

TRAFFORD COUNCIL

Report to: Executive
Date: 25th July 2018
Report for: Decision
Report of: Executive Member of Finance

Report Title

STAR Procurement Collaboration and Executive Joint Committee

Summary

The purpose of this report is to:

1. Provide information on the strategic proposal to expand the current STAR Shared Procurement service ("STAR") from three partner councils to four partner councils, and potentially to further expand the collaboration from four partner councils to five partner councils.
2. Outline the rationale for STAR's growth strategy, provide details of proposed commercial arrangements, governance arrangements and implementation strategies.

Recommendation(s)

It is recommended that the Executive:

1. Approves the disestablishment of the current STAR Joint Committee
2. Approves the expansion of the current shared procurement service to include the Fourth Partner which will continue to be hosted by Trafford Borough Council in accordance with the provisions detailed in the main body of the report.
3. Approves the establishment of a new STAR Joint Committee for Stockport, Trafford, Rochdale and the Fourth Partner that will support the delivery of the Shared Service and provide delegated authority to the Procurement Service to operate across Stockport, Trafford, Rochdale and The Fourth Partner areas.
4. Approves the further expansion of the shared procurement service to include The Fifth Partner Council in accordance with the provisions detailed in the report subject to the prior approval of appropriate due diligence by the STAR Joint Committee.
5. In the event that the shared procurement service is further expanded to include

the Fifth Partner Council, approves the disestablishment of the four partner STAR Joint Committee and approves the establishment of a new five partner STAR Joint Committee for Stockport, Trafford, Rochdale, the Fourth Partner and the Fifth Partner that will support the delivery of the Shared Service and provide delegated authority to the Procurement Service to operate across Stockport, Trafford, Rochdale, the Fourth Partner and the Fifth Partner areas.

6. Approves the governance arrangements and Terms of Reference of the new STAR Joint Committee as set out in the report.
7. Delegates authority to the Director of Legal and Democratic Services to agree the terms and conditions of, and to complete, an Inter Authority Agreement (“IAA”) in respect of the STAR Procurement shared service in similar terms to the existing IAA.
8. To note and approve the proposed approach to those circumstances whereby staff would transfer to the new procurement unit, and therefore to Trafford Council under TUPE, as outlined in the report,

Contact person for access to background papers and further information:

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 Background Papers – None.

Relationship to Policy Framework/Corporate Priorities	Collaboration across four and five local authorities that helps support the delivery of low council tax and value for money through more effective procurement arrangements
Relationship to GM Policy or Strategy Framework	None
Financial	<p>The Council will be responsible for all outgoings of the proposed new Strategic Procurement Unit.</p> <p>The cost of the Unit will be shared equally by the Four or five participating councils.</p> <p>The Fourth Partner will secure a wider scope for delivering economies of scale benefiting all, but will bring income to strengthen further sustainability of the Shared Service. This will be further secured if the Fifth Partner participates in the shared service</p>
Legal Implications:	The joint committee is established by the participating councils in exercise of their powers under sections 101(5) and 102 of the Local

	<p>Government Act 1972, section 9EB of the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions)(England) Regulations 2012/1019</p> <p>The Joint Executive Committee will oversee all decisions of the Shared Service. An Inter authority agreement will be required in order to establish the operating arrangements for the new four or five partner Strategic Procurement Unit.</p>
Equality/Diversity Implications	None
Sustainability Implications	None directly associated with this report but the STaR will be able to ensure that its procurement activities are conducted with focus on sustainable practise.
Resource Implications e.g. Staffing / ICT / Assets	<p>Trafford Council and the Fifth Partner will have to consider TUPE implications. Where TUPE does apply and also, in order to operate differently the expansion, a re-structure to accommodate a different service delivery model may be required.</p> <p>Where a revised organisational structure is necessary, full consultation will take place with staff and trade unions.</p> <p>Staff will move to the new arrangements and the implementation strategy will form part of the consultation arrangements.</p>
Risk Management Implications	<p>Approval to bring a new partner needs to comply with legal requirements but also ensure risk is managed in terms of delivering a successful, larger Shared Service across four Authorities. This will also be a consideration if the Fifth Partner subsequently becomes a full participating Authority in the Inter-Authority Agreement</p> <p>A risk register has formed part of the overall project management with all risks categorised and mitigations highlighted.</p>
Health & Wellbeing Implications	None
Health and Safety Implications	None

