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Please Reply To **Wendy Larkin**
Telephone No (01924) 305046
Email wlarkin@wakefield.gov.uk
Date 17 April 2013

To: Members of the YPO Joint Committee Executive Sub-Committee

Dear Member,

YPO EXECUTIVE SUB-COMMITTEE – FRIDAY, 26 APRIL 2013

It is with pleasure that I write to invite you to attend a meeting of the YPO Joint Committee Executive Sub-Committee which is to be held at **2:00 pm on Friday, 26 April 2013** in the **YPO Headquarters, 41 Industrial Park, Wakefield** to consider the items set out in the agenda attached.

Yours sincerely



Joanne Roney OBE
Secretary to the Joint Committee

As a courtesy to colleagues will you please turn off your mobile phones and pagers prior to the start of the meeting.

This agenda can be provided in large type, cassette, Braille or in another format or language if required. Please contact the person named above to discuss your requirement.

**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE -
Friday, 26 April 2013**

AGENDA

1. Chair's Introduction and Welcome.
 2. Acceptance of Apologies for Absence.
 3. Members' Declarations of Interest.
 4. To approve, as a correct record, the Minutes of the meeting held on 1 March 2013. (Pages 1 - 4)
 5. To note any items which the Chairman has agreed to add to the Agenda on the grounds of urgency.
 6. Lead Authority Issues.
 7. Review Work Programme and Terms of Reference. (Pages 5 - 10)
 8. Role of the Independent Director. (Pages 11 - 14)
 9. Exclusion of the Public and Press
In relation to reports containing exempt information to consider and, if approved, pass the following resolution: -

"That the public and press be excluded from the meeting during consideration of agenda items 10 to 12 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended."
- IN PRIVATE**
10. Managing Director's Business Update. (Pages 15 - 32)
 11. Performance Report. (Pages 33 - 46)
 12. Pricing Strategy. (Pages 47 - 48)
 13. Date and Time of Next Meeting.
The date and time of the next meeting is to be determined at the YPO Annual Meeting on 28 June 2013 but a provisional date has been set for 26 July 2013.

YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE

Friday, 1 March 2013

Present: The Chair – Councillor Sharman (Rotherham MBC)
 The Vice Chair – Councillor Sykes (City of Bradford)
 Councillor O’Donovan – Kirklees MBC
 Councillor Keats – Knowsley MBC
 County Councillor Watson – North Yorkshire CC
 Councillor Stokes – Wakefield MDC

24. CHAIR’S INTRODUCTION AND WELCOME

The Chair, Councillor Sharman, welcomed everyone to the meeting.

25. APOLOGIES FOR ABSENCE

Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Grunewald (St Helens MBC) and Gunnell (City of York).

26. MINUTES - 26 OCTOBER 2012

Resolved – That the Minutes of the meeting of the YPO Executive Sub-Committee held on 26 October 2012 be approved as a correct record.

It was noted that, in Minute 20.3, a report had been requested for consideration by the sub-committee on the pricing strategy. The Managing Director explained this report would be submitted to the next meeting in April 2013.

27. MEMBERS’ DECLARATIONS OF INTEREST

No declarations of interest were made.

28. LEAD AUTHORITY ISSUES

The Lead Authority Solicitor raised an administrative issue.

29. EXCLUSION OF THE PUBLIC AND PRESS

Resolved – That the public and press be excluded from the meeting during consideration of Agenda Items 8 to 11 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.

30. MANAGING DIRECTOR’S UPDATE

The Managing Director updated Members on the activities of the organisation since the last meeting and gave an overview of forthcoming activities and challenges. He was pleased that YPO continued to trade strongly for the remainder of 2012 and finished the year achieving record figures for turnover and profit.

Following a discussion on Associate Membership, it was agreed that the Corporate Director, in conjunction with the Lead Authority Solicitor, prepare a report for the next meeting of the Executive Sub-Committee.

During consideration of this item, the Chair asked the Independent Director to give his opinions on the information presented and to prepare a report for the next meeting of the sub-committee.

Resolved – (1) That the report of the Managing Director be noted.

YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE - FRIDAY, 1 MARCH 2013

(2) That a report on Associate Membership be submitted to the next meeting of the Executive Sub-Committee.

(3) That the Independent Director submit a report to the next meeting of the Executive Sub-Committee.

31. PERFORMANCE REPORT AND PROVISIONAL OUTTURN FOR 2012

Consideration was given to a report of the Head of Performance, Business Planning and Management Accounting which detailed the Performance Results for December 2012 including the Key Performance Indicators. Appendices to the report included relevant supporting information.

Discussions took place regarding the information presented, during which time Members requested more detail on Appendix 4 – Top 50 Debt Accounts.

Resolved – That the report be noted.

