category Specialist Duties**

1. Undertake strategic category management of their area of responsibility, as follows:
  - a. ***Social Care***: Adults, Children's and Education.
  - b. ***Construction***: Building Materials, Highways Equipment & Materials, Works – Construction, Repair and Maintenance.
  - c. ***Corporate & Professional***: Business & Office Support, ICT & Telecoms and Professional Services.
  - d. ***Facilities Management***: Energy & Utilities, Facilities Management, Transport & Fleet and Front Line & Environmental Services.
2. Develop regional sourcing strategies that maximise collaborative procurement opportunities.
3. Challenge non-collaborative behaviour.
4. Undertake regional market analysis, develop detailed market intelligence and engagement to support market development, using up to date regional spend analysis.
5. Determine the optimum methods, tools and techniques to secure the best response from the market.
6. Understand and forecast regional demand and long term requirements.
7. Co-ordinate the management of key markets and sourcing strategies where managed at regional level.
8. Adopt innovative approaches to collaboration and routes to market.
9. Manage the development of supplier relationships at sub regional, regional and national levels.
10. Co-ordinate activity where individual authorities are leading on regional development and tactical procurement.
11. Ensure capacity and expertise exists in the region.
12. Represent the region on national categories where appropriate.

## **APPENDIX H**

### **Local Category Manager Duties**

1. Ensure compliance with overall Council strategy.
2. Update strategic analyses of markets and supplier trends.
3. Update market analysis and supplier database.
4. Supplier mapping and market testing of key suppliers.
5. Regular reviews with key suppliers.
6. Prepare business cases.
7. Support the work of the new organisation, including leading / undertaking work on its behalf where appropriate.
8. Contribute to service plans, performance reports and management information reports.
9. Influence senior managers on the commercial viability of differing sourcing options.
10. Build and maintain relationships with key commissioners.
11. Research contract and procurement activity in the independent sector.
12. Review purchasing arrangements and contract aggregation to provide economies of scale and lower unit costs.
13. Analyse and prioritise spend activity: identify savings.
14. Analyse historical/forecast expenditure.
15. Lead on corporate procurement contracts and projects.
16. Monitor and evaluate contract performance.
17. Identify projected cash savings and efficiencies.
18. Production of progress, savings and efficiency reports.
19. Advise on new agendas including sustainability, supporting local business, targeted recruitment and training.
20. Support regional collaborative contracts.

## **APPENDIX I**

### **Business Development Manager & Team Duties**

1. Manage the business and performance activities of the organisation.
2. Manage and further develop all necessary performance management (KPIs etc.), spend and supply market intelligence analysis system requirements, including the further and ongoing development of the Procurement (NEPO) Portal.
3. Manage, coordinate, analyse and report on all aspects of data collection including:
  - a. demand and supply market intelligence;
  - b. business and performance management ;
  - c. regional spend analysis;
  - d. performance evaluation, including KPIs, benchmarking etc.;
  - e. version control of policy and documentation harmonisation; and,
  - f. contract management and registers.
4. Maintain, further develop and roll out regional harmonised policies, practice, systems and documentation.
5. Manage the organisations income streams and appropriate payments to member councils and suppliers.
6. Manage the organisations budgets and rebates.
7. Continue to grow supplier engagement, through a range of supported activities.
8. Develop and maintain appropriate marketing materials for the new organisation, ensuring appropriate attendance at exhibitions and events.
9. Oversee staffing issues and ensure appropriate employee policies are in place.
10. Ensure appropriate arrangements are in place to develop and manage the organisations budget.
11. Manage the organisations assets and arrange appropriate facilities management including building maintenance, security, reception, ICT infrastructure, telephony, furniture and other equipment necessary for the organisation to carry out its role.
12. Organise the appropriate mechanism for improvement of skills and capacity across the region.

## **APPENDIX J [i]**

### **Potential financial benefits from initial 10 new collaborative solutions – 2010/11, 2011/12 & 2012/13**

Category		Annual Spend (£000's)	Projected Spend (£000's)	Projected Saving %	Start date	Annual Savings		
Master	Sub					2010/11 (£000's)	2011/12 (£000's)	2012/13 (£000's)
ICT & Telecoms	ICT Hardware	24,586	14,013	12.8%	Jan 2011	448	1,794	1,794
Facilities Management	Security	29,740	25,394	7.2%	Jan 2011	457	1,828	1,828
Printing advertising & Marketing	Advertising & Print	27,962	25,249	14.4%	Jan 2011	909	3,636	3,636
Professional Services	Consultancy	133,547	133,547	2.5%	Jan 2011	835	3,339	3,339
Building & Construction	Building Materials	81,077	16,346	4.05%	April 2011	n/a	662	662
	Heavy Plant & Equipment	2,253	2,166	0.8%	April 2011	n/a	17	17
Social Care – Adults	Nursing Homes	79,994	58,323	5.6%	April 2011	n/a	3,266	3,266
	Residential Homes	273,957	208,374	5.6%	April 2011	n/a	11,669	11,669
Social Care - Children's	Adoption	4,295	4,295	4.8%	July 2011	n/a	155	206
Education	Educational supplies	11,768	11,768	1.8%	July 2011	n/a	159	212
<b>Total for categories with an Jan 2011 to July 2011 start date:</b>						<b>2,649</b>	<b>26,525</b>	<b>26,629</b>

**Notes:**

1. The level of savings estimated in the business plan will be cashable within the first full year of the implementation of a category management approach for each spend area. For the purpose of the business plan it has been assumed that this level of saving will be sustained over subsequent years hence the inclusion of these savings in the year on year figures. To clarify, year one will offer authorities cashable savings whilst subsequent years will benefit authorities through cost avoidance. Continued collaboration will prevent future increases in costs to previous levels for participating local authorities.
2. Annual spend is based on a regional return for each priority and is subject to further refinement.
3. Projected spend is based on spend information from member councils where the RIEP believes there is an opportunity to participate in regional contracts.
4. Saving percentages are calculated using known / estimated average savings figures, which are subject to further validation.
5. Dependent upon capacity some start dates could be sooner than stated.

## **APPENDIX J (ii)**

### **Potential financial benefits from forward plan of new regional collaborative solutions – 2010/11, 2011/12 & 2012/13**

Category		Annual Spend (£000's)	Projected Spend (£000's)	Projected Saving %	Start date	Annual Savings		
Master	Sub					2010/11 (£000's)	2011/12 (£000's)	2012/13 (£000's)
ICT & Telecoms	Telecoms	23,131	19,546	10.8%	Oct 2011	n/a	1,055	2,111
Frontline & Environmental services	Horticultural Services	15,271	10,797	3.6%	Oct 2011	n/a	194	389
Business & office support	Insurance	19,748	13,368	0.08%	Oct 2011	n/a	5	11
Professional services	Counselling & Advice	15,114	15,114	2.4%	Oct 2011	n/a	181	363
	Legal Services	9,588	7,028	0.08%	Jan 2012	n/a	14	56
Business & office support	Banking	4,360	2,624	0%	Jan 2012	n/a		
Frontline & Environmental services	Landscaping	4,103	1,355	3.6%	Jan 2012	n/a	12	49
Building & Construction	Highways Equipment	5,872	5,872	10%	Jan 2012	n/a	147	587
Social Care - Children's	Out of County Placements	Awaiting info	n/a	n/a	April 2012	n/a	n/a	
	Childcare Services	20,719	20,595	4.8%	April 2012	n/a	n/a	989
Education	Further Educational Services	13,080	13,080	0.48%	April 2012	n/a	n/a	63
Total for categories with an October 2011 / April 2012 start date:						n/a	1,608	4,618
Total for ALL 21 categories:						2,649	28,134	31,247

Source – NE IEP as at 11 February 2010

#### **Notes**

1. Annual spend is based on a regional return for each priority and is subject to further refinement.
2. Projected spend is based on spend information from member councils where the RIEP believes there is an opportunity to participate in regional contracts.
3. Saving percentages are calculated using known / estimated average savings figures, which are subject to further validation.
4. Dependent upon capacity some start dates could be sooner than stated.

## **APPENDIX K**

### **Category Management Approach**

The new organisation will be founded on the principles of Strategic Category Management. This will be a holistic approach to procurement where sourcing strategies are collaboratively developed and implemented for defined procurement categories which may be made up of multiple supplies and services of different complexity and value to produce high quality outcomes and deliver financial savings.

Category management will begin with an internal analysis to understand what, why and how do we currently buy to inform basic characteristics for a sourcing strategy including reviewing and understanding historical spend, future demand and business needs. Opportunities for projected cashable efficiency savings will be clearly defined together with an approach to benefits realisation.

A tactical analysis will be undertaken to establish the market position and profile of suppliers, pricing and sourcing histories including benchmarking and early market sounding will ensure there is a good understanding of the spending area and so that supplier perceptions are understood in order to develop effective supplier relationships.

A strategic analysis of the supply market will ensure that procurement decisions are based on best practice intelligence and ensure commercial risks are minimised, this includes analysing existing and potential supply chain arrangements and known technical issues to determine potential threats to supply chain continuity.

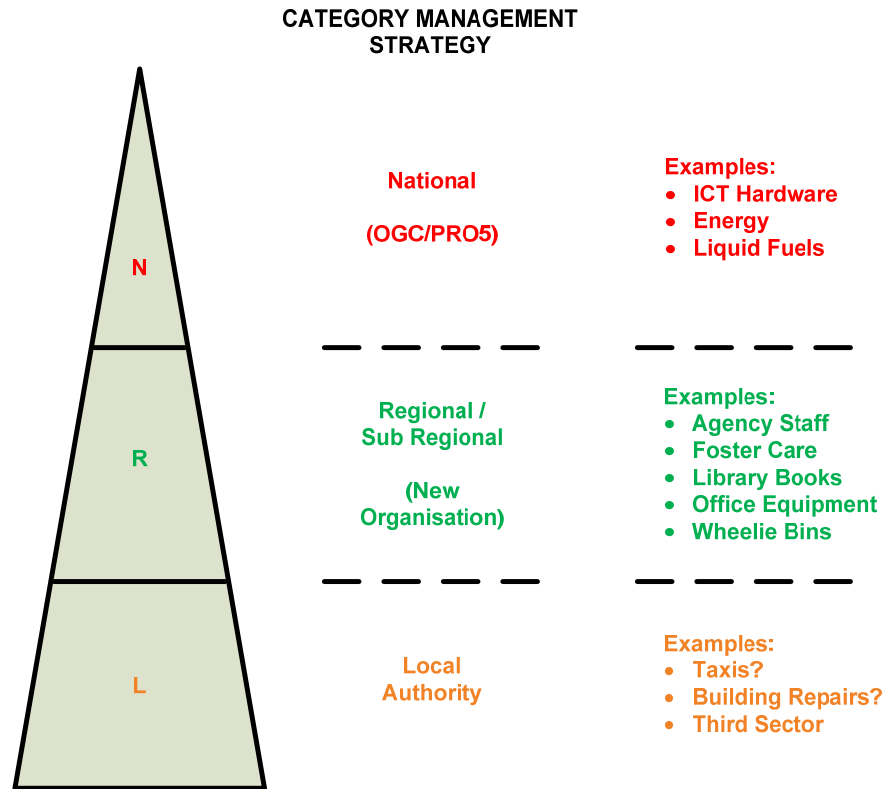
A range of innovative procurement options and approaches will then be developed for consideration, this may include the opportunity to use reverse E-Auctions and / or other innovative tools such as electronic invoicing and procurement cards, so that a holistic approach is taken to secure quality, value for money and supply chain improvements. As well as procurement options consideration may also be given to other aspects such as opportunities to deliver savings through demand management.

A fundamental part of the Category Sourcing Strategy will be to decide whether goods and services should be purchased at a national, regional or local level (figure 1 below).

A high level project plan and communications plan will be agreed setting out how key stakeholders are engaged (responsible, accountable, consulted or informed) and so that as procurement activity is progressed stakeholder decisions can be made in a timely, inclusive and collaborative manner.

Each sourcing strategy will include contract management arrangements that are designed to manage and improve contracts. Research has shown that suppliers can make twice the profit in the second year of a contract. Each sourcing strategy will ensure that arrangements are put in place to leverage supplier relationships fully and drive continued value beyond negotiating basic commercial terms.