1. Background

- 1.1 At its meeting on the 23rd September 2013 the Executive agreed to set up a Joint Committee in collaboration with the Executives of Stockport and Rochdale to deal with most of the procurement activities of each council. It was agreed that Staff from all three councils came together within a jointly-funded organisation hosted by Trafford Council and known as STAR.

The three original councils agreed the basis on which the Joint Committee would operate and this was set out in an inter-authority agreement (IAA). It was agreed that STAR would operate within a budget set by the participating councils. The IAA included agreed Terms of Reference for the Joint Committee.

At its meeting on the 11th June 2014 the Council incorporated the Terms of Reference into its constitution and each of the other participating council's ensured the same. The Council also delegated non-executive powers to the Joint Committee to facilitate its procurement activities.

2. Growth Proposal

- 2.1 Collaborative transformation lies at the heart of public service reform and as a collaborative procurement service, STAR has the skills and expertise to help drive this agenda and secure measurable outcomes by working with wider Partners STAR already collaborates across its three Partners, GMCA and the AGMA Procurement Hub. STAR's aim is to collaborate even more effectively and deliver a wider range of outcomes across Greater Manchester and the North West.

The STAR Business Plan 2017-2020 comprises five objectives; Commercial; Communities; Collaboration; Compliance and Champions. Collaboration is key to even greater success and 'Growth' is a work stream that has been actively pursued and tested to find a 'best fit' for STAR that delivers a commercial opportunity, collateral advantage and is harmonious, whilst not impacting on the current outputs/outcomes of the existing three Partner Councils.

- 2.1 STAR's aim over the next three years is to expand its existing shared procurement service to help deliver a step-change in public service reform through collaborative working.

3. Proposed New Model of Expansion

- 3.1 The proposal to support the growth strategy of STAR by agreeing to the addition of the Fourth Partner and to provide authority for the Fifth Partner to be added as a formal partner at a future date.
- 3.2 STAR was commissioned by the Fourth Partner in November 2017 to undertake a review and provide a procurement function options appraisal and to deliver direct procurement support. This provided both the Fourth Partner and STAR with an opportunity to collaboratively work together and it also gave STAR the opportunity to assess the feasibility and compatibility of the Fourth Partner as an additional partner.
- 3.3 A due diligence process has been undertaken and both STAR and STAR Joint Committee are confident that the Fourth Partner is a good fit for STAR, both in terms of geography (being within Greater Manchester) and also because the Fourth Partner is ready to mobilise its organisation to embrace the opportunity to secure support and success from compliant and effective procurement.
- 3.4 Although the Fifth Partner is not yet in a position to confirm acceptance of the proposal to join STAR, initial due diligence processes indicate that the Fifth Partner is equally a viable partner for STAR.
- 3.5 Once the Fifth Partner is in a position to progress the proposal to join STAR, STAR will undertake the same review process as with the Fourth Partner, for the Fifth

Partner, conducting a thorough due diligence process presenting recommendations to the STAR Joint Committee for consideration of further expansion.

- 3.6 New partners will be fully integrated and aligned with the current practices and operations already adopted by STAR. Additional partners will share risk and reward and work equally as a partner on the STAR Board and STAR Joint Committee.

