



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Wednesday, 24 June 2015.

PRESENT

Cambridgeshire County Council
Mr. R. Hickford CC

Norfolk County Council
Mr. M. Castle CC
Mr. I. Monson CC

Leicestershire County Council
Mrs. R. Camamile CC
Dr. R. K. A. Feltham CC

Peterborough City Council
Mr. J. Holdich CC

Lincolnshire County Council
Mr. R. Foulkes CC

Warwickshire County Council
Mr. J. Clarke CC
Mr. D. Parsons CC

1. Election of Chairman for the municipal year 2015/16.

RESOLVED:

That Mr. J. Clarke CC (Warwickshire County Council) be appointed Chairman for the 2015/16 municipal year.

(Mr. J. Clarke CC in the Chair)

2. Election of Vice-Chairman for the municipal year 2015/16.

RESOLVED:

That Mr. I. Monson CC (Norfolk County Council) be appointed Vice-Chairman for the 2015/16 municipal year.

3. Minutes of the previous meeting.

The minutes of the meeting held on 4 March 2015 were taken as read, confirmed and signed.

4. Urgent items.

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

5. Declarations of interests.

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.

6. Items referred by the Finance and Audit Subcommittee.

There were no items referred by the Finance and Audit Subcommittee.

7. Update on the new Public Contract Regulations.

The Committee received a presentation from ESPO officers outlining the changes in the new Public Contract Regulations 2015. A copy of the presentation is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). The UK had been the first member state to implement the EU directive and had made a significant contribution toward the regulations;
- (ii). Many aspects of the new regulations had not changed from the previous regulations, and that the new regulations sought to clarify some of the existing regulations rather than to make changes;
- (iii). The regulations were intended to make the public procurement process quicker, make it easier for small and medium size enterprises to complete, and required the use of e-procurement across all contracts by 2017;
- (iv). The new regulations allowed public sector organisations to exclude companies from tenders on the basis of previous contract performance, which had not been previously permitted. The regulations also allowed companies excluded from tenders on the basis of previous performance to demonstrate that they had made significant changes to improve their reliability and should therefore be reconsidered to take part in tendering. However, it was unclear how this process would work due to a lack of examples in case law;
- (v). Members were advised that although no specific risks had been identified for ESPO from the new regulations, but as with any changes to processes or regulations there was always a certain amount of risk associated with the uncertainty.

RESOLVED:

That the presentation on the new Public Contract Regulations be noted.

8. Director's Progress Update.

The Committee considered a progress update from the Director which informed members of the actions and progress made since the last Committee meeting held on 4 March 2015. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). Members were advised that the lower gas sales forecast during the year were solely due to weather-related lower usage and not due to any loss in customers;

- (ii). Rebate income at the end of the 2014/15 financial year had been strong. Officers were also informed that ESPO had enjoyed its 14th successive year of record store sales;
- (iii). Catalogue income had grown along with margin increases following the recent price increase;
- (iv). Subject to the audit being undertaken by PwC during the summer, the surplus was now expected to be £2.2m. This is in line with the forecast range of £2.0m - £2.2m;
- (v). Following the results of the general election the expectation was that schools would continue to be converted to academies. Members were informed that the Director would look at marketing ESPO services to the large academy organisations;
- (vi). ESPO provided additional services for consulting and major project services for member authorities and customers at a lower cost than may be provided by other agencies and organisations (as stipulated in the Consortium Agreement). The current day rate for member authorities for such services was £460, whilst the rate for non-members was £520. However arising from a recent review of these rates, Members were asked for approval to reduce the member authority rates to £427;
- (vii). The Director outlined the various achievements of ESPO such as being awarded Marketing Campaign of the Year, and performing well at the Society of Procurement Officers in Local Government annual conference;
- (viii). ESPO had not received any legal challenges over the last 18 months and had reduced risk as much as possible by keeping all procedures tight and ensuring they were followed correctly;
- (ix). Members were advised that the balanced scorecard in the report contained an error, and that the stores catalogue margin percentage was at 31.9% and the target was 32.2%.

RESOLVED:

- a) That the contents of the update be noted;
- b) That the day rates for consulting and major project services to member authorities be reduced to £427.

9. Change to the order of business.

RESOLVED:

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

10. 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 Director's Progress update' 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.'

11. Supplementary Information Informing the Director's Progress Update.

The Management Committee received an exempt report of the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 17', is filed with these minutes.

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

RESOLVED:

That the supplementary information informing the Director's Progress Update be noted.

(THE MEETING RESUMED IN OPEN SESSION)

12. Building Maintenance and Capital Plan.

The Committee received a report outlining the summary and recommendations of a recent building survey carried out on the ESPO building by the servicing authority. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). Each year £400,000 had been set aside as a reserve for maintenance work to be carried out on the building. At present £1.2m was currently available in the reserves. The work that was identified in the building survey was estimated to cost £277,000 which the Committee was being asked to release from the funds;
- (ii). Members were advised that there were business continuity measures in place, with server backups being taken off site every day and an annual exercise to ensure that ESPO would be able to restore service in the event of an incident;
- (iii). Arising from comments from members, the Director advised that he would look into the issue of hedges and trees blocking the ESPO logo.