**Figure 1**



Category management is not necessarily about any single form of contract arrangement and is certainly not about all authorities collaborating all of the time. The appropriateness of the arrangement is essential to ensure the maximum benefit can be achieved by individual authorities. As illustrated above, each sourcing strategy may include some or all of the options outlined below:

- Use of national contracts – anticipated to be limited in number, to be used for major commodities bought by all authorities, or very specialist in nature where no local markets exist.
- Regional / sub-regional contracts or frameworks – collaborative arrangements appropriate to the region or sub-region ensuring best practice is considered and with appropriate benchmarking.
- Local contracts – spend on goods and services with well developed local markets.

## **The role of the new organisation**

The proposed structure for the new organisation increases capacity at a strategic level with the introduction of four Senior Regional Category Specialists who will each be responsible for developing and managing the regional strategies of between three and four regional categories.



The Regional Category Specialists will take the lead in developing the knowledge and expertise around each category. They will identify what expertise exists within authorities and advise on how to develop the capability that is required within the region.

They will develop specialist knowledge and skills within their categories and will ensure that this knowledge is shared across authorities' own category managers. In this way capacity will be built in the region and expertise shared and developed.

The Regional Category Specialists will lead the development of the regional category plans, incorporating best practice examples regionally and nationally and analysing market intelligence to identify any potential impacts on the region. They will develop benchmarking and cost and volume information across the region, build supplier databases, and lead market development, working with suppliers, and particularly local suppliers.

**At present, procurement tends to be focused on contracting and not on sourcing or contract management. Under current arrangements, every authority will need to develop the appropriate skills and capacity to undertake these roles. With the new approach, the skills and capacity can be shared across and between authorities. Individual authorities will still need the capacity to support regional developments and activity but will in turn be provided with the intelligence and negotiation available to support their authority. Effective networking will be required involving staff responsible for specific categories across the region.**

## **Regional impact on local procurement teams – hub and spoke model**

Regional Category Specialists will coordinate activity across the region on behalf of all 12 authorities. They will facilitate expertise from within each authority to help identify categories of spend where joint working may be appropriate.

Where an authority agrees to take the lead for a category, it is expected that they would provide leadership, co-ordination and expertise. Any individual working on behalf of the region would do so without the expectation that they would be physically located within the hub.

However, in some instances, it may be necessary for individuals to be seconded into the hub for short periods of time.

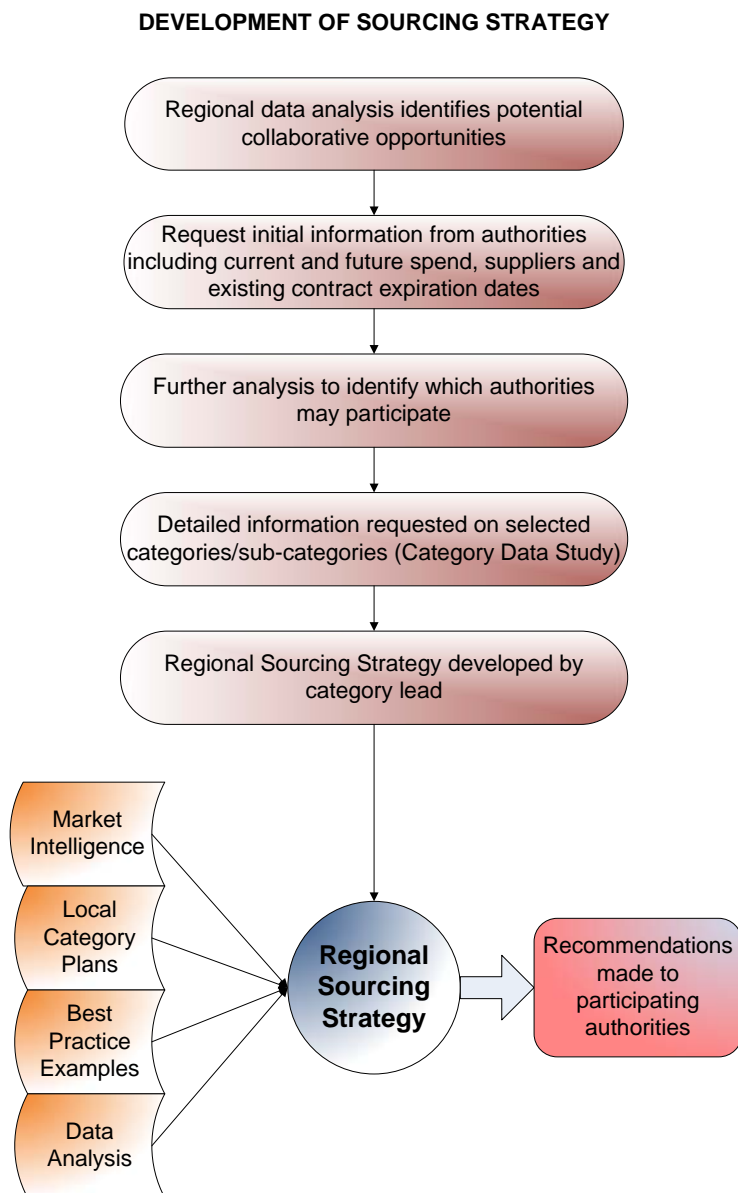
The model proposed to develop regional sourcing strategies is outlined in Figure 2.

### **Opting Out Arrangements**

Individual member councils will be given the opportunity to 'opt out' of any collaborative arrangements where they feel that it is in their best interest. However, any decision to opt out of an arrangement should be done at an appropriate time, i.e. when data has been analysed and recommendations made. Opting out will be an informed decision made by the Chief Executive or Finance Director (or equivalent) based on the information provided. Break / decision to opt out points are highlighted in Appendix L, Figure 3.

A category management approach doesn't mean always aggregating spend at a regional level. It will however allow for each local authority to better determine the most appropriate approach for them individually to take on each case, based on better information, analysis and thus providing a range of options for consideration.

**Figure 2**



## What does this mean for local procurement teams?

Many authorities within the region are already reshaping teams to undertake a category management approach to procurement. However, this will not be the same for every authority. A regional organisation adopting a category management approach may require development of new skills within the team, or may need to recruit new skills externally.

Working collectively, skills and expertise can be shared. Teams will be able to seek support and expertise via the regional hub; and will have their market intelligence provided for them. Working individually, authorities will need to develop the complete skill set and expertise across every area since there remains a shortage of the necessary skills and expert knowledge in the region. The NE IEP has commissioned separate support to develop a training plan and will provide dedicated training opportunities for all relevant staff so that the requisite skills can be developed.

The proposed shift in skills is briefly illustrated within the table below and demonstrates the expected changes in procurement in the future.

<b><i>Traditional Procurement: Current Position</i></b>	<b><i>Category Management: Future Position</i></b>
<ul style="list-style-type: none"> <li>• Procurement exercises reactive to organisational demands</li> </ul>	<ul style="list-style-type: none"> <li>• Local authorities and Fire and Rescue Services are better able to predict future demand to meet organisational needs</li> </ul>
<ul style="list-style-type: none"> <li>• Procurement exercises driven by contracts ending</li> </ul>	<ul style="list-style-type: none"> <li>• Managed spending, with procurement driven by market changes and conditions</li> </ul>
<ul style="list-style-type: none"> <li>• Individual management of contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Management of markets and supplier relationships</li> </ul>

It is proposed that the new organisation will lead on market management and supplier engagement where this will benefit authorities in the North East. This means that in some areas the authority will not need to engage itself. However, each authority will need to support the process. Regional Category Specialists will need to operate through a network of local contacts, offering market intelligence and other information into authorities via the lead within the authority, and receiving updates on local intelligence concerning markets and suppliers. The local lead will need to be able to operate effectively as part of a client team to ensure the intelligence is part of the business considerations and that a dialogue exists between the team and the regional category specialists. They will need to build relationships with local suppliers.

The new organisation will still play a contracting role but with information provided across the region will also need to undertake contract monitoring aspects of contract management. Regional contract management must be based on information on what is happening locally therefore the role of the lead contacts within the authority will continue to be important. Authorities will need to maintain contract management information and future demand and spend information. A regional approach to spend analysis, supported within each authority is essential. The regional hub will supply the mechanism for this work, but each authority will need to undertake the analysis locally.

In some instances, regional contracts will be in place, but in others there will be frameworks, or simply a better understanding of the market conditions to enable better informed decisions to be made locally.

Local contracting will also still take place. Not all spend will be managed at a regional level. Procurement skills will still be required within authorities, strengthened by supplier management and contract management skills. This will place pressure on existing

resources, but will be substantially less than if each authority tries to develop a complete approach to category management in isolation.

Category management and procurement staff locally must be able to work flexibly, and local authority governance arrangements will need to change concerning contracts to allow a flexible response to both supplier engagement and responding to changing market conditions in developing new contracting arrangements.

Procurement must operate on a cycle, with staff playing a proactive and increased role in service and business planning. This will ensure better visibility of spend at a local level which will help procurement leads identify opportunities to participate in regional arrangements.

## **What impact can this have on local suppliers?**

Better coordination over individual categories can have a positive impact on suppliers across the region. Over £1.5bn is spent annually by authorities in the North East. Approximately 50% of that spend is with suppliers outside of the NE region. Retaining just a further 1% of spend within the region, would have a significant impact on job retention / creation.

Category management allows a better understanding of authority spend across the North East, which will allow more accurate predictions to be made by authorities around the future demands of suppliers. Some of the expected benefits for suppliers are outlined below:

- Defined category sourcing strategies will ensure better understanding of individual spend areas identifying market pressures, future demand and good practice. This will ensure that local authorities and fire and rescue services working in collaboration have a better grasp of the pressures facing suppliers.
- Representation for local businesses by organisations such as North East Chamber of Commerce, Voluntary Organisations Network North East (VONNE) and ONE NorthEast will give clarity to their members. These supplier bodies will be invited to participate through an appropriate ongoing mechanism supporting the board, and to be part of the evaluation process following the transitional period.
- Category management will help the new organisation to develop a closer more effective relationship with suppliers. Through continued dialogue, we will be able to define our needs and preferred solutions more accurately, and local suppliers will be able to work to ensure that the services they offer are capable of meeting our needs. Councils will be able to change their practices and approaches following supplier advice to find ways to help suppliers organise themselves more effectively and hence reduce costs. Understanding suppliers' pressures and arrangements will enable us to work together to reduce costs in order to protect services in the current economic climate, to the benefit of both our communities and our suppliers.
- Category management is about identifying and developing the appropriate market whether this is local, sub-regional, regional or national. This means working with suppliers to understand how they can contribute to meeting needs and what cost pressures they face. This allows more appropriate decisions to be made, that can

improve the long term sustainability of suppliers. Similarly we do not know the extent to which they are contributing to the local economy or to our other social and economic objectives such as skill development and wage levels.

- Other support mechanisms will also continue for suppliers, such as the Supplier Workshops / Training programme due to be piloted in early 2010/11 by NE IEP. This will deliver a variety of public sector procurement workshops and master classes, “Ready to Win”, to support suppliers in understanding the procurement process to ultimately increase the amount of winning tenders submitted.

Category managers will have far greater interaction with suppliers than at present. Building supplier databases, with cost and technical data included will provide a much better basis for contracting with local businesses than at present. It will also assist local businesses in improving their processes and developing services that meet councils needs for the future that enable them to win a greater share of regional business.

## Costs and timescales

The business plan recognises the risks that member councils may perceive from a major change of this nature, especially during a period of financial stringency. The business plan proposes **the current 2009/10 annual NEPO subscription of £30K per member council is retained** during the transitional period to March 2012, and that:

- Additional running costs in 2010/11 are met as far as possible from NE IEP resources.
- Additional running costs in 2011/12 are met from the benefits of additional collaborative procurement.
- The performance and viability of the new organisation is reviewed by the Officer Advisory Group during the transitional period, to enable member councils to determine whether their long term requirements are being met.
- The funding model is reviewed with recommendations made for 2012/13 onwards.

Detailed information on the future costs and benefits are outlined in the business plan

## **Appendix L**

### **Case Study: Developing Regional Category Sourcing Strategies**

This short case study outlines the approach to Category Management and the input required from local authorities.

Stages:

Stage 1 – spend analysis and stakeholder engagement;

Stage 2 – collation of data and regional strategy development; and,

Stage 3 – implementation of regional strategy.