32. DIVIDEND DISTRIBUTION

Members considered a report of the Corporate Director which sought agreement on the level and method of dividend distribution for the year ended 31 December 2012. Appendices to the report illustrated further information.

It was explained that 25% of the available amount for distribution would be split evenly between the 13 Founder Member authorities, a further 50% to Founder and Associate Members based on usage and the final 25% to be distributed to individual customers based on usage be retained for the distribution of future surpluses recognised in the statement of accounts.

Tabled at the meeting were indicative Founder Member dividend distribution figures, a table illustrating the proportion of framework spend eligible for inclusion in calculating distribution and a year on year comparison for Founder Members.

The Corporate Director also explained the need for the creation of a financial stability fund which would only be accessed with Member approval.

Resolved – (1) That the proposal to pay a full and final 2012 dividend, as calculated in section 5 of the report, be recommended to Management Committee for approval.

(2) That Members be paid by cash in September 2013 a sum covering the risk and usage elements as applicable and the Member and Associate Member authority earned loyalty bonus.

(3) That all other loyalty bonus to be paid to individual customers by way of redeemable voucher in September 2013.

(4) That the proposal to create a financial stability fund, as outlined in section 4 of the report, be recommended to Management Committee for approval.

(5) That the information tabled at the meeting be noted.

**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE - FRIDAY, 1
MARCH 2013**

33. INVESTMENT BUSINESS CASES 2013

Following a request from the Management Committee on 30 November 2012, the Corporate Director presented a report which detailed additional investment requests for 2013 and included a business case for each project.

A discussion took place regarding the information presented and Members were of the opinion that an executive summary of each business case would be acceptable for future reports.

Resolved – (1) That the business cases, detailed in Appendices A to H, be approved.

(2) That final approval of the Middleware business case, referenced in Appendix H, be delegated to the Chair and Vice Chair.

(3) The Executive Sub-Committee considered that investment requests should be determined by the Board of Directors and recommended that the matter be referred to Management Committee for determination.

34. DATE AND TIME OF NEXT MEETING

Resolved – That the next meeting of the Executive Sub-Committee be held on 26 April 2013 at 2.00pm.

**YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE - FRIDAY, 1
MARCH 2013**



YPO
EXECUTIVE SUB COMMITTEE
TO BE HELD ON
26TH APRIL 2013

TITLE: REVIEW WORK PROGRAMME AND TERMS OF REFERENCE

REPORT OF: CORPORATE DIRECTOR

1. PURPOSE OF REPORT

1.1 To provide members with an overview of work undertaken by the committee since the 2012 AGM and propose terms of reference and work programme for presentation to the 2013 AGM.

2. RECOMMENDATION

2.1 Members are asked to agree this report for submission to the AGM in the name of the Chair of the Executive Sub Committee.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications.

4. LEGAL IMPLICATIONS

4.1 There are no risks arising from this report.

5. BACKGROUND INFORMATION

5.1 The Executive Sub Committee has a membership of nine members drawn from the Management Committee (including the Chair and Vice Chair of the Management Committee) and met four times during the year. Its primary purpose is to review the performance of the organisation, ensure delivery of the agreed strategy and review the performance of the Managing Director.

5.2 Since the last AGM the Executive Sub Committee has considered reports covering: Quarterly Performance, Business Developments, Draft Budgets and Business Plans, Dividend Distribution Formula, YPO Projects and the Half Year Review, Logistics Efficiencies, Academy Progress Report, Remuneration Committee and Workforce Motivational Payment.

5.4 TERMS OF REFERENCE

5.5 The terms of reference have been reviewed and are attached for members' consideration. There are no proposed changes at this time.

5.6 WORK PROGRAMME

5.7 The work programme has been designed to ensure the Executive Sub Committee is able to meet its remit as set out within the terms of reference.

5.8 It is assumed that the Executive Sub Committee will receive delegation from the Management Committee in line with the terms of reference.

5.9 The provisional dates of meetings are attached.

5.10 Therefore the proposed work plan following the AGM in June 2013 will be as shown below.

July 2013	October 2013	February 2014	April 2014
Performance Report	Performance Report	Performance Report	Performance Report
Half Year Forecast	Draft Budget and Business Plans for 2014	Provisional Outturn for 2013	Work Programme
Lead Authority Issues	Lead Authority Issues	Lead Authority Issues	Lead Authority Issues
MD's Update	MD's Update	MD's Update	MD's Update

SERVICE DIRECTOR: IAN KNOWLES, CORPORATE DIRECTOR

Yorkshire Purchasing Organisation
 41 Industrial Park
 Wakefield
 WF2 0XE

Telephone No: 01924 834890
 E-mail address: ian.knowles@ypo.co.uk

APPENDIX:

Appendix 1 – Executive Sub Committee Terms of Reference
 Appendix 2 – Provisional Committee Date 2013-14

Yorkshire Purchasing Organisation

EXECUTIVE SUB-COMMITTEE – DRAFT TERMS OF REFERENCE 2013

Number of Members

Nine Councillors, including Chair and Vice Chair of the Management Committee.

