



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Wednesday, 21 June 2017.

PRESENT

Cambridgeshire County Council

Mr. I. Bates CC
Mr. M. Howell CC

Norfolk County Council

Mr. J. Fisher CC
Mrs. B. Jones CC

Leicestershire County Council

Dr. R. K. A. Feltham CC
Mr. R. J. Shepherd CC

Peterborough City Council

Mr. J. Holdich CC

Lincolnshire County Council

Mr. R. Butroid CC
Mrs. S. Rawlins CC

Warwickshire County Council

Mr. P. Butlin CC
Mrs. H. Timms CC

Apologies

Apologies were received from Cllr D Seaton (Peterborough) and Cllr R Hickford (Cambridgeshire). Cllr M Howell substituted for Cllr R Hickford.

60. Appointment of Chairman

Dr Feltham CC was appointed Chairman for the municipal year ending April 2018.

Dr Feltham CC – in the Chair

61. Appointment of Vice-Chairman

Mr Holdich CC was appointed Vice-Chairman for the municipal year ending April 2018.

62. Minutes of the meeting held on 28th February 2017

The minutes of the meeting held on 2nd March 2017 were taken as read, confirmed, and signed.

63. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

64. Declarations of interests in respect of items on this agenda.

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

No declarations were made.

65. Change to the order of Business

RESOLVED:

The Chairman, having sought and obtained the consent of the Committee, changed the order of business from that set out on the agenda.

66. 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 item 15 on the Agenda, as defined in paragraphs 3 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.

67. Warehouse Mechanisation

The Management Committee received a report of the Director outlining the business case for the mechanisation of the ESPO Warehouse. A copy of the report, marked 'Agenda Item 15', is filed with these minutes. The Committee also received a power point presentation on this matter.

The report and presentation were not for publication as both contained exempt information which related to the financial or business affairs of a particular person (including the authority holding that information).

The Director advised members that the cost of running the warehouse was £8.6million of which £5.5million was staffing costs. There were significant cost pressures in relation to employing staff arising from the introduction of the National Living Wage and from Brexit. The business environment had changed significantly and there was an increased demand for next day delivery. With regard to the cost of the mechanisation project members were advised that this would be met from reserves.

In response to questions the Director advised as follows:-

- (i). The Trade Unions have been consulted on the proposals and regular meetings are planned to keep them informed of progress;
- (ii). It is not envisaged that there will be redundancies arising from mechanisation as the reduced staff requirement will be achieved by less use of agency staff. It was hoped, as part of the mechanisation project, to introduce an apprenticeship scheme;
- (iii). Walking times in the warehouse would be reduced by 50%;
- (iv). The new racking and picking systems would have a lifespan of up to 15 years. The IT system supporting the warehouse mechanisation would be crucial;
- (v). The system would be designed in such a way so as to allow for manual picking in the event of a major electrical or IT failure;
- (vi). As part of the planning it was intended to approach the market to understand what is available and ensure that the solution chosen was appropriate to ESPO's short and medium term needs;

- (vii). The business case would be regularly revisited and the necessary sensitivity tests applied. If there were a need to or if it were deemed beneficial the project could be accelerated.

RESOLVED:-

- a) That the indicative and outline business case for the mechanisation of the warehouse as outlined in Appendix 2 to the report be approved;
- b) That the intention to meet the cost of mechanisation from within existing reserves and to agree to the creation of a specific reserve of £2.5 million as outlined in paragraph 27 of the report be noted;
- c) That officers be authorised to engage with the market to identify a supplier/partner for the project;
- d) That the proposed governance arrangements which will ensure the Chief Officer Group and the Finance and Audit Subcommittee being kept informed of progress at key stages of the project be noted.

THE MEETING RESUMED IN OPEN SESSION

68. Draft Outturn 2016-17

The Management Committee received a report of the Director and Consortium Treasurer outlining the draft outturn for 2016/17. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

In response to a question, the Director reported that there was an annual stocktake at the ESPO warehouse and regular audits were also undertaken during the year. The warehouse in Felixstowe was operated by NUCO International and their staff undertook the stock take. However ESPO staff regularly undertook quality checks.

