



Minutes of a meeting of the ESPO Management Committee held at ESPO, Grove Park on Monday, 28 September 2015.

PRESENT

Mr. J. Clarke CC – Warwickshire County Council (in the Chair)

Cambridgeshire County Council

Mr. R. Hickford CC

Norfolk County Council

Mr. I. Monson CC

Leicestershire County Council

Dr. R. K. A. Feltham CC

Mr. G. Hart CC

Peterborough City Council

Mr. D. Seaton CC

Lincolnshire County Council

Mr. R. Foulkes CC

Mrs. S. Rawlins CC

24. Minutes of the previous meeting.

The minutes of the meeting held on Wednesday 24 June 2015 were taken as read, confirmed, and signed.

25. Urgent items.

There were no urgent items for consideration.

26. 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.

27. Items referred by the Finance and Audit Subcommittee.

There were no items referred by the Finance and Audit Subcommittee. The Committee was advised that the Subcommittee had considered the Statement of Accounts and Annual Governance Statement 2014/15 (minute 34 refers) and had recommended that these be approved by the Management Committee. The Subcommittee also considered the MTFs Monitoring for the First Four Months of 2015/16 (minute 35 refers) and were satisfied with the results of the first four months of trading for 2015/16.

Members of the Subcommittee felt that due to the improved organisational position ESPO now found itself in, the Subcommittee may no longer need to meet four times per year. A report would be brought to a future meeting of the Committee which would review the frequency of Subcommittee meetings.

28. 2015 Peak Review.

The Committee received a presentation from officers outlining the performance of ESPO during the 2015 peak trading period following changes made throughout 2014/15 to mitigate the issues previously experienced by ESPO during the period. A copy of the presentation is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). The peak trading period for ESPO was usually June and July coinciding with the start of the school holidays. During this period there was an increase of 100% on order lines, and the whole period accounted for approximately 30% of ESPO's annual sales. Due to the subsequent pressure placed on ESPO during this period, it traditionally meant that deliveries would be significantly delayed;
- (ii). As had been discussed at previous meetings of the Committee, ESPO had decided to use a seasonal relief warehouse to mitigate the pressure experienced during the peak period. The use of this warehouse had proven a significant success, and 2015 was the first time that all deliveries had been made on time after the peak period. This also had a positive impact on staff morale, customer service and store sales;
- (iii). ESPO had also undertaken other measures to increase performance during the peak period, such as revising the layout of the warehouse and monitoring staff performance in order to improve productivity in the warehouse;
- (iv). Measures had been taken to change customer behaviour during the peak period by offering discounts for schools to take deliveries in August and therefore spread demand, and by encouraging customers to order in bulk where possible. Arising from queries from members, the Committee was informed that approximately a quarter of orders were for £20 or less which had lower margins than larger orders;
- (v). It was hoped that in the future customers would be able to track the status of their orders online, which would be particularly beneficial for those making direct orders to suppliers;
- (vi). Whilst the number of customers making orders online was expected to hit the 20% target, officers were ambitious to increase this target further. However this would require significant behaviour change from customers;
- (vii). Although the usage of agency staff had been lower this year, due to ongoing sickness in the warehouse it had been necessary to continue using agencies. Members were advised that the use of agencies brought advantages such as the flexibility to hire at short notice. The agency used by ESPO would, where possible, source staff who had previously undertaken work at ESPO;
- (viii). At present the warehouse operated on a five day, 24 hour basis. It was clarified that ESPO would not be able to move to a six or seven day working pattern due to the restrictions by the Servicing Authority's HR policy on pay for weekend working.

RESOLVED:

That the contents of the presentation be noted.

29. External audit of the 2014/15 Financial Statements.

The Committee considered a joint report of the Director and Consortium Secretary which reported on the external auditor's key findings from the 2014/15 financial statements and presented a letter of representation from the Consortium Treasurer to the auditors. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Chairman welcomed Richard Bacon and Stephen Hallam from PricewaterhouseCoopers (PwC), ESPO's external auditors, to the meeting who communicated the results of their audit.