Not more than one Councillor from any member authority.

Co-opted Members

Not more than two non-voting co-opted members selected by the Management Committee for their relevant commercial expertise, without prejudicing the competitive environment in which the YPO operates.

Quorum

Three voting members.

Substitutes

Allowed.

Frequency of Meetings

Four times per annum.

Remit

1. To ensure that the performance of YPO is in accord with established business plans.
2. To receive trading reports from senior managers and that trading operations are in line with approved business plans.
3. To review the performance of the organisation in achieving its objectives through an examination of performance data and relevant performance indicators.
4. To receive reports on spending against approved budgets.
5. To review annually its terms of reference and report any additions and amendments to the Management Committee.
6. To submit to each Annual Meeting of the Management Committee a report of its activities during the previous year.

To act with delegated authority of the Management committee in respect of:

1. To approve annually, medium term business plans, annual budgets and decisions to ensure year-end targets are achieved.
2. To approve individual capital investment proposals, in line with the overall investment plan agreed by the Management Committee.
3. To agree conditions within which goods, materials and services can be supplied to Member Authorities, Associate Members and other Local and Public Authorities covered by the Local Authorities (Goods and Services) 1970 act and any subsequent modifications.
4. To appraise the personal performance of the Managing Director of the organisation.
5. To act in association with the Head of HR as a recruitment and selection panel for the appointment of Directors and to appoint to the post of Director to any agreed Director vacancy and report such appointments to the Management Committee.
6. To take urgent decisions where it is not practicable to call a full Management Committee meeting, subject to reporting any decisions made, and the reasons for the urgency, to the next meeting of the Management Committee.

DRAFT

YPO MANAGEMENT COMMITTEE AND SUB COMMITTEE MEETINGS 2013/14

Date of Meeting	Strategic Officers	Management Committee	Exec Sub	Audit Sub	Scrutiny Sub	JCC
JULY 2013						
12	10:00	Strategic Officers				
19	09:30			Audit Sub		
26	09:30		Exec Sub			
SEPTEMBER 2013						
13	09.30				Scrutiny Sub	
OCTOBER 2013						
11	10:00	Strategic Officers				
18	09:30			Audit Sub		
NOVEMBER 2013						
1	09:30		Exec Sub			
15	10:00	Strategic Officers				
29	09:30					JCC
29	10:30		Management Committee			
FEBRUARY 2014						
7	09:30			Audit Sub		
7	14:00	Strategic Officers				
14	09.30				Scrutiny Sub	
28	09:30		Exec Sub			
MARCH 2014						
21	09:30					JCC
21	10:30		Management Committee			
APRIL 2014						
4	10:00	Strategic Officers				
11	09:30			Audit Sub		
11	14:00		Exec Sub			
MAY 2014						
2	09:30				Scrutiny Sub	
JUNE 2014						
13	10:00	Strategic Officers				
27	09:30					JCC
27	10:30		Management Committee			



YPO
EXECUTIVE SUB COMMITTEE
TO BE HELD ON
26TH APRIL 2013

TITLE: ROLE OF THE INDEPENDENT DIRECTOR

REPORT OF: THE MANAGING DIRECTOR

1. PURPOSE OF REPORT

- 1.1 To give Members an overview of the options available to them on expiry of the Independent Director's contract in September 2013.

2. RECOMMENDATIONS

- 2.1 That Members agree a proposed course of action to be recommended to the Management Committee.

3. RISK IMPLICATIONS

- 3.1 None.

4. BACKGROUND

- 4.1 YPO Executive Committee on 23.2.2011 received a paper on Governance Review. The minute (number 69) says "Consideration was given to a report produced by B Dinsdale, Consultant, on an assessment of need for independent commercial advice to the YPO Board of Directors to support and enhance the existing governance arrangements in place in the Organisation. The findings of the investigation were fully documented and the author proposed two options for consideration by the Sub-Committee in order that a preferred option could be presented to the Management Committee for formal consideration.

Resolved – That Option Two, as detailed in paragraphs 6.2 to 6.4 of the report, be recommended as the preferred option the Management Committee meeting in March, subject to the period of the proposed transitional arrangements being extended form 12 to 24 months.

(Councillor Moore, City of York Council, voted against the resolution)."

