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<b>REPORT TO:</b>	<b>Housing and Community Services Committee</b>	<b>AGENDA ITEM: 10</b>
<b>DATE OF MEETING:</b>	<b>24<sup>th</sup> November 2011</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>Mark Alflat - Director of Operations</b>	<b>OPEN PARAGRAPH NO:</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>Lee Carter, 5957, lee.carter@south-derbys.gov.uk</b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>Membership of Efficiency East Midlands Ltd (Procurement Consortium)</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: HCSO1</b>

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## **1.0 Recommendations**

- 1.1 The Council becomes a member of Efficiency East Midlands Ltd (EEM Ltd).
- 1.2 In accordance with s.323(1) Companies Act 2006 the Council authorises the Repairs & Improvements Manager or his substitute to be the Council's representative at any meeting of Efficiency East Midlands Ltd, and execute voting rights on behalf of the Council.
- 1.3 Recommend to Finance and Management Committee that they consider and approve the proposal and that the same goes before full Council for approval.

## **2.0 Purpose of Report**

- 2.1 To advise members of the opportunity available to provide value for money through membership of EEM Ltd and the limitation of the risk associated with membership of the company.
- 2.2 To gain members' approval to be a member of EEM Ltd and to authorise the Repairs & Improvements Manager or his substitute to be the Council's representative at any meeting of EEM Ltd.

## **3.0 Detail**

- 3.1 The Council is currently a member of EEM Consortium - a consortium of local authorities, ALMOs and housing associations. We joined the Consortium to harness its expertise and knowledge of photovoltaic installations (PV). Since joining the Consortium further opportunities have been identified to provide on going value for money to the Council, including material purchases and being involved in the national Green Deal consultation from an early stage.
- 3.2 Prior to EEM Consortium the group was named the Central England Procurement Partnership (CEPP) who received funding (in excess of £300k) from the Homes and

Communities Agency, to both carry out a feasibility study and implement and create through a business plan a procurement consortium within the East Midlands. The Consortium was formed to bring together social housing providers across the East Midlands region to:

- Work collaboratively to provide efficiently delivered, high quality services to the communities and tenants they serve,
- Provide "cashable" benefits to its members in the form of savings on current planned expenditure, access to existing procurement frameworks and increased buying power by forming alliances with other consortia, and
- Achieve a number of "non-cashable" benefits, such as the inclusion of local labour, community representation in the supply chain, and the creation of apprenticeships.

3.3 Since the formation of EEM Consortium the membership has rapidly expanded to sixteen members, South Derbyshire District Council included, who manage over 134,000 properties within the region. Representing and working on behalf of ALMOs, Housing Associations and Local Authorities the expectations of the business plan to date have been exceeded.

3.4 EEM Consortium is a partnership, which will continue to operate solely for the purpose of allowing members to draw down on the framework contracts for the installation of PV. All its other framework contracts will be transferred to EEM Ltd, a new not-for-profit company, limited by guarantee, which has been set up on behalf of the existing EEM Consortium members. The company model is considered to be the most tax efficient model and method for the fair distribution of any potential surpluses generated by the Company, back to its members.

3.5 Each member organisation is entitled to nominate an officer to the Board of Executive Directors (this has already been completed for 2012/2013). These Executive Directors receive no remuneration. There will also be certain Non Executive Directors co-opted to the Board who are selected for their skills and experience, again without remuneration. EEM Ltd members will have the opportunity to nominate employees from their organisations to these positions, as they become available on an annual basis, subject to a vote at the AGM.

3.6 South Derbyshire District Council must satisfy itself that becoming a member of a company limited by guarantee, is advantageous and benefits the community. The following sets the scene and reasoning for joining, including amongst others the value for money that will be achieved by being members of such an organisation.

3.6.1 South Derbyshire DC can under Section 2 Local Government Act 2000 (the wellbeing powers) do anything which it considers is likely to promote the economic social or environmental well-being of the area. The business plan for EEM Ltd clearly identifies that the company is focused on achieving the well being of the area as detailed in the following extract from the business plan vision statement.