RESOLVED:

- a) That the plans and associated expenditure for essential building maintenance be noted;
- b) That approval be given to the release of £277,000 from the earmarked reserves for maintenance of the ESPO building.

13. Draft Outturn 2014/15.

The Committee received a report of the Consortium Treasurer outlining the draft Outturn for 2014/15. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). ESPO officers had been contacted by the auditors, PwC, to inform ESPO that emphasis would be placed on rebate income during the audit. Members were reassured that this was not due to anything related to ESPO but stemmed from issues that had recently arisen at Tesco;
- (ii). As had been previously reported, expenditure had increased during the year arising from the need to use agency staff during the peak period. Action had since been taken to mitigate future issues arising from the peak period, such as usage of a seasonal relief warehouse. Members were advised that it was still necessary to use agency staff when warehouse staff were off sick;
- (iii). The Director advised that an action plan was being put in place to address the sickness absence rates which were presently off target. Members were advised that the statistic of 12.07 days per FTE was potentially an overestimate, but nonetheless it was an issue which required further work;
- (iv). Members raised concerns regarding staff satisfaction during the peak ordering period. Warehouse staff were not permitted to take holiday leave during the peak period and the Director advised that he had committed extra resource during the peak-period (such as the seasonal relief warehouse) rather than increasing the burden on staff;
- (v). In response to a query by members about the feasibility of increasing the surplus dividend for 2014/15 from £1.4m to £1.5m, the Director advised that if approved, this would be taken from the reserves and that the implications of this would be relatively small. Members were further advised that if this was agreed, the Director would bring a revised report to the September meeting.

It was moved by Mr Monson and seconded by Mr Holdich:

"That the dividend surplus for 2015 be increased from £1.4m to £1.5m".

The motion was put, eight members voting for the motion and one against. The motion was carried.

RESOLVED:

- a) That the draft Outturn 2014/15 be approved;
- b) That the allocations from the operating surplus from 2014/15 be approved;
- c) That the dividend surplus for 2015 be increased from £1.4m to £1.5m;
- d) That the payment of the dividend, subject to the approval of the accounts in September 2015 be approved.

14. Change to the order of business.

RESOLVED:

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

15. 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 Draft Outturn 2014/15 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.'

16. Supplementary Information Informing the draft Outturn 2014/15.

The Management Committee received an exempt report of the Director which set out further supplementary information regarding the draft Outturn 2014/15. A copy of the exempt report, marked 'Agenda Item 18', is filed with these minutes.

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

RESOLVED:

That the supplementary information informing the draft Outturn 2014/15 be noted.

(THE MEETING RESUMED IN OPEN SESSION)

17. Annual Report 2014/15.

The Committee received a report from the Director outlining the Annual Report for 2014/15. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

The report outlined the principles guiding ESPO, the latest results, and key milestones including staff achievements. Members expressed their support for the contents of the report, and that it represented the good year that had been experienced by ESPO despite difficulties in the warehouse.

RESOLVED:

That the Annual Report 2014/15 be noted.

18. Annual Governance Statement 2014/15.

Members received a report outlining the draft Annual Governance Statement. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

Some areas of improvements in governance had been identified in the statement, such as updating the Business Continuity plans and succession planning for key posts. As has

been previously reported improvements were required to ensure internal audit functions fully conformed to the Public Sector Internal Audit Standards. The progress of improvement in these areas would be reported back to members at future meetings of the Committee

Members were advised that as part of the work on governance, the issue of training for new members on ESPO processes and its services was identified. Members were advised that such training could take place at the next Committee meeting in September which would include the annual tour of the facilities.

RESOLVED:

That the draft Annual Governance Statement for 2014/15 be noted.

19. Annual Review of Organisational Approach to Risk Management.

The Committee received a report outlining the Annual Review of the Organisational Approach to Risk Management. A copy of the report, marked 'Agenda Item 13', is filed with these minutes.

Quarterly meetings were held with the senior leadership team at ESPO to review the Corporate Risk Register. Any increased or new risk which could have a material impact on ESPO would be immediately reported to the Chief Officer Group and to the Committee.

RESOLVED:

- a) That the report be noted;
- b) That the revised Risk Management Statement be approved.

20. Internal Audit Service Annual Report.

The Committee received a report of the Consortium Treasurer outlining the Internal Audit Service Annual Report for 2014/15. A copy of the report, marked 'Agenda Item 14', is filed with these minutes.

The report had been previously considered at the Finance and Audit Subcommittee in its capacity as the Board, but required approval from the Committee. The issues raised in the annual report reflected changes over the previous two years which subsequently increased the amount of areas needing to be covered by the annual report.

RESOLVED:

That the Internal Audit Service Annual Report be approved.

21. Date of Next Meeting.

It was noted that the next meeting of the Committee would take place on 28 September 2015 at ESPO, Grove Park, Enderby.

22. 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 'Change Programme update' 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.'

23. Change Programme Update.

The Management Committee received an exempt report of the Director which updated the Committee on the progress of the Change Programme. A copy of the exempt report, marked 'Agenda Item 19', is filed with these minutes.

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

RESOLVED:

That the Change Programme update be noted.

(THE MEETING RESUMED IN OPEN SESSION)

10.30 am - 12.30 pm
24 June 2015

CHAIRMAN