Arising from discussion, the following principal points were noted:-

- (i). PwC reported a positive audit for 2014/15 and expected that an unqualified audit opinion would be issued. The 'green' rating for all areas covered during the audit was an exceptional achievement for ESPO. PwC reported that this was achieved by the consistency in the finance team and the methodology in accounting;
- (ii). The external auditors had identified three non-material accounting issues to assist ESPO in fulfilling its governance responsibilities. Arising from an issue around rebate income, officers had amended the accounting policy to ensure that there was adequate disclosure of its accounting policy for rebate income;
- (iii). The completion of the audit would be subject to the approval of the final version of the Statement of Accounts. The external auditors were pleased to report the accounts were produced on time and commended ESPO's accounting performance.

RESOLVED:

That the external audit of the financial statements 2014/15 be approved.

30. Director's Progress update.

The Committee considered a report of the Director which provided an update of the actions and progress made since the previous Committee meeting held on 24 June 2015. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). The first two phases of the Change Programme had been a success particularly the alterations made in the warehouse which had contributed to the successful handling of the peak period (minute 28 refers). Members were advised that although these changes and measures had been a success, it was hoped that some measures such as the use of the relief warehouse would not be required in the following years due to other measures taken such as the alterations to the warehouse layout;
- (ii). Officers would be commencing with phase three of the Change Programme which included building refurbishment, improving customer experience, supply chain management and software upgrades;

- (iii). Measures had been taken to reduce sickness absences. Although the current figure was 12.71 days per FTE, a number of staff on long-term sickness leave had either returned to or left ESPO which would take time to feed back into the sickness absence figures. An interim target of nine days per FTE by March 2016 had been set with the intention of achieving a target of 7.5 days per FTE by 2016/17;
- (iv). The national living wage announced in the summer budget would be a challenge for ESPO due to the immediate material loss in paying staff more, the subsequent reconfiguration of pay grades, and the potential for suppliers to offset their increased costs on customers. Further investigation into the impact of the living wage would be undertaken by officers, the results of which would be presented to a future meeting of the Committee;
- (v). A shortage of HGV drivers had presented a challenge to ESPO. There were a variety of factors contributing to this such as competition from businesses who were able to pay drivers more, and the need for qualifications to become a HGV driver. However many drivers at ESPO found that the working hours were much better than in other businesses, and that officers would try to mitigate the shortage by potentially offering apprenticeships and making greater use of couriers;
- (vi). Officers were investigating the possible impact and opportunities arising from devolution. A report on this would be brought to a future officer group meeting.

RESOLVED:

That the contents of the report be noted.

31. 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.

32. 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.'

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

The Management Committee received an exempt report from the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 12', 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:

- a) That the supplementary information informing the Director's Progress Update be noted;
- b) That the proposal to upgrade the software currently used by ESPO be approved.

(THE MEETING RESUMED IN OPEN SESSION)

34. Statement of Accounts and the Annual Governance Statement for 2014/15.

The Committee considered a joint report of the Director and Consortium Treasurer which reported on the 2014/15 Accounts and Annual Governance statement. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

As had been discussed at a previous meeting of the Committee, it was concluded that it would not be financially beneficial to pay off any loans or debt early due to the penalties incurred by doing so.

RESOLVED:

That the Statement of Accounts and Annual Governance Statement for 2014/15 be approved.

35. MTFS Monitoring for the First Four Months of 2015/16.

The Committee considered a joint report of the Director and Consortium Treasurer monitoring the Medium Term Financial Strategy against the first four months of trading in the 2015/16 financial year. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

The first four months of trading had been a success for ESPO, and had been a significant improvement from the same period in the 2013/14 financial year due to the successful handling of the peak period. Store sales were behind budget for 2015/16 but were significantly ahead of the previous year.

Key expenditure had been in decline. Whilst ESPO had experienced increased agency costs, this had been offset by lower staff costs. Overall the surplus to date was £1,385,000, which was £189,000 ahead of budget and a substantial increase from the previous year.

As agreed at the previous meeting of the Management Committee, the dividend of £1.5m will be paid to members in December.

RESOLVED:

That the contents of the report be noted.

36. Dates of future meetings.

It was noted that the future meetings of the Committee would be held on:-

- Friday 4 December 2015 – 10.30am at County Hall, Glenfield.
- Wednesday 2 March 2016 – 11.00am at County Hall, Glenfield.
- Wednesday 29 June 2016 – 11.00am at County Hall, Glenfield.
- Wednesday 28 September 2016 – 11.00am at ESPO, Grove Park.
- Wednesday 30 November 2016 – 11.00am at County Hall, Glenfield.

10.57 am - 12.50 pm
28 September 2015

CHAIRMAN