RESOLVED

That the draft outturn for 2016/17 be noted.

69. Director's Progress Update

The Management Committee considered a report of the Director which provided an update of the actions and progress made since its previous meeting held on 28th February 2017. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Members congratulated the Director and all staff at ESPO on achieving the BESA Award for 'Supplier of the Year' and made suggestions for this to be publicized more widely.

With regard to the 'partial assurance' given to the MSTAR contract this reflected the fact that this contract was now worth nearly £1 billion per annum. There was an on-going risk review and up to 5 existing suppliers were deemed to have a higher risk. Arrangements are in hand for a deep dive into their processes and practices with the aim of having mitigation plans being put in place. There were a number of agency suppliers who were, for historical reasons outside the MSTAR Framework, and as agency requirements changed in line with the mechanisation project, this would be reviewed.

RESOLVED:-

That the progress update be noted.

70. Change to the Order of Business

RESOLVED:

The Chairman, having sought and obtained the consent of the Committee, changed the order of business from that set out on the agenda.

71. 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 item 12, 13 and 14 on the Agenda, as defined in paragraphs 3 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.

72. Director's Progress Report - Supplementary Information

The Committee received an exempt report of the Director which provided further supplementary information to inform the Director's Progress update. A copy of the exempt report, marked 'Agenda Item 12', is filed with these minutes.

The report was not for publication as it contained exempt information relating to the financial or business affairs of a particular person (including the authority holding that information).

With regard to the treatment of workers in foreign countries the Committee was advised that ESPO sourced products through NUCO International and it was responsible for undertaking audits of working conditions and obtaining the necessary accreditation and assurance.

RESOLVED:

That the contents of the report be noted.

73. Corporate Risk Register - Analysis of Risks Outside Tolerance

The Committee received a report of the Director concerning Major Risk Records (MMRs) which sit outside the tolerance level of a mitigated score of 10. A copy of the report, marked 'Agenda Item 13', is filed with these minutes.

The report was not for publication as it contained exempt information relating to the financial or business affairs of a particular person (including the authority holding that information).

The Director reported that the mitigated score on Risk MMR 64 – Energy Contract was now 8 and was within tolerance. He also referred to the previous discussion on MSTAR (see minute 12 above) and actions taken.

With regard to Risk MMR063 – Brexit the Director noted that the information provided would need to be updated to have regard to the current position and that this would be reflected in the next report.

RESOLVED:

That the contents of the report be noted;

74. Managing Change and Business Development

The Committee received a report of the Director outlining the progress made against key projects taking place at ESPO to deliver the challenging targets within the Medium Term Financial Strategy. A copy of the exempt report, marked 'Agenda Item 14', is filed with these minutes.

The report was not for publication as it contained exempt information relating to the financial or business affairs of a particular person (including the authority holding that information).

The Director provided an update on the recent insurance audit which identified issues with the sprinkler system at the Warehouse. This had now been rectified.

RESOLVED:

That the update on the key projects as outlined in the report be noted.

THE MEETING RESUMED IN OPEN SESSION

75. Code Of Corporate Governance

The Committee received a report of the Director concerning an updated Code of Corporate Governance. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

RESOLVED:

That update Code of Corporate Governance be approved.

76. Internal Audit Service - Annual Report 2016-17

The Committee received a report of the Consortium Treasurer outlining the Annual Report of the Internal Audit Service for 2016/17. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

RESOLVED:

That the Internal Audit Service Annual Report for 2015/16 be approved.

77. Internal Audit Service Plan for 2017-18

The Committee received a report of the Consortium Treasurer concerning the proposed internal audit plan for 2017/18. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Members were advised that the Finance and Audit Subcommittee would be responsible for monitoring progress against the audit plan.

RESOLVED:

- a) That the methodology used as the basis for developing the internal audit plan be noted;
- b) That proposed internal Audit Plan for 2017/18 be approved. .

78. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on 20 September 2017 at 11.00am at the ESPO Offices in Grove Park and that the meeting would include a briefing on the ESPO business and tour of the warehouse. It was expected that the meeting, briefing and tour would take up to 3 hours.

**11.00 am - 13.05pm
21st June 2017**

CHAIRMAN