4. Case for Change

- 4.1 To demonstrate the case for change, the table below/overleaf maps the Business Case for Growth Principles:

<p>Consider multi-growth options – a multi growth approach will ensure that we do not ‘put all our eggs in one basket’ and will help us to capitalise on the market opportunities that are currently available.</p>	<p>Key Benefit - Expands on current public to public shared service success. This doesn’t detract from other growth options being explored but secures and strengthens the model of operations for the current Partner Councils.</p>
<p>Expanding our commercial approach – a commercial approach is already embedded in STAR Procurement activity but growth must seek to expand this further and ensure it remains engrained as we grow.</p>	<p>Key Benefit - A clear expansion of current operations with a Partner of similar nature will develop commercial success for all Partners.</p>
<p>Seek long term sustainability as well as short term gains – it is important to consider growth options that will deliver short term gain as well as investing in opportunities that will help secure the long term sustainability of STAR Procurement.</p>	<p>Key Benefits -</p> <ul style="list-style-type: none"> • Delivers a full contribution to income to fund the operations. • Secures a mobilisation phase from a new Partner prior to commencement of them joining formally. The first 18-24 months will be resource-intensive as we on-board a new Partner so it is important that we maintain the current stable model of operations. • Enables a reduction in contribution to existing Partners. • A reward for risk to the founder Partners.
<p>Explore new markets and deliver new products – in a changing public sector arena it is important that we continue to explore new markets and expand our core offer to deliver new products to our external customers.</p>	<p>Key Benefit - This option to on-board The Fourth Partner will bring in a Partner of similar size, locally placed adjacent to Stockport, as well as a GM Council. This will build momentum and interest from others.</p>

<p>Stay ahead of the competition – growth should support STAR Procurement to stay ahead of the competition and ensure we are not taken over by others.</p>	<p>Key Benefit - By growing in size, this strengthens the critical mass within GM, which may lead to further expansion either from ‘coalition of the willing’ and or the GM Devolution agenda.</p>
<p>Capitalise on the ‘coalition of the willing’ – we will continue to adopt a Partnership and collaborative approach with those organisations that want to work with us.</p>	<p>Key Benefits:</p> <ul style="list-style-type: none"> • The Fourth Partner invited STAR to undertake an initial commission. This allowed STAR to share expertise and support the Partner. • STAR also had the opportunity to undertake due diligence in terms of assessing the condition of the procurement activity within this Council and the potential as a fourth partner. • This expansion will entice others to consider STAR as an option for them.
<p>Growth will not be at the detriment of the current service to our STAR Councils - whilst growth is important, it is crucial that we continuously improve and do not compromise the high level of service that is currently delivered to our STAR Councils.</p>	<p>Key Benefit - STAR has modelled the commercial offer based on safeguarding our current activity and to ensure a continuous improvement approach to the three founder Partner Councils.</p>

5. Implementation & Timescales

- 5.1 A detailed implementation plan is currently being developed for the on-boarding of the Fourth Partner to ensure that the implementation is managed effectively. Implementation is likely to be on a phased basis commencing with a pre-phase to mobilise the Fourth Partner as a partner. The plan will help ensure the appropriate allocation of resources, and that key governance actions are undertaken at the most appropriate time. The implementation plan will set the pathway for future on-boarding of the Fifth Partner as a partner.
- 5.2 There will also be a requirement to update and revise the current Inter Authority Agreement to accommodate the expansion and subsequent changes. The IAA will contain provisions in its redrafting that it not only accommodates the four partner collaborative model but also makes sufficient provision to facilitate the fifth partner collaborative model without the need for further amendments.
- 5.3 It is anticipated that the Fourth Partner could be integrated into the shared procurement service, as a partner, by autumn 2018. Subject to acceptable due diligence, it is anticipated that the Fifth Partner could be integrated into the shared procurement service, as a partner, within 18 months of this Executive Decision.

6. Governance

The proposal is to retain the same governance arrangements that underpin current STAR shared procurement service. It is however necessary to formally dis-establish the existing committee and establish a new Joint Committee, for each of the four or five partner alternatives, with one Member from each partner authority appointed to the Joint Committee. By establishing a joint committee this will allow Members of each partner council to oversee the STAR work programme.