At each stage of the process, stakeholders from all councils will be consulted to confirm participation and allow each authority the opportunity to opt-out of particular categories, using the detailed information gathered to make an informed decision each time, based on the best data available. Each stage is outlined below.

#### **Stage 1 - Spend analysis and stakeholder engagement**

**Inputs:**

- Regional Spend Data;
- Council Contract Registers; and,
- Market Intelligence.

The new organisation will use regional spend data and contract registers to identify high level opportunities for collaborative procurement activity. Individual councils will all be asked to complete a data collection spreadsheet so that the opportunity can be verified.

Councils will be asked to nominate a category lead, potentially to be part of the regional category sourcing team and to complete a category data study.

In parallel to the data collection work, individuals within the new organisation will collate market intelligence. This information will be sourced from third party market analysis organisations and existing supplier networks to establish current market conditions. The new organisation will also review other examples of good category management within the particular spend area which could be at a local, sub-regional, regional or national level.

At this stage, if the information suggests there is little or no benefit to participating councils then the activity for this category will be stopped until the benefits case can be made.

**Outputs:**

- Validated information on total regional spend through data collection spreadsheets and category data studies;
- Identification of participating councils; and,
- Membership of regional sourcing group.

## **Stage 2 - Collation of data and development of Regional Category Sourcing Strategy**

### **Inputs:**

- Completed category data studies from all participating authorities;
- Local spend data (where available);
- Local category plans (where available);
- Supplier spend data (where appropriate);
- Best practice category management examples;
- Benchmarking information; and,
- Market intelligence.

At this stage a lead officer is nominated for the procurement category, endorsed by the new organisation, this could be a Regional Category Specialist employed in the new organisation (hub) or alternatively a local authority Category Specialist (spoke).

The category lead will coordinate the activities of a regional category sourcing team (made up of one representative from each participating local authority) to produce a Regional Category Sourcing Strategy comprising of:

- Category Spend Analysis;
- Summary of Regional Business Requirements;
- Benchmarking and Best Practice Analysis;
- Tactical Analysis (pricing and sourcing history, category positioning, supplier profiling);
- Strategic Analysis (supply market analysis, supply chain analysis, technical analysis, options & risks);
- Procurement Options Analysis; and,
- Supplier Conditioning Activity (key messages / verbal / written communications).

### **Outputs:**

- Regional Category Sourcing Strategy – Options / Recommendations;
- Implementation Plan and Communications Plan;
- High Level Project Plan;
- Savings Rationale; and,
- Benefits Realisation Action Plan.

## **Stage 3 - Implementation of Regional Category Sourcing Strategy**

### **Input:**

- Regional Category Sourcing Strategy;
- Implementation Plan & Communications Plan;
- Category Delivery (RACI )(responsible/accountable/consulted/informed);
- Project Plan; and,
- Category Management Plan.

The regional category sourcing team will be responsible for reviewing and agreeing the implementation plan and will be required to communicate plans within their own authorities.

**Detailed implementation will begin to realise predicted benefits – responsibility for delivery will be as signed off (RACI) in the Implementation Plan.**

Benefits Realisation Action Plan will be deployed to monitor and agree the delivered benefits.

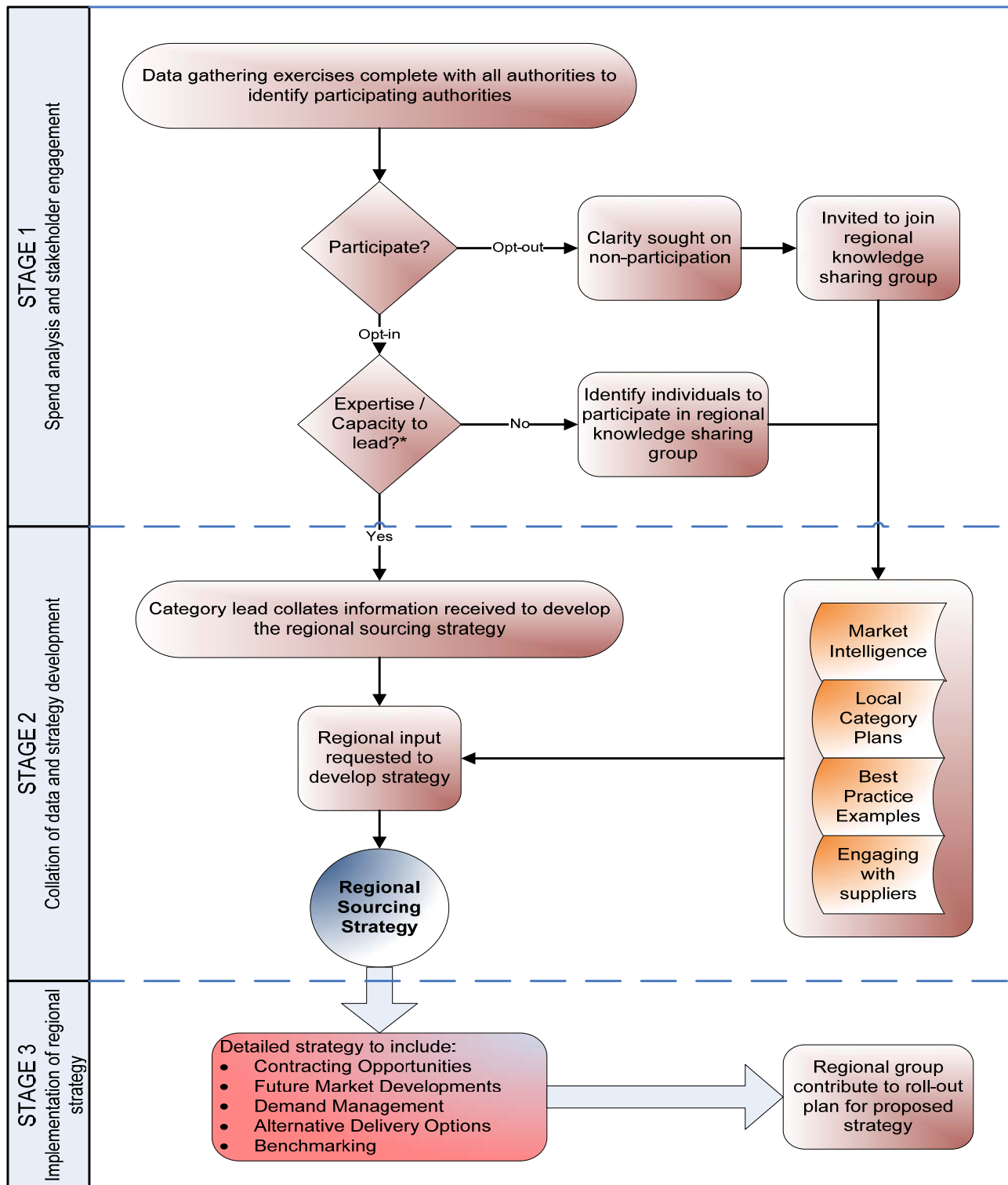
### **Output:**

- Procurement activity completed;
- Clarity of outcomes and financial savings;
- Planned contract management activities agreed; and,
- Detailed regional implementation plan.

A detailed flow diagram is shown in Figure 3 on the following page illustrating each stage of the process:



**Figure 3: Development and Implementation of Regional Sourcing Strategy**



\* Where no authority lead is established, the regional hub will lead the development of the strategy

## **Appendix M**

### **Case Study – Building Materials**

Spend areas will be selected using regional spend data which will be collated and analysed by the new organisation. This information is currently held by the NE IEP in a single data cube. Spend is categorised by “Proclass” categorisation, and will allow the new organisation to identify opportunities based on the total spend, number of suppliers and the percentage of these suppliers that are based in the North East.

Building Materials has been selected as one of the priority areas using the information described above.

In the first instance the opportunity is communicated to lead procurement officers within each member authority to allow preliminary discussions to take place with service areas likely to be impacted by any future activity. Any issues or barriers at this stage will be communicated to the NE IEP, but in the future this will be the appropriate Senior Regional Category Specialist in the new organisation.

Representatives across the region are consulted on whether Building Materials should be pursued as a spend area. As a result, authorities are given the opportunity to validate their spend data contained within the regional information and identify any existing contracts through completion of the data collection spreadsheet. Each individual authority will then make an informed decision on whether it is appropriate for them to participate, taking into account a number of factors, such as existing contractual obligations, direct control over the area of spend in question, and any possible negative impact on local markets. Currently, seven authorities have expressed an interest in finding out more about potential sourcing options in relation to Building Materials.

Information already gathered from interested authorities has indicated that there is some progress being made across the region to identify the opportunities offered from procurement activity for building materials. This experience will be considered when drafting the “Regional Sourcing Strategy” and the outputs benchmarked against other examples of procurement activity for building materials.

Each of the seven authorities will be asked to complete more detailed information in the form of a “Category Data Study” template.

Once the scope of the project is defined and the authorities participating in the project are confirmed, supplier representative groups and suppliers themselves will be invited to discuss appropriate methods for procuring the defined goods and services. This approach will help the region to identify innovative opportunities and alternative delivery models which can be included as recommendations in the regional sourcing strategy for building materials. Involving suppliers in development of the strategy will help to ensure that the impact of future arrangements on local businesses is minimised and that businesses are better aware of further opportunities.

All of the information gathered will be shared with all regional authorities to allow those that have not participated in this first opportunity to complete documentation retrospectively, and thus participating at a later stage. It should however be noted that the project will continue to move at pace to prevent non-commitment holding up the development of any Regional Sourcing Strategies.

The outputs of the Category Data Studies will be analysed by the NE IEP, in this instance, to identify the best placed authority to lead the development of the Regional Sourcing Strategy. If it is deemed appropriate for a 'spoke' authority to lead the development, the information gathered at this stage will be collated on behalf of the region and handed to the lead authority. The lead authority will take responsibility for developing the regional documentation with support from the new organisation. In this example, the new organisation will co-ordinate communications and market development activity to ensure all authorities are able to benefit from the Regional Sourcing Strategy.

For each project, the most appropriate approach to procurement activity will be recommended in line with the information received to date from the following sources:

- spend data from the regional data cube validated with authorities;
- supplier consultation;
- market intelligence from third party sources;
- local authority experience of the category; and,
- best practice examples which could be local, sub-regional, regional or national.

The outcome of any Regional Sourcing Strategy will not be pre-determined and a series of recommendations will be made that could be at a local, sub-regional, regional or national level. All participating authorities will be allowed the opportunity to evaluate their own position and determine what would be the most appropriate action for them to take. This will be influenced by a range of local factors including market pressures, existing contractual arrangements and the potential benefits each option offers. The Regional Sourcing Strategy will include a detailed plan defining future procurement activity including the timescales for delivery and benefits realisation.

## Appendix M

### Case Study – Fostering

The new organisation proposes to become more strategically focussed using category management to identify potential sourcing options which offer benefits to authorities in the North East. Work completed by the NE IEP children and young people's workstream over the last 12 months has supported this approach and the project is described in more detail below.

The foster care project was commissioned by the NE IEP in order to understand potential options for collaboration between local authorities in the North East. All 12 authorities were invited to participate in the project which would help them understand the alternative sourcing options there may be for delivery of foster care services. The original project aims were to:

- increase the range and quality of placements provided by local authority fostering services for children from the area;
- maintain children in stable placements in or close to their home area wherever possible;
- demonstrate an efficient use of resources and opportunities for savings; and,
- share best practice in the services run by participating authorities and encourage innovative solutions to the challenges faced by fostering services.

The work was led by a third party in the same way that the new organisation is expected to operate when leading on a particular spend area. The following steps were undertaken to understand the options available to local authorities in the North East:

- a questionnaire was issued and submissions analysed to produce a 'Baseline Report' of fostering service related metrics across the region;
- two options workshops were held with local authority service staff, one in the north and the south, to explore appetite and options for collaboration;
- an 'Options Appraisal' report was produced;
- an options feasibility workshop was held with Local Authority service staff based upon the options identified; and,
- a final 'Feasibility Study' was produced for each proposed opportunity.

The feasibility studies allowed each option to be fully defined with costs, benefits and impact to allow each authority the opportunity to decide on the option which best reflected how they would like to develop their own foster care service taking into account their own local circumstances.

