



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

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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 procurement¹.

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).

¹ 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 growth². 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 result³. 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.

² The North East Economy – production & spending patterns of sectors, NERIP, 2007

³ 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?

Traditional Procurement: Current Model	Category Management: Future Model
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

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

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

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

<i>Detail</i>	<i>2010/11 (£000s)</i>	<i>2011/12 (£000s)</i>
Employee cost (24.5 staff)	640	962
Running costs	38	38
Support costs	71	83
Accommodation	*60	71
Regional work by councils on behalf of region	50	100
Total cost	*859	1254

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

Type of Saving	2009/10 (£000)	2010/11 (£000)	2011/12 (£000)
Rebate to the new organisation	1,126	1,126	1,126
Rebate to member councils	1,707	1,707	1,707
Reduced prices	3,087	3,087	3,087
Total Saving	5,920	5,920	5,920

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

Year	Amount (£000)
2010/11	2,649
2011/12	26,525
2012/13	26,629

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

Detail	Annual costs/savings (£000)			
	2009/10	2010/11	2011/12	Full year
<u>Estimated COSTS – NEPO / new organisation</u>				
Running costs – NEPO	561	809⁽²⁾	1,154	1,154
Allowance for regional work by member councils ⁽¹⁾	-	50	100	100
Total estimated cost	561	859	1,254	1,254
<u>INCOME – NEPO / new organisation</u>				
Subscriptions	362	362	362	362
Contribution from NE IEP	-	248⁽³⁾	-	-
Retained rebates	191	241	884	884
Other	8	8	8	8
Total estimated income	561	859	1,254	1,254
<u>NET SAVINGS TO COUNCILS</u>				
Existing contracts (Table D)	5,965	5,920	5,920	5,920
New contracts (Table E)	-	2,649	26,525	26,629
Less retained rebates	-191	-241	-884	-884
Total net savings	5,774	8,328	31,561	31,665

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 2010/11 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

<i>Date</i>	<i>Action</i>	<i>Responsibility</i>
<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"> 1. Work commences on first 10 priority areas selected for regional collaborative procurement. 2. Review of accommodation requirements. 3. Establishment of new democratic arrangements for the new organisation. 	<ol style="list-style-type: none"> 1. & 2. As above 3. Chief Executives
<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"> 1. Discussions with individual council are on hub and spoke arrangements and recharge mechanisms. 2. Option appraisal on accountable body selection. 3. First new regional contracts let. 4. Decisions made on accountable body status / new accommodation / branding of the new organisation for implementation as soon as possible. 	<ol style="list-style-type: none"> 1. Chief Officer / Senior Regional Category Specialists 2. & 3. Chief Officer 4. Joint Committee / any interested local authority.
<i>By March 2011</i>	Agreement to new constitutional arrangements	Leaders / Elected Mayor's