- 6.1 It is proposed that the governance arrangements for the collaborative service will be formalised using an inter authority agreement (IAA), in similar terms to the current IAA between the existing partner authorities and which will set out matters such as: sharing arrangements for costs and liabilities; extent of delegation from each Council; accommodation, support services etc.; withdrawal from the Joint Executive Committee.
- 6.2 It is proposed that the new Joint Committee will have the same roles and responsibilities as the current committee. It will be responsible for agreeing and monitoring performance against the strategic targets, benefits realisation and the work programme of the service. The Joint Committee will be supported by the Director of STAR who will produce the required management information to enable the Joint Committee to agree and monitor the activities of the shared service.
- 6.4 There will be a need to review the new partner's constitutions to ensure that their schemes of delegation and contract procedure rules are amended to reflect those which have already been adopted by Stockport, Trafford and Rochdale councils.

7. Terms of Reference

- 7.1 The proposal is to retain the Terms of Reference previously approved for the current STAR Joint Committee and which were subsequently incorporated into Stockport's, Trafford's and Rochdale's constitutions.
- 7.2 It is proposed that the following Terms of Reference are approved for the new Joint Committee and that any new partner will incorporate such into their own Constitutions:
 - *To manage the procurement operations of the Councils except for any procurement activity carried on by each Council that is specifically excluded by each Council from being dealt with by the STAR on its behalf.*
 - *To agree any changes to the cost and income sharing arrangements set out in the inter-authority agreement.*
 - *To agree the organisational structure of the STAR to carry out those operations.*
 - *To recommend to Trafford Council the person to be appointed as Director of STAR and the salary for the post.*
 - *To consider the policies and procedures for procurement activities carried out by the STAR recommended to it by its Board including the contract procedure rules under which it will operate for each of the Councils.*

- *To recommend the business plans and budgets of the STAR for approval by the Councils.*
- *To monitor the budget and performance of the STAR.*
- *To approve major changes to standard tender documentation and procedures.*
- *Such other matters as the Councils (for non-executive matters) and/or the Executive Leaders jointly agree. To the extent that the activities of the STAR Joint Committee are not executive functions the council delegates to the joint committee the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of the procurement functions delegated to it – in particular the power to make staffing appointments and the power to make draft standing orders as to contracts for agreement and incorporation into the constitution of each participating STAR Council but not the power to set budgets.*

8. Financial Model

- 8.1 The intention is to bring the Fourth Partner, and then potentially the Fifth Partner, in as equal partners in terms of membership of the STAR Joint Committee and STAR Board. This means that the risk and reward will be shared equally from day one of joint operations.
- 8.2 Current financial standing will be assessed at the point of on-boarding of the new partners and the reserves balances will be 'topped up' by the new partners to ensure that there is parity within the reserves.
- 8.3 The Director of STAR will aim to reduce the three founding partners' annual fee, between a range of 5-10% from year one of the expansion to a four partner shared service. Further reductions will be identified from the point of any further expansions to a five partner shared service.
- 8.4 The Fourth Partner's annual fee contribution will be based on the current funding sum, which is per annum £435,000 per partner. This funding contribution will be sustained for the first three years then upon commencement of year four, the fee for the Fourth Partner will reduce in line with the three founder partners, which itself will reduce immediately from day one of joint operations. This recognises the costs incurred upfront when STAR was formed and acknowledges the risk taken from the three founder partners during the first four years of STAR's operation. A similar funding recalculation will be undertaken should the Fifth Partner be admitted as a partner of STAR.
- 8.5 Mobilisation 'pre-phase' fee:

The Fourth Partner, and potentially the Fifth Partner, will fund a mobilisation phase prior to joining STAR as a full and equal partner. The anticipated sum is to be confirmed. This is to ensure STAR maintains momentum following the current commission already underway with the Fourth Partner. This will allow the Fourth Partner to align processes, practices and for STAR to lead a significant organisational change programme. This sum is required to aid in-year mobilisation therefore the Director of STAR Procurement will need to activate the resources plan

ahead of the Fourth Partner, and the Fifth Partner joining. Any surplus will be added to reserves ring-fenced to the three founding Partners.