The authorities debated the models which would work for them and as a result two pieces of work are in the process of being commissioned:

- a fully outsourced service. Three authorities have committed to collaborate on a fully outsourced joint venture; and,
- collaboration on assessment and training. Four authorities will collaborate on the training and assessment of foster carers.

Five authorities, at this stage, have opted out of involvement in the proposed solutions.

Future spend areas will be tackled using the approach agreed by the NE IEP. This approach will allow authorities the freedom to define their own requirements and identify individual service pressures to ensure these are accounted for in the development of any regional sourcing options. Once the final strategy is defined, there will be further discussion over the most appropriate course of action that will meet the needs of participating authorities.

Spend areas to be investigated further will be selected using regional spend data which will be collated and analysed by the new organisation. This information is currently held by the NE IEP in a single data cube. Spend is categorised by “Proclass” categorisation, and will allow the new organisation to identify opportunities based on the total spend, number of suppliers and the percentage of these suppliers that are based in the North East.

As in the fostering example described above, the most appropriate approach to procurement activity will be recommended in line with the information received to date from the following sources:

- spend data from the regional data cube validated with authorities;
- supplier consultation;
- market intelligence from third party sources;
- local authority experience of the category; and,
- best practice examples which could be local, sub-regional, regional or national.

The outcome of any Regional Sourcing Strategy will not be pre-determined and a series of recommendations will be made that could be at a local, sub-regional, regional or national level. All participating authorities will be allowed the opportunity to evaluate their own position and determine what would be the most appropriate action for them to take. This will be influenced by a range of local factors including market pressures, existing contractual arrangements and the potential benefits each option offers. The regional sourcing strategy will include a detailed plan defining future procurement activity including the timescales for delivery and benefits realisation.

**REPORT TO CABINET /EXECUTIVE**

**NORTH EASTERN PURCHASING ORGANISATION**

**Revised Constitution and 'Shared Services' Arrangement**

**1.0 PURPOSE OF THE REPORT**

- 1.1 To consider and agree a revised Constitution and revised 'Shared Services' Arrangement for the North Eastern Purchasing Organisation, following the approval of a new Business Plan for the organisation by the ANEC Leaders and Elected Mayors Board on 15 June 2010

**2.0 RECOMMENDATIONS**

- 2.1 It is recommended that Cabinet:
1. Approves the revised Constitution for the Joint Committee for the North Eastern Purchasing Organisation, as set out in Appendix B
  2. Approves the revised 'Shared Services' Arrangement for the North Eastern Purchasing Organisation, as set out in Appendix C, and authorise the *Head of Legal Services* to enter into the Arrangement
  3. *Subject to compliance with the Council's Constitution, either appoints or recommends that Full Council appoints two members to serve on the Joint Committee, one of whom is the Executive Member with responsibility for procurement and/or the Council's Procurement Champion*
  4. Recommends to Full Council that it makes any consequential changes to its Constitution to give effect to these revised arrangements

**3.0 BACKGROUND**

- 3.1 The North Eastern Purchasing Organisation (NEPO) is responsible for organising collaborative contracts through which councils purchase goods and services. It comprises a small number of staff managed by the Head of Procurement of Gateshead Council, and is governed through a Joint Committee of 36 members drawn from the 12 councils in this region. Member councils pay an annual subscription to contribute to its costs.
- 3.2 NEPO has performed well over recent years and has developed a good reputation for delivering savings through contract rebates and lower prices, which are estimated to exceed £5m per annum. Nevertheless it has been recognised for some time by the Joint Committee that only a relatively small proportion of local authority contracts are organised collaboratively, and that considerable scope exists to develop the role of

NEPO further. It has been estimated by the North East Regional Improvement and Efficiency Partnership that potential savings in excess of £25m per annum could be generated by 2012/13 through collaborative procurement by NE Councils, and this is especially important in the light of public spending reductions that are likely to impact on local authorities over the next few years

- 3.3 In October 2008 the Joint Committee agreed to commission with the NE-IEP an assessment of its own capacity, capability and organisational arrangements to determine the scope for increasing the volume of collaborative procurement between councils. Initial options were considered by the Joint Committee in October 2009, following which it was agreed that a Business Plan should be commissioned to enable a decision on the future governance arrangements of NEPO to be reached by the summer of 2010.
- 3.4 In line with this decision, and following extensive consultation, a detailed Business Plan for the development of NEPO was finalised earlier this year. The Business Plan proposed a new organisation designed to expand the influence of NEPO in the region; to increase the level of financial savings substantially and to support the regional supply chain to benefit from better public sector contracting opportunities.
- 3.5 In summary the Business Plan 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
- 3.6 An Executive Summary of the Business Plan is attached at Appendix A.
- 3.7 The Business Plan was considered at an ANEC Leaders and Elected Mayors Board Meeting held on 15 June 2010. Leaders and Elected Mayors expressed their support for the approach taken in the Business Plan and agreed:
- The recommendations set out in the Business Plan
  - In relation to governance, ... a member body of 12 Executive Members, 6 Scrutiny Members and 6 Audit Members – *i.e. a Joint Committee of 24 Members with 2 from each Council*
  - The 12 local authorities in the region be asked to give approval, through their Executives, to the new organisational and governance arrangements by no later than 30 September 2010
  - The existing NEPO Joint Committee should continue to operate for an interim period, with an AGM for the new organisation being held in mid-October once approval from all 12 Authorities to the new constitution is in place
  - Subject to appropriate arrangements being made for member involvement in the process, authority be delegated to Barry Rowland, Roger Kelly, Martin Ryan and George Garlick (or their nominated representatives) to agree the process for recruitment of a Chief Officer, to interview candidates and to make the appointment. (**NOTE:** An appointment of Director of NEPO took place on 30 July 2010, and the successful candidate will take up the post on 4th October 2010)
- 3.8 The inaugural Annual General Meeting of the newly constituted Joint Committee is due to take place on 28 October 2010.
- 3.9 In view of the above, it is necessary to make significant amendments to the existing NEPO Constitution under which the Joint Committee currently operates, and to update the 'Shared Service' Arrangement between member councils. These documents have been the subject of detailed consultation with legal officers from all member councils.



- 3.10 Each Council is also required to nominate two members to serve on the Joint Committee, one of whom is recommended to be an Executive Member with responsibility for procurement and/or the councils Procurement Champion

#### **4.0 CONSTITUTION**

- 4.1 The revised constitution brings into effect the recommended governance changes set out in the agreed business plan. The significant features are as follows:

- A Joint Committee of 24 Members, rather than 36 members, with a new set of functions to develop the long term strategy for regional strategic procurement, approve business plans and ensure organisational effectiveness through its sub-committees
- A new Executive Sub-Committee of 12 members, comprising Executive Members from each council with responsibility for procurement, to review performance and monitor the effectiveness of the organisation, and to take on such strategic duties as are delegated by the Joint Committee
- A new Scrutiny Sub-Committee of 6 members to develop and deliver an annual programme of scrutiny reviews of procurement activity within the organisation
- A new Audit Sub-Committee of 6 members to provide the Joint Committee with assurance of the efficient and safe operation of its affairs
- An extended tenure for Chairs and Vice Chairs from one year, up to two years to facilitate consistency and longer term planning
- An Officer Advisory Board of the Chief Executive or Senior Director with responsibility for Procurement from each Council, to ensure that the regional agenda is being pursued effectively and that the Joint Committee is meeting the objectives of each Council
- More extensive delegation to a full time Director to manage the new organisation, determine contracts and represent councils in national discussions concerning procurement activity, within the overall strategic framework set by members

#### **5.0 'SHARED SERVICES' AGREEMENT**

- 5.1 A revised 'Shared Services' Agreement establishes the formal relationship between member councils, as required by the agreed Business Plan. The significant features are as follows:
- Commencement of the 'Agreement' on 28 October 2010
  - Agreement that Gateshead Council will act as Host Authority for NEPO until at least 31 March 2012, subject to a decision by the ANEC

Leaders and Elected Mayors Board before 31 March 2011 on the arrangements thereafter

- An obligation by member councils not to withdraw from regional contracts following a commitment to participate, without the prior agreement of the Joint Committee
- An agreement to share relevant data, and to support regional working on a cost reimbursement basis
- A freeze in the annual member subscription to NEPO until 31 March 2012, with any additional running costs being met from NE-IEP funds and rebate income
- A review of the funding/subscription model by 31 March 2011, so as to enable a new arrangement to be in place by 1 April 2012
- The admission of other local authorities or public sector organisations to become NEPO members, by unanimous agreement of the Joint Committee
- A biannual report by the Joint Committee to the ANEC Leaders and Elected Mayors Board on outcomes
- Shared liabilities, other than those arising from gross negligence, gross misconduct or persistent breach of law or duty
- Withdrawal of membership subject to 6 months notice, expiring on 31 March in any given year

## **6.0 CONCLUSION**

The above changes to NEPO represent a real opportunity for the region to benefit substantially from additional and more strategically focused collaborative procurement, both in terms of financial savings for member councils, and to stimulate the regional economy. To bring the new organisation into being requires agreement by all Council Executives of a revised Constitution and 'Shared Services' Agreement. As required by the ANEC Leaders and Elected Mayors Board, this needs to be completed prior to the inaugural AGM of the Joint Committee to be held on 28 October 2010.

## **7.0 BACKGROUND PAPERS**

- 7.1 Business Plan – Regional Governance Review of Collaborative Procurement – 8 June 2010

APPENDIX 3

**Stuart Drummond**  
**Mayor**  
Civic Centre  
Hartlepool  
TS24 8AY

Tel: 01429 266522  
[www.hartlepool.gov.uk](http://www.hartlepool.gov.uk)

Our Ref: CEMS/SD/ba  
Your Ref:

Contact Officer Email:  
[Stuart.drummond@hartlepool.gov.uk](mailto:Stuart.drummond@hartlepool.gov.uk)  
Direct Line: 01429 523702

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

# **CABINET REPORT**

**11 October 2010**



**Report of:** Director of Regeneration and Neighbourhoods  
and Chief Customer & Workforce Services  
Officer

**Subject:** TRAVEL EFFICIENCY PLAN

---

## **SUMMARY**

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

To advise Members of the outcome of consultations with employees and Trade Union representatives regarding changes to the payments to staff and elected members who use their private vehicle for Council business and seek a decision on next steps.

### **2. SUMMARY OF CONTENTS**

The report sets out progress to date on the consultation with staff and Trade Union Representatives and an updated report will be circulated prior to the Cabinet meeting confirming the outcome of a Trade Union ballot and provide recommendations.

### **3. RELEVANCE TO CABINET**

This was an Executive decision previously reported to Cabinet.

### **4. TYPE OF DECISION**

Key decision. Test (i) applies Forward Plan reference CE 37/10.

### **5. DECISION MAKING ROUTE**

Cabinet, 11 October 2010.

**6. DECISION(S) REQUIRED**

That Cabinet consider the response from the consultation exercise and determine whether to proceed with a local agreement or consider other alternatives.

**Report of:** Director of Regeneration and Neighbourhoods  
and Chief Customer & Workforce Services  
Officer

**Subject:** TRAVEL EFFICIENCY PLAN

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**1. PURPOSE OF REPORT**

- 1.1 To advise Members of the outcome of consultations with employees and Trade Union representatives regarding changes to the payments to staff and elected members who use their private vehicle for Council business and seek a decision on next steps.

**2. BACKGROUND**

- 2.1 As previously reported to Cabinet, the Council faces significant and challenging reductions to its available financial resources. Costs associated with the travel of staff and elected members in the course of their duties have been reviewed to identify possible savings whilst protecting essential service delivery standards.
- 2.2 Cabinet have considered and agreed proposals for amending payments made in relation to the use of personal vehicles for Council business and on the 6 September 2010 agreed that the following proposals be consulted upon with staff and Trade Unions.
- 2.3 The proposal subject to a local agreement was:
- to cease all essential user allowance payment from 1 November 2010;
  - to make a compensation payment equivalent to 5 months entitlement in an employees November pay;
  - and pay all miles travelled at middle causal rate with effect from 1 November 2010.
- 2.4 It was estimated that although there would be an additional cost of £26,000 in 2010/11, there would be ongoing savings of £427,000 from 1 April 2011.