APPENDICES A - J

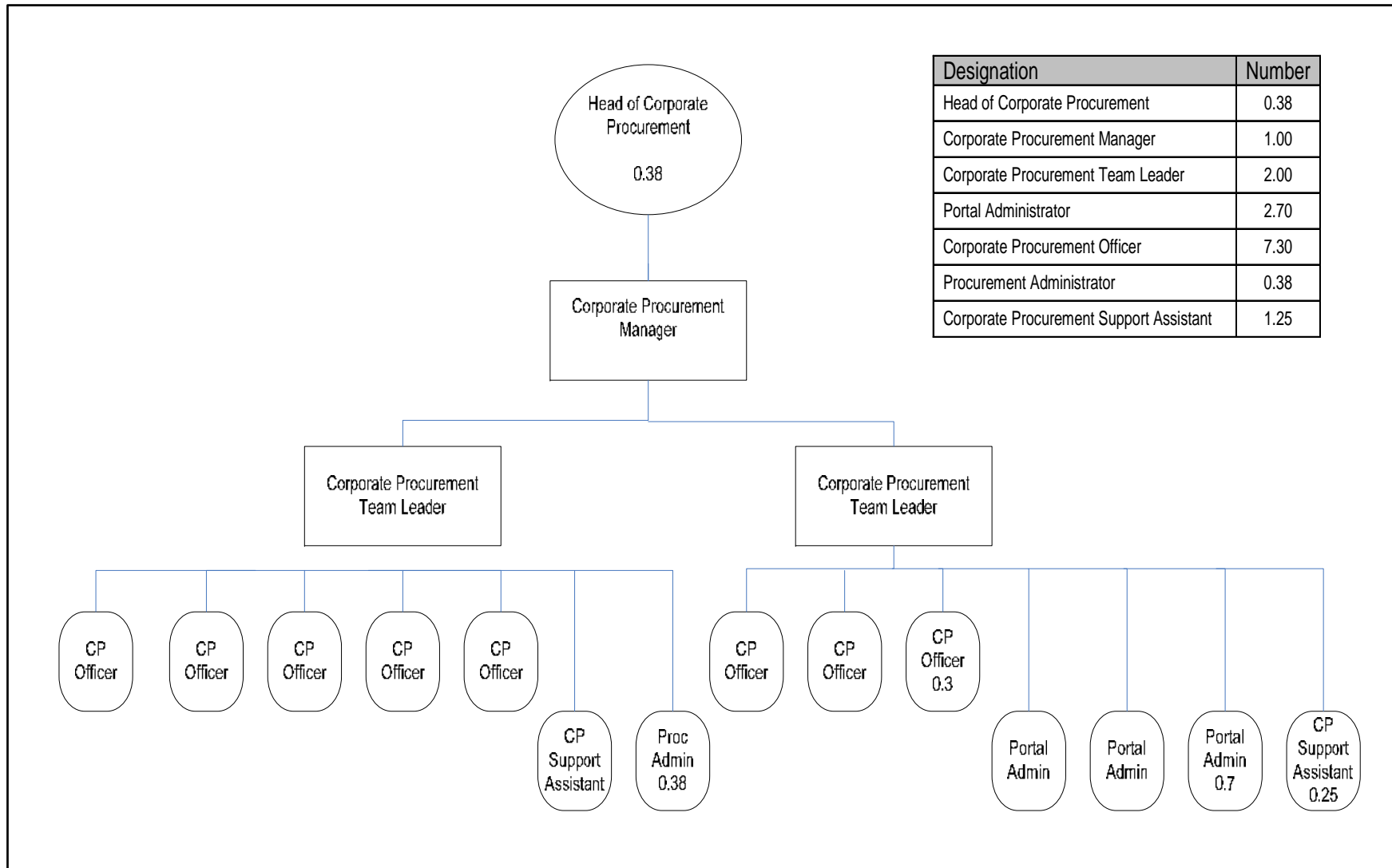
APPENDIX A

Annual NEPO Budget 2009/10

<i>Budget Heading</i>	<i>Amount (£000s)</i>
Employee costs	452
Direct Supplies and Services	38
Costs recharged from Gateshead Council	
• Legal	35
• Financial	8
• Accommodation	16
• Computing	9
• Other	3
Total Expenditure	561
Income	
• Membership Fees	362
• Rebates	191
• Other	8
Total Income	561
Total Expenditure less Income	0