NB: as the commencement of the new Shared Service is likely to be in-year, a pro-rata calculation will need to be activated to accommodate this model.

8.6 Income and Savings Targets

Income Targets and Savings Targets etc. will all need to be reviewed at the point of STAR becoming a four partner, and again on becoming a five partner, shared procurement service.

9. Human Resources Implications

10.1 There are no staff affected by TUPE linked to the Fourth Partner joining as a member of the collaborative procurement service.

10.2 Trafford Council and the Fifth Partner will need to consider TUPE requirements when evaluating affected staff. The Director of STAR will consult the Director of HR in respect of any TUPE related matters.

10.3 Where there are staff that would be affected by TUPE and thus, would transfer to Trafford Council as a result of the Fifth Partner becoming a member of the collaborative service, Fifth Partner staff will be consulted in accordance with TUPE Regulation requirements.

10.4 Depending on the outcome of any consultation and how the new collaborative body is appointed to, some The Fifth Partner employees may transfer with their existing terms and conditions protected under TUPE to Trafford Council. Where staff transfer under TUPE they will become employees of Trafford Council.

10.4 Indemnities from the partners in relation to transfer costs and TUPE implications will be agreed and incorporated into the Inter Authority Agreement

11. Risk and Policy Implications

11.2 A full risk register for STAR's growth is currently being developed and the risks will be monitored, managed and mitigated throughout the implementation phase. The key risks and opportunities have been set out below/overleaf.

Risks for STAR	Opportunities for STAR
The formation of a new Shared Service will be resource intensive in the early phase of aligning processes and practices but this is mitigated from the commercial offer that will resource appropriately	Supports Greater Manchester Devolution working with a greater cluster of GM Partners
Growth likely to be slow but managed	Long term sustainability, shared risk and opportunity

Risks for STAR	Opportunities for STAR
Process of approval is time consuming due to longer governance requirements across additional Partners	Could result in rebates/reduced costs for STAR Councils and wider economies of scale gains
Potential TUPE/HR implications as staff would become employees of host Authority (Trafford)	Builds on an already excellent reputation
Time to establish and deliver improvement will not happen overnight	Excellent PR and promotion opportunity regionally and nationally demonstrating a shared service can be successful
The Inter-Authority Agreement currently does not allow on-boarding of new Partners by the STAR Joint Committee and requires the STAR Joint Committee to be dis-established.	Timing is appropriate as STAR is now four years old and has an effective and successful operation fit for growth

Other Options

1. STAR Procurement considered the option of not growing the shared procurement service to include the two additional Councils but, it was felt that this would conflict with the STAR Procurement Business Plan, agreed by the STAR Joint Committee and which focuses on growth in the period 2017-2020.
2. STAR Procurement could undertake procurement support to the two further Councils through SLAs rather than direct membership of the shared service. This would put the current three STAR Councils at risk if existing resources had to be focussed on delivering SLA obligations. Additionally, the employment of additional resources to deliver such SLA obligations would be at risk of those SLAs being subsequently brought to an end.

Consultation

Should any staff be affected by TUPE as a result of the proposed arrangements, consultation with staff affected by TUPE will be undertaken in accordance with TUPE Regulations and with the advice of the HR Director.

Reasons for Recommendation

1. The creation of a collaborative approach in procurement has already brought significant financial and reputational benefits to the participating authorities of STAR. It has enabled greater influence over the market and provided for more effective control over the spending of limited resources.
2. The report details the rationale for expanding the collaborative service beyond the founding three member authorities.


3. Any change of membership of the current STAR Procurement Shared Service and the STAR Executive Joint Committee is a matter for the Executive to determine.

Key Decision

No

Clearance

Finance Officer Clearance	<i>GB</i>
Legal Officer Clearance	<i>DS</i>

CORPORATE DIRECTOR'S SIGNATURE (*electronic*).....

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.