**3. CONSULTATION**

- 3.1 The Trade Unions have undertaken a ballot of their members affected by these proposals which closes after the submission of this report. Therefore, the result is not known at the time of submission and an

updated report will be circulated when the outcome is confirmed, together with comments from employees received via email to [travelplancomments@hartlepool.gov.uk](mailto:travelplancomments@hartlepool.gov.uk).

#### **4. RECOMMENDATIONS**

- 4.1 Cabinet are asked to note this report until an updated report with definitive recommendations has been circulated based on the outcome of the Trade Union ballot.



# **CABINET REPORT**

**11 October 2010**



**Report of:** Chief Customer & Workforce Services Officer

**Subject:** TRAVEL EFFICIENCY PLAN

---

## **SUMMARY**

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

To advise Members of the outcome of consultations with employees and Trade Union representatives regarding changes to the payments to staff and Elected Members who use their private vehicles for Council business and seek a decision on next steps.

### **2. SUMMARY OF CONTENTS**

The report sets out the outcome of consultations with staff and Trade Union representatives and provides recommendations.

### **3. RELEVANCE TO CABINET**

This was an Executive decision previously reported to Cabinet.

### **4. TYPE OF DECISION**

Key decision. Test (i) applies. Forward Plan reference CE37/10.

### **5. DECISION MAKING ROUTE**

Cabinet, 11 October 2010.

### **6. DECISION(S) REQUIRED**

That Cabinet consider the responses from the consultation exercise and determine whether to proceed with a local agreement or consider other alternatives.

**Report of:** Chief Customer & Workforce Services Officer

**Subject:** TRAVEL EFFICIENCY PLAN

---

**1. PURPOSE OF REPORT**

- 1.1 To advise Members of the outcome of consultations with employees and Trade Union representatives regarding changes to the payments to staff and Elected Members who use their private vehicles for Council business and seek a decision on next steps.

**2. BACKGROUND**

- 2.1 As previously reported to Cabinet, the Council faces significant and challenging reductions to its available financial resources. Costs associated with the travel of staff and Elected Members in the course of their duties have been reviewed to identify possible savings whilst protecting essential service delivery standards.
- 2.2 Cabinet have considered and agreed proposals for amending the payments made in relation to the use of personal vehicles for Council business and on 6 September agreed that the following proposal be consulted upon with staff and Trade Unions.
- 2.3 The proposal, subject to a local agreement, was:
- To cease all essential user allowance payments from 1 November 2010;
  - Make a compensation payment equivalent to five months entitlement in November's pay and;
  - Pay all miles travelled at middle casual rate with effect from 1 November 2010.
- 2.4 It was estimated that although there would be an additional cost of £31,000 in 2010/11, there would be on-going savings of £427,000 from 1 April 2011.

**3. CONSULTATION**

- 3.1 All staff who received an essential user lump sum allowance and/or made a mileage claim at either essential or casual rates in the period 1 September 2009 - 31 August 2010 were advised by personal letter of the proposal. Over 600 essential users and 450 casual users were sent letters which:

- Set out Cabinet's proposals;
  - Invited them to attend one of eight briefing sessions between 22 September and 28 September;
  - Provided an email address to send questions to;
  - Provided an email address to send comments to and;
  - Advised that further information could be accessed on the Council's intranet.
- 3.2 Briefings were held which set out the context and detail of the proposals, how a final decision would be made and how employees could comment as part of the consultation exercise. Trade Union representatives attended all the sessions and were available for their members privately at the end of each session.
- 3.3 The Trade Unions have undertaken a ballot of their members affected by these proposals. The ballot result was to support acceptance of the proposal and therefore a local agreement can be implemented with effect from 1 November 2010. A Copy of the Trade Union confirmation is attached as **Appendix A**.
- 3.4 Cabinet members should note the comments from individual employees which were sent by email to an address set up specifically to capture the views of employees. Those comments can be found at **Appendix B**. There are comments expressing concern about how services can be delivered effectively without employees using their own vehicles and/or the additional costs associated with pool cars. Cabinet will recall that it was anticipated in an earlier report that employees may remove their 'good will' and refuse to use their own vehicles for Council business. Providing pool cars is an option for those employees who do need to be mobile, however a sound business case will need to be made and all other options thoroughly investigated and discounted.
- 3.5 The Trade Unions have made a formal request for Cabinet to reconsider their decision to make a compensation equivalent to five months and pay middle casual mileage rate from 1 November 2010. They have requested that a payment equivalent to six months be made and the revised mileage rate be paid from 1 October 2010. As advised previously this would increase the additional 2010/11 costs from £31,000 to £67,071. A request has also been made to have further detailed discussions on a range of other issues relating to travel payments which are considered appropriate, including:
- A premium for carrying passengers
  - A specific mileage rate for the use of hybrid cars
  - Detailed discussion on potential requirements for pool cars and their availability prior to removal of the lump sum allowance
  - Detailed discussion on potential detrimental impact on services.

#### **4. NEXT STEPS**

4.1 The local agreement will result in the following actions:

- Employees will be immediately advised of the change to their terms and conditions of employment in writing;
- The October payroll will contain the final monthly lump sum for essential users;
- The November payroll will contain a compensation payment equivalent to five months of lump sum payments (subject to any decision by Cabinet in response to the Trade Union request for reconsideration of the amount paid);
- All miles claimed from 1 November 2010 will be paid at middle casual rates (subject to any decision by Cabinet in response to the Trade Union request for reconsideration of the effective date).

#### **5. RECOMMENDATION**

5.1 Cabinet are recommended to note the outcome of the Trade Union ballot in response to the proposals, to consider Trade Union and staff comments, to consider the Trade Union request as set out in Paragraph 3.5 and to determine the terms of implementing a local agreement.

#### **6. BACKGROUND PAPERS**

6.1 Cabinet report 10<sup>th</sup> March 2010  
Cabinet report 6<sup>th</sup> September 2010

#### **7. CONTACT OFFICERS**

7.1 Joanne Machers  
Chief Customer & Workforce Services Officer  
Chief Executive's Department  
Civic Centre  
Hartlepool  
TS24 8AY

Tel: 01429 523003

# **HARTLEPOOL JOINT TRADES UNION COMMITTEE**

**Chair:-SJ Williams**

**Secretary:- E Jeffries**  
**Union Suite**  
**Level 1, Windsor Offices**  
**Middleton Grange**  
**Hartlepool**  
**TS24 7RJ**  
**Tel:- 01429 523868**  
**Fax:- 01429 523869**  
**e.mail:- edwin.jeffries@hartlepool.gov.uk**

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Joanne Machers  
Chief Customer and Workforce Services Officer  
Level 3  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

08/10/10 (by email)

Dear Joanne

## **Removal of Car User Allowances – Union Ballot result.**

I am writing to formally notify you of the outcome of the ballot on the proposals by Cabinet

- To cease all essential user lump sum allowances with effect from 31 October 2010;
- To make a compensation payment in November's pay equivalent to five months payments
- To pay all miles at middle casual rate with effect from 1 November 2010.

The ballot ran by HJTUC, on behalf of the identified relevant Trade Unions (UNISON / UNITE / GMB / AEP) consisting of a ballot of all identified union members in receipt of Essential/Casual User allowance.

<u>Total</u>	Ballot paper circulated	510	(100%)
	Ballot Papers returned	195	(38.2%)

For	123 (63 %)	Against	72 (37%)
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HJTUC therefore formally notify you that following the outcome of the ballot the Trade Unions are in a position to move to reaching a local agreement in relation to the removal of the essential Car User Allowance and implementation of a single mileage rate.

It is also, I believe, necessary as part of the overall consultation process prior to Cabinet making their final decision, that I outline some of the concerns raised by members with the HJTUC direct, at the employee briefings or through their respective Trade Union representatives:-

- a) Significant detrimental financial impact on employees

- b) Tax implications (2010/11) – potential of double taxing?
- c) Detrimental impact on service delivery
- d) Cost / benefit analysis of use of pool cars to use of private vehicles? – concern that any savings would be significantly eroded by the cost of provision of pool cars specifically but not exclusively in sections where use of vehicles is by necessity high – Social Care etc... with any extra cost being borne by the already financially overstretched departments.
- e) With increased response times a potential detrimental impact on competitive bidding for work against outside organizations further reducing income.
- f) Overall impact on moral of employees.

Significant concern was raised by employees that the decisions on the proposals were based on incomplete financial information without the necessary detailed work being undertaken on the detrimental impact on services including the apparent lack of a cost/benefit analysis of impact on withdrawal of use of private vehicles and provision of pool cars.

I must in conclusion also refer you to the HJTUC letter of 15/09/10 (with amended TU address) (attached) and your response dated 04/10/10 (attached) with regard to the Removal of Essential Car User Allowance and related issues.

I look forward to further discussion on the above issues.

Yours sincerely

Edwin Jeffries  
Secretary.

**HARTLEPOOL JOINT TRADES UNION COMMITTEE**

**Chair:-SJ Williams**

**Secretary:- E Jeffries**  
**Union Suite**  
**Level 1, Windsor Offices**  
**Middleton Grange**  
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**e.mail:- edwin.jeffries@hartlepool.gov.uk**

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Joanne Machers  
Chief Customer and Workforce Services Officer  
Level 3  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

15/09/10 (by email)

Dear Joanne

**Car Users Allowances.**

I am writing in response to your letter of 10/09/10 (by email) with regard to the Removal of Essential Car User Allowance and related issues.

The Trade Unions officers have fully discussed the proposals and we have taken full cognizance of the economic position including impact on our members / employees. The Trade Unions express their disappointment regarding the provision of a five (5) months “buy out” but will of course ballot their members on the proposal/s. However I formally request that consideration is given to a variation of the proposals and that the middle casual mileage rate apply from 1<sup>st</sup> October 2010.

I look forward to your considered response to this request.

I also ask for further detailed discussion to take place on outstanding issues as follows:-

- a) A Premium for carrying passengers of 20% per mile per extra passengers (based on aggregate of above mileage payments). This has been implemented in the past and we are willing to enter into discussions regarding the administration of this.
- b) Hybrid Cars – A specific mileage rate of 8ppm for use of Hybrid Cars. Happy to have further discussion on this issue in line with your previous response.
- c) Detailed discussion on potential requirements for pool cars and their availability prior to any removal of Car Allowances.
- d) Detailed discussion required on potential detrimental impact on services.

I look forward to further discussion on the above issues.

Edwin Jeffries  
Secretary.

**Joanne Machers**  
Chief Customer and Workforce Services Officer  
Level 3  
Civic Centre  
Hartlepool TS24 8AY

Tel: 01429 523003  
www.hartlepool.gov.uk

Our Ref: JM/LA  
Your Ref:



Contact Officer/Email: [joanne.machers@hartlepool.gov.uk](mailto:joanne.machers@hartlepool.gov.uk)  
04 October 2010

Edwin Jeffries  
Union Suite  
Level 1, Windsor Offices  
Middleton Grange  
Hartlepool  
TS24 7RJ

Dear Edwin

### Car User Allowances

Thank you for your letter of 15 September regarding the proposal to withdraw essential user allowances. As you are aware a period of consultation is in progress at the moment based on the decision of Cabinet to propose:

- To cease all essential user lump sum allowances with effect from 31 October 2010;
- To make a compensation payment in November's pay equivalent to five months payments
- To pay all miles at middle casual rate with effect from 1 November 2010.

I await the outcome of the Trade Union ballot so that I may report to Cabinet on 11 October and to identify whether a local agreement is achievable.

In the meantime I can confirm that if there is a majority in favour of the proposals I will include in my report to Cabinet your request to make the compensation payment equivalent to six monthly payments and the pay middle casual rates from 1 October 2010. I will also arrange to meet with you to discuss the detail of pool cars and how to minimise the impact on service delivery. I will also advise Cabinet of your request to discuss premium payments for carrying passengers and the use of hybrid cars.

If however there is no support for a local agreement I shall discuss with you the outcome of Cabinet's decision as to next steps. This might also be an opportunity to discuss premium payments, pool cars and service impact.

A 'holding' report has already been submitted for inclusion on the Cabinet's agenda and a further report will be distributed before the meeting on 11 October, therefore early confirmation of the ballot result would be very helpful.