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

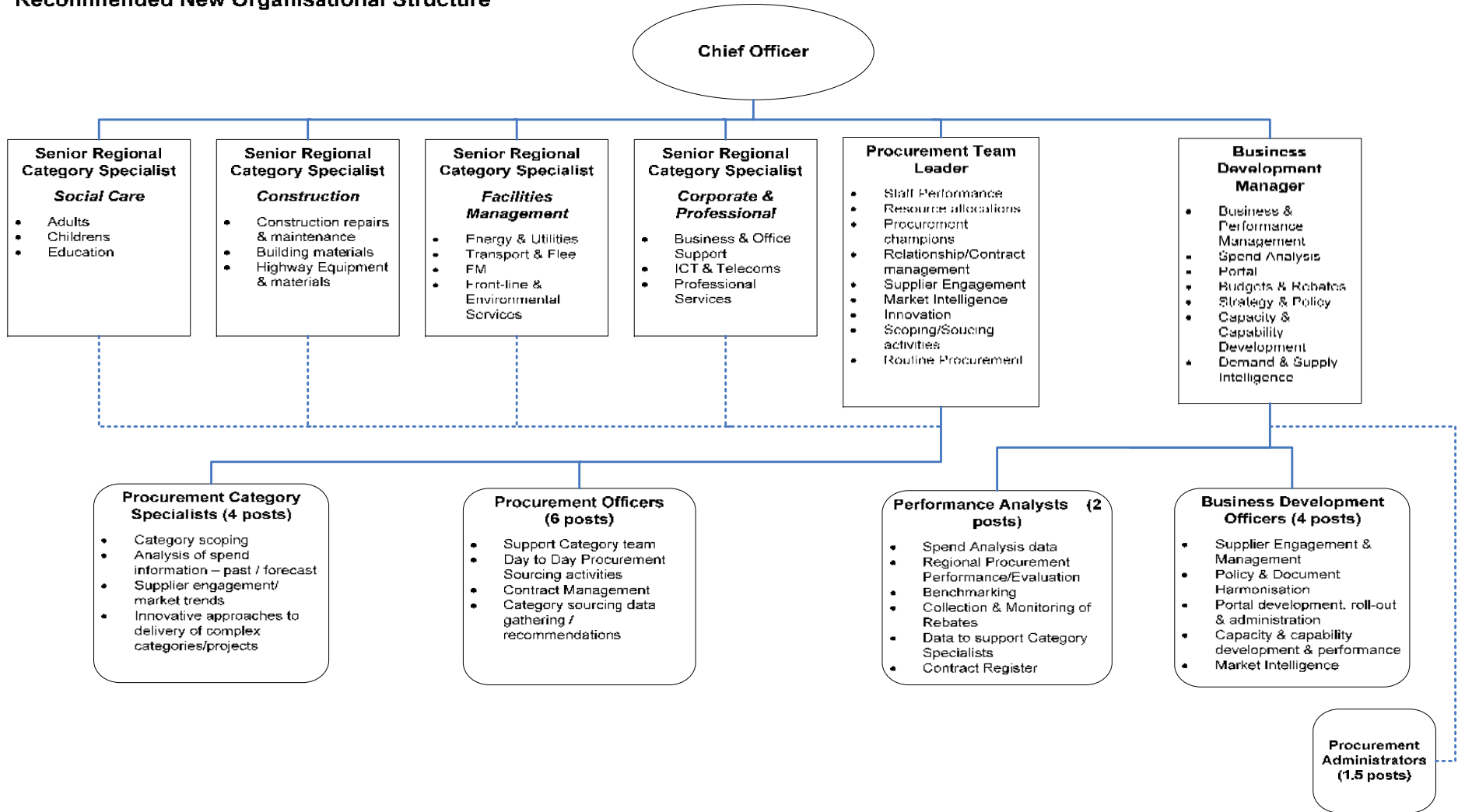
Source – NEPO / NE IEP as at 17 February 2010

Notes

1. 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.
2. 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

APPENDIX D

Recommended New Organisational Structure



Notes

1. All current NEPO staff (below Head of Service level) would transfer into the new organisation.
2. The structure 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 refinement of the structure will be the first task required of the new Chief Officer when appointed.
3. 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.

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 economise 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
Total for categories with an Jan 2011 to July 2011 start date:						2,649	26,525	26,629

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.

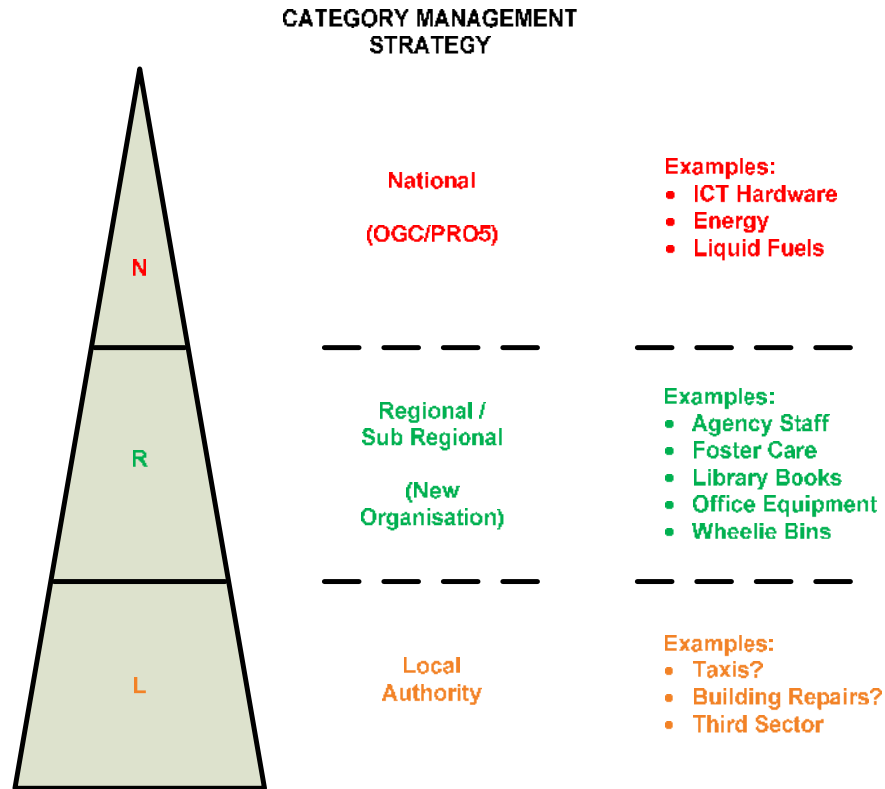
A range of innovative procurement options and approaches will then be developed for consideration, this may include the opportunity to use reverse E-Auctions and / or other innovative tools such as electronic invoicing and procurement cards, so that a holistic approach is taken to secure quality, value 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.

