



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Friday, 25 March 2011.

PRESENT

Cambridgeshire County Council

Cllr. J. Reynolds; Cllr. D. Jenkins

Leicester City Council

Cllr. J. Thomas (Chairman)

Leicestershire County Council

Cllr. R. K. A. Feltham; Cllr. P. Posnett

Lincolnshire County Council

Cllr. D. C. Hoyes; Cllr. S. Rawlins

Norfolk County Council

Cllr. R. Smith

Warwickshire County Council

Cllr. T. Naylor

Apologies.

Apologies for absence were received from: - Cllr Clarke (Cambridgeshire County Council), Cllr Coley and Cllr Johnson (Leicester City), Cllr Parsons CBE and Cllr Page (Cllr Posnett substituting) (Leicestershire County Council), Cllr Borrett and Cllr Jones (Norfolk County Council), Cllr Holdich (Peterborough City Council) and Cllr Whitehouse (Warwickshire County Council).

47. Minutes.

The minutes of the special meeting held on 24 September 2010 and the ordinary meeting held on 6 December 2010 were taken as read, confirmed and signed as a correct record.

48. Urgent Items.

The Chairman advised Members that there were no urgent items for consideration.

49. Declarations of interest.

The Chairman invited those who wished to do so to declare any interests in respect of items on the agenda for the meeting.

No declarations were made.

50. Change to the Order of Business.

The Chairman sought and obtained the consent of the Committee to vary the order of business from that set out in the agenda.

51. Exclusion of the Public.

RESOLVED:

That under Section 100(A)(iv) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it involves the likely disclosure of exempt information during consideration of the following item of business entitled:

'Legal Claim against ESPO' (Paper 'I') as defined in paragraphs 3, 5 and 10;

of Schedule 12A of the Act and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

52. Legal Claim against ESPO.

The Management Committee received a report of the Consortium Secretary which provided an update on the legal claim noted in the Statement of Accounts for 2009/10. A copy of the report, marked 'I', is filed with these minutes.

The report was not for publication by virtue of Paragraphs 3, 5 and 10 of Section 12A of the Local Government Act 1972.

RESOLVED:

(a) That the latest position in respect of the legal claim be noted;

(b) That officers be requested to provide a further progress report at the next meeting of the Committee.

[The meeting then reconvened into public session.]

53. Progress Report.

The Management Committee received a report of the Interim Director, the purpose of which was to advise of progress made since the last Committee meeting in December 2010. A copy of the report, marked 'B', is filed with these minutes.

Arising from discussion the following principal points were noted:

- i) With the agreement of the Servicing Authority, two temporary internal appointments had been made to strengthen senior management and to assist the development and support of key functions, with particular regard to enhancing the marketing and compliance

functions;

- ii) Following a review of HR and training, a more focussed advisory HR function would be implemented with stronger ties and a more integrated service with that of the Servicing Authority to achieve best practice. Also, manager training would be undertaken on absence management and to facilitate the introduction of Performance and Development Reviews (PDRs) for all staff;
- iii) It was clarified that the senior management team consisted of the Interim Director, Deputy Director, and three Assistant Directors for Operations, Finance and Commodity Procurement respectively. Whilst ESPO had always been very effective in the development of professional procurement skills, a lack of opportunities for progression to senior management grades from that of Group Buyer had been recognised as a weakness in terms of succession planning, and this would be addressed;
- iv) Action being taken to improve operational efficiency was continuing. An example key area of action was to improve the warehouse order picking system from the current manual and relatively labour intensive system, to that of an IT order picking system for faster and more reliable picking and stock control. Whilst this would cost an initial £450,000 to set-up, it was projected to provide estimated savings of £230,000 a year and so would recoup the 'invest to save' costs within two years;
- v) Following the indication by the Assistant Director – Finance that he was likely to retire in December 2011, a recruitment process for that post would need to commence in the summer of 2011.

RESOLVED:

- (a) That the contents of the report be noted and approved;
- (b) That the expenditure of £450k 'invest to save' funding from the 2010/11 Operating Surplus for the Warehouse Order Picking System be approved;
- (c) That the Director be commended on the progress he had made so far, in improving ESPO operations.

54. Exclusion of the Public.

RESOLVED:

That under Section 100(A)(iv) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it will involve the likely disclosure of exempt information during consideration of the following item of business entitled:

'Supplementary Information Informing the Forecast Outturn 2010/11 and Budget 2011/12' (Paper 'J') as defined in paragraphs 5 and 10;

of Schedule 12A of the Act and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

55. Supplementary Information Informing the Forecast Outturn 2010/11 and Budget 2011/12.

The Management Committee received a report of the Interim Director and Consortium Treasurer, the purpose of which was to set out supplementary information regarding more detailed analysis of ESPO's profit and loss accounts by service line, and which supplemented Paper 'C' the Forecast Outturn for 2010/11 and Budget for 2011/12 report, considered under minute 56 below. A copy of the report, marked 'J', is filed with these minutes.

The report was not for publication by virtue of Paragraphs 5 and 10 of Section 12A of the Local Government Act 1972.

RESOLVED:

That the contents of the report be noted.

[The meeting then reconvened into public session].

56. Forecast Outturn 2010/11 and Budget 2011/12.

The Management Committee received a report of the Interim Director and Consortium Treasurer, the purpose of which was to set out the Forecast Outturn for 2010/11 and the budget for 2011/12, with explanations for the more significant variances. A copy of the report, marked 'C', is filed with these minutes.