Yours sincerely

**Joanne Machers**  
**Chief Customer and Workforce Services Officer**



**Report of:** Chief Customer & Workforce Services Officer

**Subject:** TRAVEL EFFICIENCY PLAN

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**Summary of all employee comments to [travelplancomments@hartlepool.gov.uk](mailto:travelplancomments@hartlepool.gov.uk)**

Date	Comment
21.09.10	<p>I have just received my letter concerning the TEP. As I am holiday from tomorrow I will not be able to attend any of the briefing sessions, so I would like to take this opportunity to raise a concern I have.</p> <p>I am an Environmental Health Officer, covering the whole town, so I am out in my car once or twice a day visiting premises, dealing with complaints, advising on construction etc. etc. There is no doubt that I need my car for work and I have always happily provided it, even though I didn't own a car when I first started (I had to buy one).</p> <p>I am now in a situation where it costs me to provide my car for work and surely this cannot be right. I have to pay to park, about £10 a month, and this seems fundamentally unfair. Someone who CHOOSES to bring their car to work can park next to me and will pay exactly the same.</p> <p>Could genuine 'essential' car users be given free parking, or at least at a significantly reduced rate?</p>
21.09.10	<p>I was at Cleveland County in 80's when a change was proposed to mileage allowances – resulting in staff refusing to use their cars. Within 2 weeks the Council were back at the negotiating table as the costs to the Council for taxis, public transport, meal allowances etc. were huge. So the processes for claiming money back for claiming expenses completely ground Council to a halt not to mention the additional costs of claims and processing them.</p> <p>The other thing that was overlooked was the time taken to use public transport etc. I worked in the Engineers Department and had to go with a colleague to take some measurements for a specific scheme. The only way to get there was by taking two buses in each direction and walking about a mile with full surveying equipment which was extremely heavy. It took a full 7.5 hour day to get there and carry out the work and the best part of 2 hours filling in expense claims for bus travel and meal allowances as we were away from the office. (We only had to go from Middlesbrough to Stockton!).</p> <p>The process travelling by car would have taken an hour.</p> <p>This wasn't an isolated incident within the Engineering Department – there were also issues with taxi's not accommodating some of the expensive equipment that we had to carry as their insurance wouldn't cover the costs of certain items.</p> <p>There was a very similar problem for the Social Services Department – when Social Workers had to go out to certain neighbourhoods where taxis wouldn't wait for them and public transport was a good walk away through 'rough' neighbourhoods</p> <p>SO on the face of it removing Essential Car user Allowance may seem a cost saving but</p>

	<p>Add in delay and disruption to people trying to do their jobs          Their own safety and off the equipment they may carry          Cost of processing expense claims for public transport and meal allowances          Pool cars for Staff use          Any claims that may arise out of staff hurting themselves by having to carry heavy equipment long distances or damage caused to the equipment          And the saving will soon turn into a significant cost</p> <p>So a review of who receives essential car user allowance and if they need it may prove more cost effective.</p> <p>There are certain jobs where you do need a car to carry out part of your duties and a lot of us run a second car to be able to provide this service to the Council          So it would be much cheaper for us not to buy, run and maintain a car largely for the use of the Council If you add up min £180 car tax, £40 MOT, £350 insurance (we pay extra for business use) £200 for a yearly service, low mpg as most runs less than 5 miles, wear and tear on car then any payment from Council has gone before we even go into depreciation of the car costs!</p> <p>I am currently reviewing all bridges within Hartlepool Boundary - approx 60 number. They are all over the place in fields from Graythorp to Crimdon. If I was not to use my car to get to them then it would literally take months to find and inspect them all if I was to use public transport (doesn't go near a lot of them) and walking. Otherwise it would tie up a Pool Car for approx 3 weeks at say £30 per day £ (450)          Current scheme would cost £80.25 plus mileage say £130 .so £210.25</p> <p>So just a few things to consider – when an hour to carry out an essential job could turn into a 7.5 hour job plus adding in expense claims and processing          Using my charge out rate for Engineering Consultancy of £45 per hour – it would cost £337.5 plus claims processing instead of £45</p> <p>I'm not saying staff will refuse to use their cars – but it is inevitable that some won't bring in their cars and a lot won't insure their's for work purposes.</p>
23.09.10	<p>My Engineer carries out statutory inspections of electrical installations and to do this he provides a vehicle for work and is therefore classed as an essential car user. He is required to transport test instruments, tools, access equipment etc and will not use his vehicle once the scheme is removed for the replacement small casual user allowance. In effect his vehicle is a tool required to transport him to various locations. As he carries out this service provision not only to council owned properties but also schools as part of the SLA buyback scheme my division will be losing a substantial amount of lost production time, and therefore costing more to operate the service, due to the removal of this scheme.</p> <p>At present he can start work at 7.30am to limit disruption to properties as the electrical services are isolated (switched off) to carry out testing but I understand he may now only have the provision of a pool car to drive to premises. If he cannot obtain this vehicle until at least 8am and then drives to a property on the outskirts for example, he will not therefore start work until 8.15 and will again have to finish fifteen minutes early to return the vehicle later in the day, a loss of at least 30 minutes per day in addition to more disruption to the user. Additionally this vehicle will be stood outside a property and of no use to others, unless of course more time is lost by another employee returning the vehicle to the office and then collecting him later.</p>

	<p>What provisions are going to be made as the potential loss of production per week to this division will be in excess of his present essential car user payment, therefore the cost of the service will increase to schools or less testing will be carried out therefore possibly not complying with statutory regulations?</p> <p>Will he have sole use of a pool vehicle or will he have to reserve it and if not then available, the statutory service cannot be carried out in accordance with the client's request?</p> <p>The alternative to a pool car or the continuation of the essential car user scheme is that a vehicle is provided solely for his use to ensure the service is carried out to the client's needs and at minimum cost.</p>
28.09.10	<p>We are writing on behalf of myself and my colleagues based at Avenue Road. We are all Social Workers within the children and family sector.</p> <p>We are writing this to highlight the significant concerns we have if the essential car user allowance is withdrawn.</p> <p>Our cars are an essential part of our job role, we feel the allowance provides financial assistance towards;</p> <ul style="list-style-type: none"> <li>- General wear and tear</li> <li>- Tyre wear and tear</li> <li>- Reduction in value of car due to high mileage</li> <li>- Business insurance</li> <li>- Ongoing rise in petrol</li> <li>- We regularly transport many of our clients in our own cars, this results in the need for regular car valets</li> <li>- Continually putting child seats in and out of cars, which can damage seat belts and seats</li> <li>- Due to the high level of mileage we do in our role, our service renewal comes around quicker than the average</li> </ul> <p>During the meeting it was suggested that pool cars could be used, this would not enable social workers to provide the government statutory requirements to ensure that everyone was visited within the time scales.</p> <p>On the 27<sup>th</sup> September child protection concerns arose regarding 3 children and action needed to be taken, to undertake this effectively three social worker cars were needed, one of which that needed to travel to Darlington. As which is usually the case within our job, child protection issues are unplanned and need immediate responses. If social workers had not used their own cars in this case we would have had 3 children at risk of harm. Therefore I feel this example highlights that if essential car allowance is removed we would be putting children's lives at risk, how could you guarantee that three pool cars would be available to respond to the incident above?</p> <p>If the essential user is withdrawn social workers will be no longer required to use their own cars and will rely on public transport, this leaves many children at risk as social workers will not have the time to visit, case loads will rise, and inevitably it will be the children that will suffer, further to this the authority will be responsible for the cost of this public transport to each worker. Hartlepool's mission statement is to 'devote our resources, energy and imagination to achieve the wellbeing of people in Hartlepool through effective Social Care Partnerships'. It is difficult to understand how such a level of service can be delivered if social workers are ill equip and without transport.</p>

	<p>It is difficult to assess how social workers could remove children from dangerous child protection situations on the bus? This puts both the worker and child at risk. Social Workers also are required to take confidential information to families. This authority is a 4* authority which prides its self on its ability to prioritise the needs of vulnerable children and safeguard them from harm. It is the general consensus among those who are responsible for this that we will be de skilled and unable to deliver effective services to the children within our authority</p> <p>Whilst we understand the times are difficult, we feel that taking away the essential car user allowance for a service which is regularly dealing with a managing emergencies, which can not be foreseen or pre- planned, is nonsense.</p> <p>In the meeting we attended on 24/09/2010 it was suggested that departments give consideration to the way in which services are delivered, however we feel that any change to service delivery for the purpose of budgets would place children at risk and make this authority vulnerable to serious case reviews and public scrutiny. We feel it is not an option and could result in the cost of a child's life. We need the use of our cars at work as they are essential to our job role.</p> <p>Could this be looked at again in the view of what the job role is and if those that have the essential car user payment really need it. Social Workers on the front line really need this.</p>
30.09.10	<p>In view of the impending removal of the lump sum essential user allowance would the Council, in view of the loss of income to the respective staff, consider not increasing the car park charges for those who must use their vehicles as a course of their job for the next 5 years?</p> <p>This would at least show that the Council is considerate to the impending loss of income for staff.</p>
05.10.10	<p>Before looking at the impact of removing the essential car user allowance, it is important that management should be aware of the day to day duties of the School Attendance Officer (SAO) and where the use of a vehicle is required.</p> <p>Average day of SAO:</p> <ul style="list-style-type: none"> <li>• Escort children to school, as agreed in Attendance Case Conferences</li> <li>• Assist parents of school refusers as and when required (unplanned)</li> <li>• School visits to complete statutory register checks and meet with staff/parents</li> <li>• Home visits as part of Attendance Case Conference Plans to meet with parents/children and where appropriate to provide evidence to magistrates that parents are knowingly keeping their child at home (SAO needs to sight the child at the address).</li> <li>• Visits to alternative education providers to arrange placements and settle students.</li> <li>• Office visits to attend multi-agency meetings, Child Protection Conferences and training.</li> <li>• Deal with children missing from education. This requires the officer to visit properties and establish whereabouts.</li> <li>• Deal with children left in school. This requires the Officer to visit the school and contact's addresses to locate parents.</li> <li>• Child employment and performance licensing duties, involving statutory visits to employers, schools, pupils and theatres / filming locations, are often made out of core hours, between 6am and 11pm or beyond, sometimes over weekends.</li> </ul> <p>On average, the School Attendance Officers spend an estimated 70% of their time out of the office and travel around the town to fulfil their duties. Each Officer covers a patch of the town and share responsibility for the 38 schools in the town. It is not unusual for an Officer to travel 200 business miles + per month.</p>

Discussion:

Currently, there are 9 members of the School Attendance Team, who each use their own vehicles and receive essential car user allowance. If we no longer have the essential user allowance and can no longer afford to use our vehicles for business, the team would need to acquire the use of pool cars.

At present, each Officer receives £80.25 per month essential car user allowance.  
In total then, each year the School Attendance Team receive £8,667 in allowance.

Is it realistic to expect to be able to hire the use of pool cars for a lesser amount? Even if we had to share one vehicle between two officers, surely the pool car/insurance/servicing would cost more than £160.50 (current car allowance for 2 officers) per month. Considering the impact on service provision this will also have, it seems completely illogical. Have the offset costs been properly considered before taking a leap into the unknown? Or is this ultimately going to prove as false economy?

Pool car use would mean that some Officer's would be stuck in the office unable to carry out essential and in some cases statutory tasks, until a car becomes available. A lot of SAO work is unplanned and can be a response to a crisis situation, this does not fit well with the concept of car sharing. The Child Employment and Performance Licensing Officer works part time, so how could a 'leased' car be returned following a late visit, before a day off?

Suggestions have been made about using public transport or travelling by foot. This is not a viable option for home visits where clients are often volatile and aggressive. Cars are required to allow for a prompt exit from situations and are a serious factor when considering health and safety on home visits. Time is a further factor to be considered. If the Officers do not have immediate and full-time access to a vehicle, it would be impossible to work with the same number of families and children. The demand will still exist but the response will be lessened.

It can be appreciated that money needs to be saved and that some roles that are currently allocated Essential Car User Allowance do not warrant the payment, based on the number of business miles they travel per month, reasons for the use of the vehicle. However, it seems glaringly obvious that teams such as Social Care, Environmental Health and the School Attendance Team who have statutory out of office tasks to complete need the use of a hired vehicle or to continue to be paid for the use of their own vehicle.

Instead of applying a blanket policy of the removal of the allowance, the proposal should be considered on a team by team basis and should consider the amount of business miles travelled. Similarly, surely case workers who are out in the field should be considered differently to senior management who spend a higher proportion of time office based.