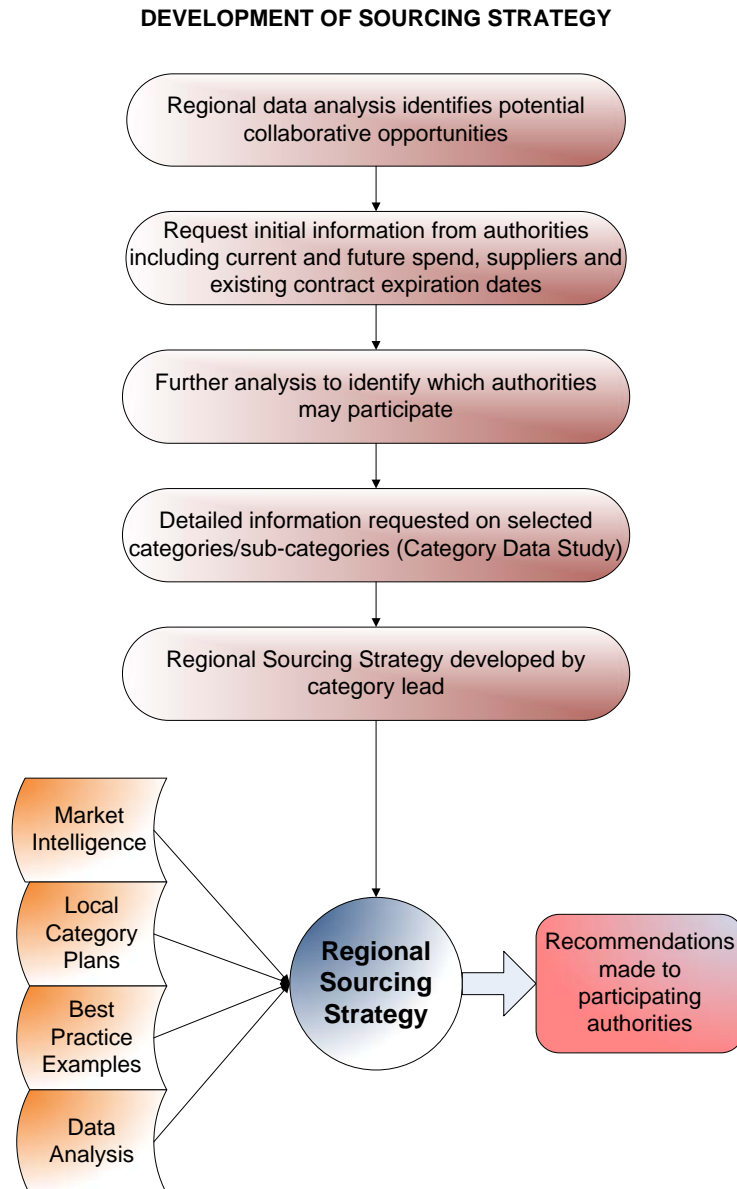
The model proposed to develop regional sourcing strategies is outlined in Figure 2.

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.