4.2 Dinsdale's report - extracts from a report to Management Committee on 25th March 2011

"3.5 At the Management Committee meeting held on 26 March 2010 a paper was presented giving an "Update on Governance Issues". This report re-iterated the

recommendations that had been accepted at the September 2009 meeting, which included the agreement in principle of including Co-Opted Members onto the Executive Sub-Committee as well as the Audit Sub-Committee. A draft copy of a new Management Agreement was also attached to this report with a recommendation that the Draft Agreement be accepted and circulated to all member councils for their formal approval. Clause 6.6 of the Draft Agreement stated that “The Management Committee shall make arrangements to appoint non-voting Co-Opted Members to the Executive Sub-Committee and the Audit Sub-Committee based on advice from the Managing Director”.

- 4.3 At the June 2010 Management Committee a further report on “Strengthening YPO Governance Arrangements” was presented, which was a follow up to previous reports. This recommended members to accept a remit and person specification for Co-Opted Members and to instruct the Appointments Sub-Committee to proceed with the appointment of two Co-Opted Members for the Executive Sub-Committee and one Co-Opted Member for the Audit Sub-Committee, using an appointments process and timescale set out in the report. Following discussion, the Management Committee resolved that:

“The remit and person specification detailed in the report be not approved and that no further action be taken regarding Co-Opted Member appointment”.

- 4.4 **“6.2 Option 2** As indicated earlier in the report, unlike in the private sector, the YPO Board of Directors is comprised wholly of Executive Directors, with no ‘Non-Executive’ input. In the absence of the Acting Director of Strategy and Business Development, who has to date provided an element of independent challenge at Board meetings, any challenge of Board Decisions will necessarily be retrospective in nature. Option 2 therefore involves the appointment of a part-time ‘Independent Director’ who would sit on the Board of Directors to provide direct independent advice/challenge to Executive Directors, with a remit to report independently to the Chair/Vice Chair of the Management Committee and the Lead Authority on any concerns or areas of risk, and to advise them on areas they may wish to raise at either Management Committee or Strategic Officers Advisory Groups prior to final decisions being reached. Under this arrangement the line Management of the ‘Independent Director’ would be to the Chair/Vice Chair of the Management Committee. The costs involved would be met from YPO funds.

- 4.5 To identify the most appropriate option for the YPO it is necessary to consider the extent to which they meet the original rationale for appointing Co-Opted Members to the Executive and Audit Sub-Committees, to provide members with independent support to:

- Develop future policies and strategies
- Challenge their own decision making processes
- Challenge the performance of Board Directors
- Implement effective democratic scrutiny
- Identify ‘trading risk’
- Recognise opportunities and risks in the ‘market place’

- 4.6 Depending on the precise role adopted, a person appointed under each of the options would have an excellent opportunity to enhance the current governance arrangements. Costs are likely to be broadly similar under each option, but it is considered that Option 2 is likely to provide the most effective outcome, as, unlike Option 1, the ‘Independent Director’ would:

- Have a seat on the Board of Directors and therefore be in a better position to influence activity on the ground and the development of strategic options

- Have a greater understanding of the organisation and the reasons behind the judgements being made at Board level.
- Be a more attractive position to prospective Directors with relevant senior 'Board Level' experience, rather than simply providing retrospective advice at meetings
- Have a more direct link with the Chair/Vice Chair and other Management Committee Members”

4.7 On **25th March 2011 Management Committee** met.

“Governance Stock Take Consideration was given to a report of Brian Dinsdale, Consultant which assessed the need for independent commercial advice to support existing governance arrangements. The report proposed that an Independent Director be appointed to sit on the YPO Board of Directors, responsible for providing independent challenge and advice. A detailed discussion took place.

Resolved – (1) That a new part-time position of 'Independent Director' be created, with the role and conditions specified in paragraph 7 of the report.
(2) That the recruitment procedure for the position of 'Independent Director' commence alongside the position of YPO Commercial Director.
(3) That the role was not allocated to the Acting Managing Director of YPO.”

4.8 On **22nd March 2013 Management Committee** met.

Following a report from the Independent Director he then left the meeting whilst a discussion took place regarding the future of the Independent Director position within the Organisation. It was explained to Members that the fixed term contract for this position would end in September 2013.

Resolved – (1) That the report be noted.
(2) That a report be presented to the next Executive Sub-Committee detailing options available for the future position of Independent Director.

5. OPTIONS AVAILABLE

- 5.1 i) Recruit again for a further 2 year contract through open advertisement.
- ii) Decide not to replace the role if no longer considered necessary.
- iii) Extend the current incumbent's contract for a further year due to the critical timing of IT investment projects. Consider options i and ii above again in September 2014.

6. BOARD INPUT

- 6.1 Based on the valuable input and challenge provided by the current holder of the role and the critical nature of the IT investment programme the YPO Board would support option iii) above. Members may wish to consider this input in reaching a decision.

CONTACT OFFICER: SIMON HILL, MANAGING DIRECTOR

Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834800
E-mail address: simon.hill@ypo.co.uk

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