When this was questioned at the briefing, staff were told that there were too many disadvantages to considering this proposal. What are the disadvantages to considering teams on an individual basis, when this seems to be the most cost effective solution?

It might also be worth considering the issue of the allowance not being continued to be given to people on sick leave and maternity leave, when their cars are not being used for business.

Considering the impact on service this is likely to have, if the proposal is agreed what is the likelihood that managers continue to pay the allowance from their budgets? Is this a viable option?

	<p>The School Attendance Team anxiously anticipate where these proposals may leave them and the service they provide to the people of Hartlepool. We resent that changes to our contracts can be made so easily and feel that this proposal is a soft target and a short term solution to recoup money, but an option that could ultimately end up costing the council further money and have a damaging impact on their reputation and service provision.</p>
06.10.10	<p>During the presentation that I attended I asked about the legal obligations of staff to provide a car for work purposes if they are only able to claim the casual allowance as opposed to the essential allowance and the response was that there was no legal obligation but the hope was that generally people would continue to use their cars for work purposes. Whilst I would probably agree that a majority of staff will continue to use their cars for work purposes I am extremely concerned about the impact on staff if even one member of the team refuses to use their car for work purposes.</p> <p>As a member of a Social Work Assessment Team the staff rely heavily on their cars to ensure that they get to visits on time and can provide support to as many people during the day as possible; if one person consistently chooses not to use their car then they are not going to be able to be as productive as the other members of the team and this is going to put additional stress on the remaining team members. This situation is going to cause resentment within the team and will have a significant impact on an already low staff morale. Good will, will only stretch so far!</p> <p>In addition to the impact this will have on the team members I am also concerned that we will not be able to provide the more timely response to the members of the public that we currently do and that there will be a reduction in the quality of the service provided and the satisfaction of the people receiving the service.</p> <p>Whilst I appreciate that there are alternative modes of transport available I am also concerned about the safety and security of information being carried in the community. As part of the safety of information risk assessment it is more acceptable for people to carry information as short a distance as possible from office/home to vehicle than it is to transport information by walking on foot, using a bus or using a taxi. Has anyone been able to do a calculation to show how much money it will cost to provide a person with a pool vehicle to do their job as opposed to paying them essential car user allowance?</p> <p>I also wonder how much will be lost in man hours when using alternative modes of transport and how this cost correlates to the payment of the essential car user allowance!</p> <p>Whilst I appreciate that it is easier to show a saving in £s I worry about the impact that this will have on the health and well-being of the staff.</p>

## **CABINET REPORT**

11 October 2010



**Report of:** Director of Regeneration and Neighbourhoods

**Subject:** WORKING NEIGHBOURHOOD FUNDING  
(WNF) 2010/11

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### **SUMMARY**

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

- 1.1 To make a revision to the report – *Strategy for managing reductions in 2010/11 Government grants* - which was submitted to Cabinet on 19<sup>th</sup> July and 2nd August 2010.

#### **2. SUMMARY OF CONTENTS**

- 2.1 On 24 May 2010, the Government announced details of cross Government departmental savings in 2010/11 of £6.2 billion, this included £1.166 billion of Local Government savings. For Hartlepool the revenue grant cut is £2.154m and the capital cut is £1.402m. Initial proposals for managing these funding reductions were considered by Cabinet on 19<sup>th</sup> July 2010 and 2<sup>nd</sup> August 2010.
- 2.2 The report and appendices submitted to Council on 5<sup>th</sup> August 2010, contained an error in relation to budget reductions proposed for The Community Empowerment Network budget.

#### **3. RELEVANCE TO CABINET**

- 3.1 Cabinet determined the original cuts.

#### **4. TYPE OF DECISION**

- 4.1 Non Key Decision.

#### **5. DECISION MAKING ROUTE**

- 5.1 Cabinet, 11<sup>th</sup> October, 2010.

#### **6. DECISION(S) REQUIRED**

- 6.1 Cabinet is requested to approve the revisions in paragraph 2.3

**Report of:** Director of Regeneration and Neighbourhoods

**Subject:** WORKING NEIGHBOURHOOD FUNDING  
(WNF) 2010/11

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## **1. PURPOSE OF REPORT**

- 1.1 To make a revision to the report – *Strategy for managing reductions in 2010/11 Government grants* - which was submitted to Cabinet on 19<sup>th</sup> July and 2nd August 2010.

## **2. BACKGROUND**

- 2.1 On 24 May 2010, the Government announced details of cross Government departmental savings in 2010/11 of £6.2 billion, this included £1.166 billion of Local Government savings. Details of the impact on 2010/11 grant allocations for individual Councils were not provided by the Government until 10 June 2010. For Hartlepool the revenue grant cut is £2.154m and the capital cut is £1.402m.
- 2.2 Initial proposals for managing these funding reductions were considered by Cabinet on 19<sup>th</sup> July 2010 and 2<sup>nd</sup> August 2010.
- 2.3 The report and appendices agreed by Cabinet showed that the in-year cut to Hartlepool Voluntary Development Agencies (HVDA) Community Empowerment Network project was to be reduced by 17% (from an original budget of £144,000 to £120,000 in 2010/11). However, this was an error and the actual reduction is only 10% (which would make the actual budget after-cuts to £130,000).

## **3. FINANCIAL IMPLICATIONS**

- 3.1 The approved strategy for funding the in-year cut to the Area Based Grant – ABG (which includes the Working Neighbourhood Fund - WNF) aimed to provide a degree of temporary protection in the current year from the cuts imposed by the Government. This was achieved through a combination of in-year reductions in budget allocations and the use of one-off resources. The one-off resources came from a combination of reviewing and reprioritising departmental reserves and from higher than anticipated income on the Council's investments.



- 3.2 In total the in-year budget reductions and one-off resources were £2.003m, compared to the ABG in-year grant cut of £1.661m. The uncommitted resources of £0.342m have been allocated to meet potential redundancy costs incurred by the Council implementing the in-year reductions or the additional reductions required from April 2011 to ensure the in-year cut is addressed on a sustainable basis. In the event the uncommitted resources are not all needed for redundancy costs these resources will be available to support next year's budget, or to meet any other unfunded one-off issues which may arise in the current year.
- 3.3 The proposal to reduce the cut in the WNF scheme from £716,000 to £706,000 can in financial terms be funded from the uncommitted resources identified in the previous paragraph on a one-off basis in the current year. In financial terms this has a marginal impact on the uncommitted resources available to meet redundancy costs. However, this issue serves to highlight the difficult financial challenges facing the Council over the next few years. The Council will not be able to avoid making difficult, and at times, unpopular decisions over the next few years. It is therefore important that this proposal is not seen as a precedent.

#### **4. RECOMMENDATIONS**

- 4.1 Cabinet is requested to approve the revisions in paragraph 2.3 and agree that HVDA receive only a 10% cut to their Community Empowerment Network (CEN) project instead of a 17% cut.

#### **5. BACKGROUND PAPERS**

- 5.1 Report to Cabinet on 19<sup>th</sup> July and 2<sup>nd</sup> August 2010
- 5.2 Report to Council on 5<sup>th</sup> August 2010

#### **6. CONTACT OFFICER**

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# **CABINET REPORT**

**11 October 2010**



**Report of:** Director of Child & Adult Services

**Subject:** COMMUNITY POOL 2010/2011 -  
BELLE VUE COMMUNITY SPORTS & YOUTH  
CENTRE

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## **SUMMARY**

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

The purpose of this report is to advise and seek approval for the level of grant award to Belle Vue Community Sports and Youth Centre from the Community Pool for 2010/2011.

### **2. SUMMARY OF CONTENTS**

The Community Pool budget for the 2010/2011 financial year has been set at £494,658. After Round 1 the total balance available for distribution in Round 2 is £92,102.

An application for funding is being presented from Belle Vue Community Sports and Youth Centre. Officers are recommending that an award of £22,603 is approved as a contribution to the core costs of the group. Details of this application are included in the body of this report.

### **3. RELEVANCE TO CABINET**

Two members of Grants Committee declared an interest in the Belle Vue Community Sports and Youth Centre so therefore the grant application could not be heard at that meeting and was therefore referred to Cabinet for their consideration.

### **4. FINANCIAL IMPLICATIONS**

Officers are recommending that a grant of £22,603 is approved for Belle Vue Community Sports and Youth Centre as a contribution to the core costs of the group. This will leave a balance in the Community Pool of £69,499 to be committed at a later date.

**5. TYPE OF DECISION**

Non-key

**6. DECISION MAKING ROUTE**

Cabinet 11 October 2010.

**7. DECISION(S) REQUIRED**

Members of Cabinet are requested to approve:

1. Grant aid to Belle Vue Community Sports and Youth Centre of £22,603 for 2010/2011 as recommended and detailed in paragraph 4 of the report.
2. Any allocation of grant aid to groups known to be experiencing financial difficulties to be released in monthly/quarterly instalments, as appropriate, in order to safeguard the Council's investment and minimise risk.
3. The balance of the Community Pool, £69,499 to be considered for allocation against bids at future meetings within the 2010/2011 financial year.

**Report of:** Director of Child & Adult Services

**Subject:** COMMUNITY POOL 2010/2011  
BELLE VUE COMMUNITY SPORTS & YOUTH  
CENTRE

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to advise and seek approval for the level of grant award to Belle Vue Community Sports and Youth Centre from the Community Pool for 2010/2011.

**2. BACKGROUND**

- 2.1 At a meeting of the Grants Committee on 17th July 2010 Officers presented a report from Belle Vue Community Sports and Youth Centre for Members consideration. However, two members of the Committee declared an interest in this application therefore it could not be heard by the Grants Committee and consequently it was referred to Cabinet for consideration.
- 2.2 With the budget for 2010/2011 being set at £494,658 and it being substantially oversubscribed for 2010/2011 Officers have taken a very cautious approach in relation to the formulation of the level of funding recommended for applicant groups. In Round 1 and Round 2 some applicants requested substantial increases on last years grants usually because a funding stream which was previously used to match local authority funding has come to an end. However, it should be made clear that council funding cannot replace other funding streams that have ended and that groups should exhaust all other funding opportunities before applying for council funding.
- 2.3. There is one application which is being recommended for approval at this meeting. This application is from Belle Vue Community Sports and Youth Centre which has been supported with funding from the Community Pool previously.

**3. APPLICATION FOR FUNDING FROM BELLE VUE SPORTS AND YOUTH CENTRE (BVCS&YC).**

- 3.1 In relation to the Community Pool criteria, which is attached as **Appendix 1** BVCS&YC fall into category iv: *other organisations/groups who provide valuable services with measurable outcomes for the benefit of Hartlepool residents living in the most disadvantaged wards.* It is recognised that Category iv organisations do contribute to the overall community activity and do address some of themes of the Community Strategy.

- 3.2 Belle Vue Community Sports and Youth Centre has benefitted from funding from the Community Pool in recent years. In the 2008/2009 financial year BVCS&YC was awarded £23,750 from the Community Pool as a contribution towards core costs. BVCS&YC did make an application to the Community Pool for the 2009/2010 financial year but the application was not processed because the group was unable to provide the necessary documentation, including their annual accounts, to enable Officers to make an informed recommendation in relation to that application.. At the end of the 2009/2010 financial year as the information was still not forthcoming the application for 2009/2010 was withdrawn.
- 3.3 BVCS&YC has now submitted an application for the 2010/2011 financial year for £47,500 as a contribution towards core costs including the salary costs of three key posts: a Centre Manager, a Caretaker and a Finance Officer.
- 3.4 During the 2010/2011 financial year BVCS&YC will work with 40 hard to engage families encouraging and enabling them to access services to find solutions to their daily problems regarding money, parenting, health, employability etc in order to improve community cohesion.
- 3.5 BVCS&YC will work with in excess of 500 young people each week, to reduce issues experienced by young people such as bullying, teenage pregnancy, underage drinking, crime and anti-social behaviour, obesity and other health issues and low achievers encouraging them to learn new skills raising their aspirations and assisting them to become more employable.
- 3.6 As BVCS&YC has now provided all the documentation to support their application Officers are able to make an informed recommendation in relation to the application for 2010/2011.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 BVCS&YC has requested a grant of £47,500 as a contribution towards the salary costs of three key posts: a Centre Manager, a Caretaker and a Finance Officer. This request is a substantial increase on the level of grant which was approved for 2008/09 and as resources are limited Officers are unable to recommend an award at this level.
- 4.2 Officers are recommending that a grant of £22,603 be approved as a contribution towards core costs including a 50% contribution to the salary costs of two key posts within the organisation: an Operations Manager and a Finance Officer for the remainder of the financial year. It is this sum which is being considered by Cabinet today.
- 4.3 The determination of levels of grant aid involves officers collating information in order to determine an individual service specification/grant acceptance. Upon confirmation of grant aid, this agreement confirms expected outcomes and targets to be achieved, which then becomes part of the monitoring process.