<i>Traditional Procurement: Current Position</i>	<i>Category Management: Future Position</i>
<ul style="list-style-type: none"> • Procurement exercises reactive to organisational demands 	<ul style="list-style-type: none"> • Local authorities and Fire and Rescue Services are better able to predict future demand to meet organisational needs
<ul style="list-style-type: none"> • Procurement exercises driven by contracts ending 	<ul style="list-style-type: none"> • Managed spending, with procurement driven by market changes and conditions
<ul style="list-style-type: none"> • Individual management of contracts 	<ul style="list-style-type: none"> • Management of markets and supplier relationships

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.

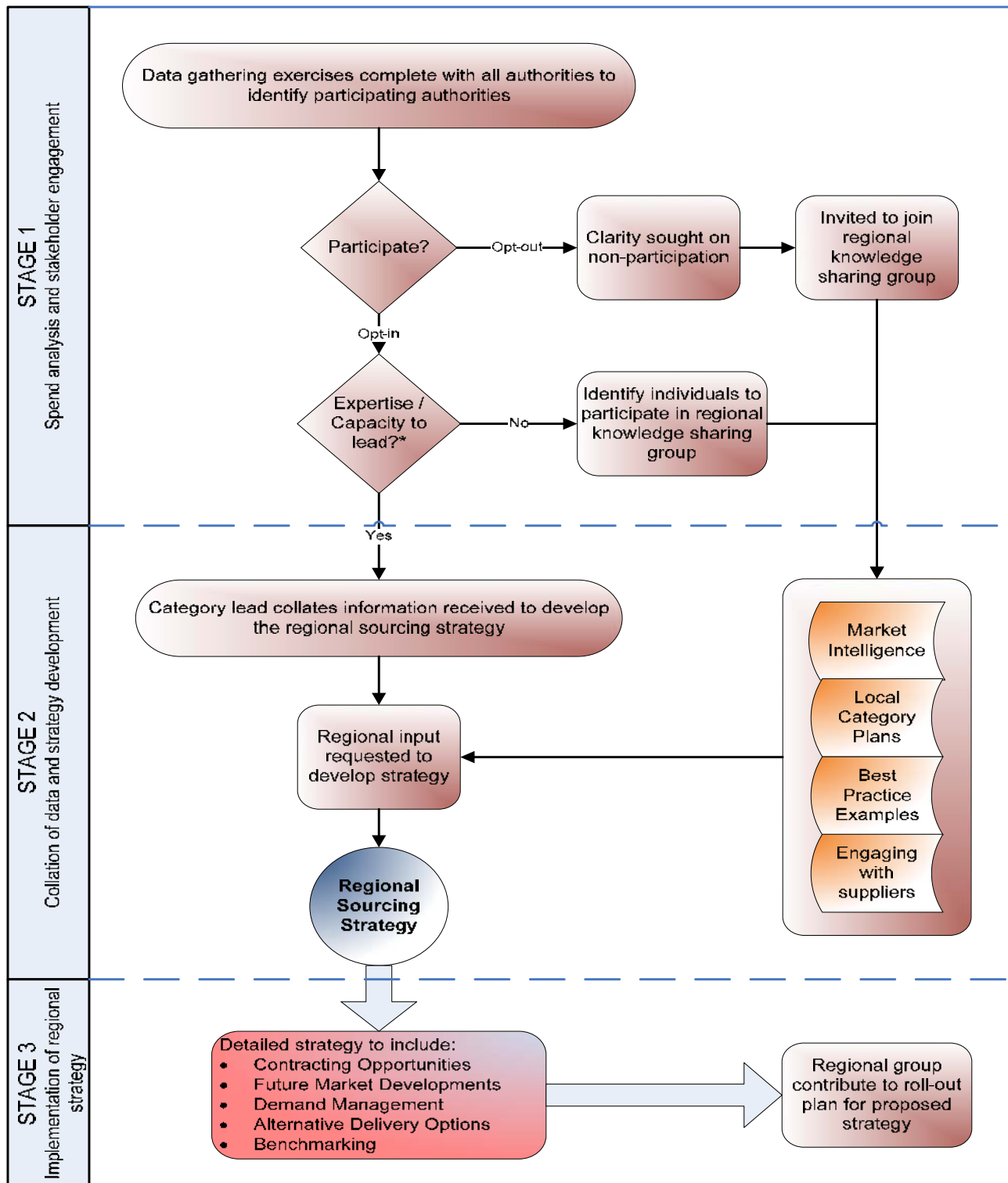
Benefits Realisation Action Plan will be deployed to monitor and agree the delivered benefits.

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.