Arising from discussion the following principal points were noted:

- i) The 2011/12 budget had been prepared to be more challenging than compared to previous years, both in terms of Stores sales volumes included in income forecasts and in efficiency improvements included within operating expenditure forecasts;
- ii) A more regular provision of budget monitoring reports to members would be beneficial, in order to provide for greater oversight and scrutiny of ESPO's management accounts at periodic intervals throughout the financial year;
- iii) Targetted efficiency savings identified throughout the organisation for 2011/12 accounted for a 2% margin and an overall saving of £750,000.

RESOLVED:

(a) That the report and appendices be noted;

(b) That the forecast outturn for 2010/11 be noted;

(c) That the budget for 2011/12 be approved.

57. Audit Plan 2010/11.

The Management Committee received a report of the Interim Director and Consortium Treasurer, the purpose of which was to provide details of the scope of the audit to be undertaken by ESPO's external auditor, PricewaterhouseCoopers. A copy of the report, marked 'D', is filed with these minutes.

The Chairman welcomed to the meeting Ms Alison Breedon and Ms Charlotte Kennedy of PricewaterhouseCoopers (PWC).

Arising from discussion, the following suggestions were made in respect of presenting future reports to Committee:

- i) That an analytical review of the reconciliation of management accounts for the previous year against the current year's figures should be provided;
- ii) That the Consortium Treasurer should discuss with the external auditor the raising of the current de minimis level of £1000 for reporting variations in the accounts to Committee, to that of a more appropriate and higher figure;
- iii) That the report should comprise a larger font to aid readability.

The Chairman thanked Ms Breedon and Ms Kennedy for their contribution to the meeting.

RESOLVED:

That the contents of the Audit Plan for 2010/11 be noted, subject to the comments now made.

58. Revision of Contract Procedure Rules.

The Management Committee received a report of the Interim Director, the purpose of which was to recommend that ESPO's Contract Procedure Rules be updated in order to align with those of the Servicing Authority. A copy of the report, marked 'E', is filed with these minutes.

Arising from questioning, it was noted that:

- i) the suggested revisions to the Contract Procedure Rules reflected common practice used across the public sector;
- ii) in respect of Rule 24 (c) the level of insurance required for a specific procurement exercise could be changed, where appropriate, to take into account of the size of small and medium enterprises.

RESOLVED:

- (a) That the key changes made to the Contract Procedure Rules for ESPO, contained in the appendix to the report, be approved;

- (b) That the interim arrangements put in place for seeking approval of any significant procurement exercises be noted, pending any future revision of ESPO's governance arrangements.

59. Management of Business Risk.

The Management Committee received a report of the Interim Director, the purpose of which was to outline the steps taken by ESPO to improve the understanding, management, and mitigation of risk within its business and to discuss the action taken to date and future action plans to improve ESPO's understanding of the increased risk that comes with complex projects. A copy of the report, marked 'F', is filed with these minutes.

Arising from discussion the following points were noted:

- i) In recognition of the changing customer base and customer needs, prudent assumptions had been made in respect of growth in the budget for 2011/12, in order to mitigate business risk;
- ii) Work was ongoing to improve the collective management of risk in respect of contracts procured on behalf of the consortia that formed Pro5;
- iii) Action was being taken to improve the robustness of ESPO's Corporate Risk Register and Business Continuity Programme.

RESOLVED:

- (a) That the actions taken to date and the future planned actions to improve the management of business risk be noted;
- (b) That it be noted a further progress report will be submitted to the next meeting of the Management Committee.

60. National Temporary Staffing Framework (MStar).

The Management Committee received a report of the Interim Director, the purpose of which was to inform Members of details of the Managed Services for Temporary Agency Resources (MSTAR) Framework and to obtain approval to award the framework agreement in April 2011. A copy of the report, marked 'G', is filed with these minutes.

Members were provided with details of the background to the procurement process and an outline of the aims of the framework and its key benefits and risks.

It was noted that ESPO was acting on behalf of both the Pro5 Group of consortia and the wider local government sector in order that local government and education establishments could access a national framework for Managed Services for the provision of temporary agency resources. This provided an opportunity to leverage market leading results in order to deliver tangible, bottom-line savings in what was a high spend category for Member Authorities

and the local government sector generally.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That approval be given to the award of the Managed Services for Temporary Agency Resources (MSTAR) framework contract on behalf of ESPO and Pro5;
- (c) That the work of Kate Shaw, in putting together the framework agreement, and as commended by the Department for Education, be congratulated.

61. ESPO Schools and Colleges Customer Services Survey and Catalogue/Pricing Trends.

The Management Committee received a report of the Interim Director, the purpose of which was to inform members of the outcome of the 2010 biennial ESPO Schools and Colleges Customer Services Survey, to outline ESPO's pricing strategy for the stores and catalogue 2011/12 and to outline further product developments. A copy of the report, marked 'H', is filed with these minutes.

It was noted that although the overall product/commodity price changes had risen by 4.6% during 2010/11, in recognising the budget pressures on Member Authorities and the wider customer base within local government, the price increase ESPO was to charge to customers had been restricted to a weighted increase of 2.71%.

ESPO had factored in anticipated and planned operational improvements/efficiencies, which was expected to mitigate the effect of the reduced level of price increase on the operating margin, to that of a reduction of 1.9%.

RESOLVED:

- (a) That the results of the Schools and Colleges Customer Services Survey 2010 be noted;
- (b) That the key issues affecting the development of the 2012/13 catalogue be noted, noting further that:
 - i) the catalogue will be developed in conjunction with member authorities; and
 - ii) that ESPO customers will be consulted on potential changes to the catalogue.

62. Dates of future meetings for 2011/12:

RESOLVED:

That future meetings of the Management Committee for 2011/12 be held on the following dates:

Friday 24 June 2011 at 11.00 am;

Friday 23 September 2011 at 11.00 am;

Friday 2 March 2012 at 11.00 am.

11.00 am - 1.20 pm
25 March 2011

CHAIRMAN