- 4.4 Officers are therefore recommending that a grant of £22,603 be approved for Belle Vue Community Sports and Youth Centre for 2010/2011 as a contribution to the organisations core costs including a 50% contribution to the salary costs of a Centre Manager and a Finance Officer, for the remainder of the financial year.

## 5. RECOMMENDATION

Members of Cabinet are requested to approve:

1. Grant aid to Belle Vue Community Sports and Youth Centre of £22,603 for 2010/2011 as recommended and detailed in paragraph 4 of the report.
2. Any allocation of grant aid to groups known to be experiencing financial difficulties to be released in monthly/quarterly instalments, as appropriate, in order to safeguard the Council's investment and minimise risk.
3. The balance of the Community Pool, £69,499 to be considered for allocation against bids at future meetings within the 2010/2011 financial year.

CONTACT OFFICER: John Mennear, Assistant Director (Child & Adult Services)

### Background Papers

Application to Community Pool 2010/2011: Belle Vue Community Sports & Youth Centre  
Report to Cabinet Grants Committee 14<sup>th</sup> July 2010



# **HARTLEPOOL BOROUGH COUNCIL**

## **COMMUNITY POOL 2010/2011**

### **CRITERIA AND GUIDANCE NOTES FOR APPLICANTS**

The main aim of the Community Pool is to support those aspects of the activities of the voluntary/ community/not for profit sector that clearly reflect the aspirations of the Council's Community Strategy and Neighbourhood Renewal Strategy.

### **HARTLEPOOL AMBITION**

#### **COMMUNITY STRATEGY AND NEIGHBOURHOOD RENEWAL STRATEGY 2008-2020**

Within the main strategic document, there are 8 aims and themes, which are clearly set out as priorities:-

- Jobs and the Economy
- Life Long Learning and Skills
- Health Care
- Community Safety
- Environment
- Housing
- Culture and Leisure
- Strengthening the Communities

### **CORPORATE STRATEGY**

The Council has identified within the Community Strategy's aims and themes a number of corporate strategy priorities. The main objective of the Community Pool is to support the activity of strengthening communities.

Community Pool resources are targeted to vulnerable sectors of the community and to those organisations delivering effective and appropriate services that complement the Authority's strategic aims, "to empower individuals, groups and communities and increase the involvement of citizens in all decisions that affect their lives".

Within the Strengthening Communities theme are a number of objectives which groups funded from the Community Pool can collaborate with the Council to achieve its corporate objectives:-

- To empower local people to take a greater role in the planning and delivery of services and strategies that affect their individual lives, their local neighbourhood and the wider community.
- To increase opportunities for everyone to participate in consultation, especially "hard to reach" groups and those communities affected.
- To improve the accessibility of services and information ensuring that providers address the varied needs and requirements of the whole community.
- To fully value the voluntary and community sector and to support them to secure their long-term future through contracted service delivery, promoting volunteering and the agreement of longer term funding settlements.
- To ensure Hartlepool is a cohesive community where there is a sense of belonging for all and where people of different backgrounds, circumstances and generations are able to get along free from discrimination and harassment.

In order to identify the most disadvantaged communities for the purposes of assessing applications to the Community Pool, the rankings found in the Index of Multiple Deprivation 2004 will be used to ascertain the nature of deprivation in Hartlepool.

The following ward is in the top **1%** of deprived wards nationally: **Stranton**.

The following wards are in the top **5%** of deprived wards nationally: **Owton, Dyke House, Brus, St Hilda**.



The following wards are in the top 10% of deprived wards nationally: **Grange, Rift House.**

**Groups targeting areas of greatest disadvantage in the town will receive a higher priority for funding.**

Weightings will be applied to grant applications depending on the location of the applicant organisation and the area they serve.

### **FUNDING CATEGORIES**

The Community Pool funding categories are as follows:-

**(i) PROVIDERS OF SERVICES THAT ARE OF STRATEGIC IMPORTANCE. This includes:-**

**Those groups/organisations that provide services to support disadvantaged individuals. Groups may require specialist expertise, e.g. Legal advice, debt counselling, and self-improvement opportunities.**

Applications from those groups providing services that directly complement the services provided by the local authority and are considered strategically important will receive priority particularly those who provide:-

- Legal advice and guidance.
- Income generation, credit union support and debt counselling.
- Voluntary sector infrastructure support: accreditation, management, fundraising.
- Counselling services.

**(ii) COMMUNITY DEVELOPMENT/CAPACITY BUILDING INITIATIVES. This includes:-**

**those groups which support the development of community capacity, including the formation of tenants and residents groups, and seek to improve interaction between local residents and statutory service providers, including local partnerships and networks and groups working proactively to facilitate the engagement of disadvantaged sectors, to encourage them on to the first step and then signpost them onto provision elsewhere, if necessary, providing support and training to encourage self help.**

Applications from local community groups, particularly those who actively provide:-

- Advocacy in relation to issues affecting the voluntary sector.
- Support to strengthen voluntary sector infrastructure; accreditation, management.
- Support with fundraising.
- Support to volunteers.
- Development of capacity building projects/activities.

**(iii) ESTABLISHED GROUPS WHO HAVE NOT PREVIOUSLY BEEN SUPPORTED FROM THE COMMUNITY POOL**

**Groups who are considered to be established i.e. who have been fully constituted for in excess of 2 years, who have not been awarded grant aid from the Community Pool previously can apply for financial support if they are meeting the aims and objectives of the Community Pool.**

**(iv) OTHER ORGANISATIONS/GROUPS. This includes:-**

All applications, which do not fall into the other 3 categories, but provide valuable services with measurable outcomes for the benefit of Hartlepool residents living in the most disadvantaged wards, can be considered for funding.

**ALLOCATION OF FUNDING FROM THE COMMUNITY POOL**

Funding is offered on a two-tier system.

**➤ 3 YEAR REVENUE TAPERED GRANT**

Groups can apply for a 3 year tapered funding agreement in principle subject to budgetary availability. In the second and third years of the agreement, grant recipients will be afforded, in principle, 75% and then 50% of the award made in Year 1. Under this scheme, groups cannot apply for funding from the Community Pool in year 4.

**➤ 1 YEAR REVENUE TAPERED GRANT**

1 year funding with applications being processed alongside all others in subsequent years.

Grant aid will only be approved for revenue funding to support organisational running costs. A funding formula will be applied with the main priority being the staffing costs of a group. Key posts within an organisation, as identified by the Community Resources Manager, can be supported with a percentage of salary costs.

Applicants should note that:-

Capital works will not be supported, i.e.

New applications for initiatives in areas currently benefiting from regeneration initiative funding will receive a lower priority.

Play initiatives will receive a lower priority because of the alternative funding sources e.g. Play Opportunities Pool.

**There is no upper limit in relation to the amount applied for from the Community Pool, but applications for less than £5,000 will not be considered from the Community Pool but will be signposted to other funders.**

**MONITORING OF GRANT AID**

All grant aid is managed through a funding agreement, which includes the terms and conditions, under which grant aid has been awarded.

The spend and the outputs/benefits relating to the grant will be monitored and if it is found that grant aid has not been spent appropriately or outputs/benefits not achieved then measures may be taken to reclaim the grant.

**APPEALS PROCEDURE**

Groups applying to the Community Pool will be given the opportunity to appeal against a decision made by the Grants Committee in respect of their application for funding. An appeal must be made in writing, as it will be presented to the Grants Committee for their consideration.

# THE APPLICATION PROCESS

These guidance notes are here to help you complete the application form.

Please read through them and refer to them while you complete the application.

## WHO MAY APPLY?

- Voluntary and community organisations serving residents of Hartlepool who have been constituted for in excess of 2 years.
- Organisations whose aims and objectives fit within the Council's strategic objectives (see criteria) and the main objective of the Community Pool which is to support the activity of strengthening communities.

## WHAT DOES THE APPLICATION PROCESS INVOLVE?

The process consists of a tiered approach:-

1. The Community Resources Manager makes an assessment of the application to establish if it meets the criteria of the Community Pool.
2. If the application meets the criteria, then a level of grant aid is formulated based on information provided and allowing for Council priorities and the circumstances relating to the application.
3. A report detailing the recommendations is presented to the Members of the Grants Committee for their approval.
4. Applicant organisations will be informed of the Grants Committee decision when the minutes of the meeting have been published and have come into effect.
5. Documentation relating to any grant award is prepared by the Community Resources Manager and despatched to the applicant organisation, who must accept the terms and conditions of the award before any payment of grant can be made.
6. Once the grant terms and conditions have been accepted, funding can be released. Normally grant aid is paid in 2 instalments via the BACS system.

## WHAT CAN YOU USE GRANT FOR?

Core running costs – salary costs of key staff, rent, gas, electricity, water bills.

## HOW IS YOUR APPLICATION ASSESSED?

We will look at:-

- Whether your application fits the aims of the Council and the criteria and objectives of the Community Pool.
- Who in the community will benefit and whether there is a real need for your services or activities.
- Your financial status.
- Other financing arrangements and fundraising activities.
- Whether the budget of the organisation is realistic.

## YOUR RESPONSIBILITY

- All successful applicants are expected to monitor their services provision and activities and expenditure of grant aid in relation to these services. An annual monitoring form must be completed.
- Successful applicants are required to acknowledge the Council's support in any publicity material produced.
- You must notify the Community Resources Manager immediately if for any reason you are not able to comply with the terms and conditions of grant aid.

# COMPLETING THE APPLICATION FORM

- Applicants are required to complete all sections of the application form. If this is not possible, please explain why on a separate sheet. Incomplete applications will be returned.
- Please complete all sections fully, reference to your annual report/accounts is not appropriate and will not be accepted.
- The next part of these guidance notes attempts to further explain certain questions in the application form. Not all questions are listed here, as we consider they are self explanatory.

## Section 1

### Tell us about your organisation

#### Question 2

The main applicant or contact must be someone who we can contact during the day in office hours about this application.

#### Question 14

The Council needs to be assured that you are in a stable financial situation and that your Accounts are in order. *Please attach supporting documents.*

## Section 2

### Tell us about the grant you are requesting

#### Question 16

Please identify which grant you are applying for. A one-year grant award will be considered with no onus on the Local Authority to fund the organisation in subsequent years. A three-year tapered grant can be offered (with no formal agreement being made for years 2 and 3 because the Council's budget setting is done on an annual basis). In the second and third years of the agreement grant recipients will be offered, in principle, 75% and then 50% of the award made in Year 1. Under this scheme, groups cannot apply for funding from the Community Pool in year 4.

#### Question 19

The Council would like evidence that you are proactively trying to raise money from other non Council sources.

## Section 3

### Tell us about who will benefit from this grant

#### Question 21

Please give a realistic figure for the number of people and type of groups who will benefit. Do not put 'all members of the public'.

#### Question 23

Only organisations that are based in Hartlepool or serve Hartlepool residents may apply.  
The Council wants to distribute funds to areas in need. We need to know where the people live who will be able to access your services.

**Question 25**

Be realistic. Please only tick those categories that your organisation really serves. You will not increase your chances of receiving a grant by ticking more boxes.

**Section 4**

**Questions 26 and 27**

Be realistic. Please only tick those themes and objectives that relate to the services or activities your organisation carries out.

**Question 29**

Please attach a separate sheet if necessary. **Be sure to include quantitative and qualitative outputs as this information will form the basis of any offer of grant aid.**

**Section 5**

**Additional Information**

Failure to provide additional documentation, as requested, could result in a delay in the processing of your application.

If possible, please return your application form and additional information electronically or if that is not possible, a hard copy can be posted. Please be sure to put sufficient postage on the envelope or your application may miss the deadline.

**Any applications received after the deadline will not be considered.**