

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet
2.	Date:	3rd November 2010
3.	Title:	Yorkshire Purchasing Organisation
4.	Directorate:	Chief Executive's

5. Summary

This report explains to Members the proposed new provisions of the Management Agreement for the founder members of Yorkshire Purchasing Organisation (YPO) and seeks approval from Cabinet and Council to the new Agreement and to delegations which will enable YPO to progress. Thirteen founder member authorities are receiving a similar report with similar recommendations.

6. Recommendations

- (1) That Cabinet recommends to full Council entering into the proposed Management Agreement and to the delegation of executive and non-executive functions in relation to the YPO to the Joint Committee, in accordance with the terms of the Agreement.**
- (2) That Cabinet delegates to the Corporate Director at YPO power to enter into contractual agreements on behalf of the Council.**

7. Proposals and Details

YPO was founded in 1974 as a joint committee of its constituent local authorities to aggregate demand and generate buying efficiencies within the area of its members. The Council has been a member from the outset. The lead authority is Wakefield Council who provide professional and administrative support and employ all staff. In 2009 there was a strategic review to determine the future strategic direction of YPO, improve its governance arrangements and update its Code of Corporate Governance and its dividend distribution arrangements.

Since then, there has been considerable work undertaken to update the existing Management Agreement and consensus was reached in August 2010 on the provisions of a new Management Agreement. The Management Committee of YPO, upon which the Council is represented by Councillors Sharman and Atkin, approved the Agreement (subject to legal fine tuning) on 28th June. The lawyers met on 3rd August, and the draft Agreement was completed on that date.

The YPO is a procurement organisation which maintains effective, efficient and economical arrangements for the supply of goods, materials, works and services. It provides excellent quality, service and competitive prices, whilst optimising the profits available for distribution to its members and customers, including the Council. Under the terms of the draft Agreement, the YPO will continue as a public sector organisation, unless agreed otherwise by at least two thirds of the founder member authorities.

In addition to the founder members, there are associate members and ordinary members of YPO. Associate members (presently Leeds and Bury Councils) and ordinary members (all individual customer account holders) are entitled to participate in dividend payments, but not to vote at Management Committee meetings or attend the private parts of such meetings.

The YPO carries out a number of executive functions regarding its procurement and supplies role and also some ancillary non-executive functions, such as staffing matters concerning its employees. These powers need to be delegated so far as the Council is concerned. The Local Government Act 1972 allows for the creation of a joint committee and also for the delegation of executive and non-executive powers to the joint committee.

Attached as an Appendix is a summary of the final draft Agreement, together with commentary on its provisions. Generally, the proposals contained in the draft Agreement bring the YPO governance arrangements up to date, whilst continuing the partnership model that has applied and brought benefits for the Council since 1974.

8. Finance

The draft Agreement provides for the payment of dividends. The Management Committee shall determine the overall level of dividend to be paid in each year, if

any, after deducting sums to ensure that YPO remains a going concern during the forthcoming year and after deducting the cost of any development proposals.

The distribution formula contains three elements:-

- (a) A cash sum to be divided equally between founder members to reflect their risk of ownership.
- (b) A cash sum to reward usage of YPO products and services by founder members and associate members.
- (c) A sum to reward usage of ordinary members in the form of a credit voucher against future purchases.

The weightings attached to each element shall be agreed annually by the Management Committee.

All existing and future assets are held by Wakefield on trust for the founder members. A founder member may withdraw by giving twelve months notice to expire on 31st December. However, they will forfeit the right to any dividend payment for that year, and to a share of any of the assets held on trust, whilst remaining responsible for an equal share of any deficit in that year. If more than two thirds of the founders members agree to a termination of the agreement, then all the founder members would be equally entitled to any accumulated surplus and assets held on trust and similarly equally responsible for any accumulated deficit.

9. Risks and Uncertainties

The new Agreement has been negotiated over many months and approved by the Management Committee, the Strategic Officers Advisory Group, and lawyers for all thirteen founder members. If the Council declines to enter into the agreement, then it will not come into effect, as under the current agreement all founder members need to approve changes.

10. Policy and Performance Agenda Implications

The YPO is a public sector organisation committed to professional, open, sustainable, caring relationships with its members, customers, staff and suppliers. It helps the UK public sector by delivering a high quality service which saves time and money.

11. Background Papers and Consultation

The draft Agreement has been consulted on within the founder member authorities over a number of months and staff at YPO have also been consulted. Elected Members of the Management Committee have been consulted and approved the draft Agreement, as have the Strategic Director of Finance and the Assistant Chief Executive (Legal and Democratic Services).

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