- *A clear acknowledgement that the role of members is to deliver services to residents and as such, tenant & leaseholder consultation and participation will be key in informing EEM strategy;*
- *A focus on creating efficiencies in the delivery of works and services to enable an increase in works outputs for the benefit of residents and their communities;*
- *A commitment to identifying and fully exploiting opportunities to re-invest in the communities served by the members be that through supporting regional/local*

*SMEs, creating training and employment opportunities, or delivering community amenity/benefit as a result of delivering asset management services.*

*Extract from EEM Ltd vision statement*

- 3.7 EEM Ltd is a separate legal entity from the Council. If the company were to fail the liability of this Council would be limited to £1. However, if at the time of the Company being wound up there was a surplus this would be divided up between the members, based pro rata on the level of members' individual spend over the previous 3 years.
- 3.8 Although the individual member organisations will be required to invest some of their own resources (Officers' time) including attendance at quarterly meetings, the cost and time is minimal in comparison to the benefits of becoming a member. This ensures that the individual member organisations benefit from keeping abreast of best practice within the sector, including housing management, asset management, procurement and environmental initiatives. The associated savings provide the individual members with the opportunity to ensure value for money is being provided in the procurement of supplies, services and works and make the most of procurement on a large scale, which cannot be achieved in isolation.
- 3.9 It will be necessary for the Council to nominate a representative to attend meetings of EEM Ltd. The representative shall execute voting rights on behalf of the Council. The representative may vote against any item which is considered likely to:
- Breach the governance, administration or constitution of the Council,
  - Cause the Council to act ultra vires,
  - Increase the contribution of the Council to the company, or
  - Cause the Council to be in breach of the CIPFA Prudential Code for Capital Finance in Local Authorities and The Local Authorities (Companies) Order 1995.

The Council will not be obliged to conform to any resolution which it has voted against on the above grounds.

#### **4.0 Financial Implications**

- 4.1 Membership to EEM Ltd is currently based on 50p per property maintained; the cost to the Council will be £1,525.00 per annum, accounted for in the HRA. However, cashable savings of £20,000.00 per annum have already been identified, through the materials framework provided by EEM Ltd. Other cashable savings will be realised on projects through operating in a collaborative manner when purchasing services, predominantly reducing costs from increased buying power of services and goods.
- 4.2 Further cashable savings could be made through increased efficiencies when undertaking procurement exercises and executing projects, through EEM Ltd's agreements.
- 4.3 Membership will also continue to provide non cashable benefits to the Council, in particular relating to environmental sustainability understanding through East Midlands Green, a project set up by EEM Ltd to maximise the reduction of the environmental footprint and improve energy efficiency in this region.
- 4.4 The Council's risk associated with membership to EEM Ltd will be limited to a £1 as the company is limited by guarantee.

- 4.5 Should EEM Ltd fail to provide the anticipated benefits the Council can withdraw from being a member as it deems appropriate, with no financial penalty.
- 4.6 Should EEM Ltd have an operating surplus from commissions on the services it obtains on behalf of its members, the Council will receive a proportion relative to the amount they have spent through the frameworks to invest in community schemes.

## **5.0 Corporate Implications**

- 5.1 Membership will ensure value for money is achieved by working with other social housing providers in the East Midlands increasing buying power, collaboratively procuring services and mutually achieving on-going efficiency savings, to the benefit of the Council and the wider Community.

## **6.0 Community Implications**

- 6.1 Membership of EEM Ltd will enable the Council to strengthen its sustainable environmental target by reducing its environmental footprint through the Green Deal Retrofit fund.
- 6.2 EEM Ltd is dedicated to maximising employment and training in communities, which is delivered directly through local labour clauses in framework agreements. This supports the Council's strategic objective of strengthening South Derbyshire's economic position through employment opportunities within the District.

## **7.0 Conclusions**

- 7.1 Membership of EEM Ltd is an opportunity to provide benefits to all the residents of the District of South Derbyshire, whilst providing costs efficiencies which will ensure the Council maximises value for money in its services to its customers.