



Full Council

20 July 2023

Report of the Director of Governance
(Portfolio of the Executive Leader)

Update on Governance Arrangements for the Yorkshire Purchasing Organisation (YPO)

Summary

1. This report seeks approval to sign a revised Management Agreement which sets out the governance arrangements for the YPO Joint Management Committee following a review.

Recommendations

2. Council is recommended to:
 - a. note and consider the changes recommended by the YPO Management Committee;
 - b. delegate authority to Director of Governance to sign an updated Management Agreement on behalf of the Council noting that all Member Authorities must also agree before the revisions take effect; and
 - c. confirm the appointment of Cllr Merrett as the Member of the Joint Committee and Cllr Wilson as their substitute.

Reason: To ensure that the governance of YPO Management Committee remains up to date and fit for purpose.

Background

3. YPO has operated as a Joint Committee since its inception in 1974 and under the governance structure in the current Management Agreement since 2010. The Management Agreement, and any changes to it, requires the agreement of

each member authority through a formal resolution in their own council, along with a resolution to delegate contracting authority to the functional role of Managing Director of YPO.

4. In 2021 YPO Management Committee Members agreed a review of the governance structure and operating practices of the YPO Joint Committee to ensure that they are fit for purpose to deliver the recently approved 3-5 Year Strategy and to optimise benefits for member authorities in the future.
5. YPO operates as a Joint Committee of 13 Founder Member Local Authorities. The same 13 Authorities are also shareholders in an associated company – YPO Procurement Holdings Ltd - which operates a group company structure through which the local authorities can trade where necessary and appropriate to do so. The company structure is governed under a shareholder agreement and an appointed set of local authority councillor directors. The current governance proposals in this report relate only to the joint committee structure. A separate review of company governance is now taking place and if any changes are recommended within the company governance structures that will be the subject of a separate report.
6. A Working Group of a Founder Member strategic officers was formed to review current joint committee governance structures and documents and, in conjunction with officers from YPO and Wakefield Council as the Lead Authority, to submit proposed changes for consideration by members. This group met a number of times and proposed a number of changes to operating practices and to governance structures and the associated documents in which they are specified.
7. An external law firm was also commissioned to review the legal operating model. That concluded that there was no compelling rationale to move from the Joint Committee arrangements.
8. The resulting proposals were submitted to the March 2022 Management Committee for consideration and discussion prior to requesting formal approval. Members were also requested to consult within their own authorities to ensure that any final request for approval captured both the discussion in the March Management Committee and the wider views of the Founder Members.

9. In July 2022 Management Committee formally approved the proposals and resolved to recommend them for approval at each authority.
10. Full detail on the changes can be found in the YPO report and minutes at Appendix A but in summary they are:
 - a) A reduction of elected members from two per founder member to one, with substitutes permitted. This will produce a more focused core of members with greater familiarity with the strategic challenges facing the organisation;
 - b) A reduction in the number of Management Committee and Sub-Committee meetings from three per year to a minimum of two per year. This will enable members to focus on the key strategic issues facing YPO and to take decisions at key points in the annual business cycle (the recommendation to specify a “minimum” number, allowing scope to call additional meetings if required for business reasons, resulted from discussion in the March Management Committee);
 - c) The removal of the Executive Sub-Committee. This body largely duplicates the function of the Management Committee and has no separate delegated powers for specific decisions;
 - d) The renaming of the Audit & Scrutiny Sub-Committee to Audit & Governance with a remit to consider all items of risk and governance on behalf of member authorities.;
 - e) A revision to the Terms of Reference of the Audit & Governance Sub-Committee, emphasising the role of this body in scrutinising risk and governance issues, holding the Executive Officers to account and reporting back to the full Management Committee;
 - f) Revisions to the Scheme of Delegation, emphasising the requirement to consider political and reputational implications for members before the powers contained are exercised and reinforcing the role of the Executive Director, Finance in reporting directly to the S151 Officer in the Lead Authority in the case of any suspected breach;

- g) Revisions to the Financial Procedure Rules to reflect the commercial nature of YPO's activities as distinct from Local Government requirements; and
 - h) The continuation of the role of Independent Director to give elected members a level of independent assurance on the operational decision-making carried out by the Executive Board and to provide commercial advice to elected members as and when required.
11. Items 10 a) to 10 d) require amendments to the Management Agreement which requires approval by all 13 Founder Members.

Options

- 12. To agree to the revised Management Agreement and give effect to the recommendations of the Joint Committee. This option is preferred as it ensures the arrangements are fit for purpose
- 13. Not to agree to the revisions. This is not recommended as it fails to give effect to the views of the Committee informed by a detailed governance review.

Analysis

- 14. The review invites a strengthening of governance arrangements for YPO. Although there are fewer Meetings and sub-committees and a reduction in the number of appointees the meetings will be more targeted and more focussed to ensure that members are given the right information to understand the business and to check and challenge. Although there is a reduction in the number of councillors it remains the case that there is one vote per Founder member and substitutes are allowed if the principal nominee is unable to attend.

Council Plan and Policy Framework

- 15. Through participation in YPO the Council combines its purchasing power with other local authorities to maximise economies of scale and ensure value for money. These savings in turn assist with delivery of all services across the Council's priorities.

Implications

16. There are no direct resource or equality implications.
17. YPO is a Joint Committee constituted under s101 and 102 Local Government Act 1972.
18. It exercises functions on behalf of the Member authorities relating to procurement which are executive functions. However, changes to appointments to outside bodies are the responsibility of Council.
19. The proposed changes include a reduction in nominated members from 2 to 1. Section 15 Local Government & Housing Act 1989 sets out the duty of relevant authorities /committees who make appointments in relation to political balance. The bodies to which S15 applies are defined in Schedule 1 to include ordinary and advisory committees and sub-committees, and by virtue of para 2 (h) a joint committee appointed under S102(1)(b) LGA 1972. However, in relation to joint committees (and other bodies set out in para 2) S15 duty only applies where “at least 3 seats ... fall from time to time to be filled by appointments made by the authority or the committee.” As each Authority is appointing 1 seat the duty doesn't apply

Risk Management

20. If the Council does not agree the changes these cannot be brought into effect and the YPO governance arrangements may cease to be fit for purpose reducing the overall efficacy of the organisation.

Contact Details

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Report Approved

 Yes

Date 12/7/23

Specialist Implications Officer(s) None

Wards Affected: List wards or tick box to indicate all

All

For further information please contact the author of the report

Background Papers:

None

Annexes

Annex 1 - YPO Governance Review – Report of Managing Director

Abbreviations used in this report

None