



Minutes of a meeting of the Management Committee of the Eastern Shires Purchasing Organisation held at County Hall, Glenfield, Leicestershire on Monday 6 December 2010.

PRESENT:

Cambridgeshire County Council

Cllr. B. Farrer; Cllr. N. Clarke; Cllr. D. Jenkins

Leicester City Council

Cllr. P. Coley; Cllr. M. Johnson; Cllr. J. Thomas (Chairman)

Leicestershire County Council

Cllr. R. K. A. Feltham; Cllr. M. B. Page

Lincolnshire County Council

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

Norfolk County Council

Cllr. R. Smith

Peterborough City Council

Cllr. J. F. Holdich OBE

Warwickshire County Council

Cllr. A. Farnell; Cllr. J. Whitehouse

Apologies for absence were received from – Cllr. J. Reynolds (Cllr. B. Farrer substituting) (Cambridgeshire County Council), Cllr D. R. Parsons CBE (Leicestershire County Council), Cllr. B. Borrett (Norfolk County Council), Cllr. Jones (Norfolk County Council), Cllr. T. Heatley (Cllr. A. Farnell substituting) (Warwickshire County Council), Cllr. T. Naylor) (Warwickshire County Council).

37. Minutes.

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

It was noted that the minutes of the special meeting held on the same day had previously been circulated but not been included on the

agenda. As such, the minutes would be formally placed on the agenda for the next meeting, for confirmation.

38. Urgent items

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

39. Declarations of interests

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

No declarations were made.

40. 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.

41. 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 items of business entitled:

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

'Management Accounts 2010/11' (Paper 'D') 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.

42. Legal Claim against ESPO (Exempt Item)

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 'E' 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 circulate a letter providing a further update to members, prior to the next meeting of the Committee;
- c) That officers be requested to provide a report to the next meeting of the Committee outlining ESPO's risk management procedures and control environment, with particular regard to major project work.

43. Management Accounts 2010/11 (Exempt Item)

The Management Committee received a report of the Interim Director and the Treasurer which set out the Management Accounts for the period up to October 2010, with explanations for the more significant variances. A copy of the report, marked 'D' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Section 12A of the Local Government Act 1972.

RESOLVED:

- a) That the contents of the report be noted;
- b) That a further update on the Management Accounts for 2010/11 be provided to the next meeting, incorporating an explanation of how they are produced and reconciled with the statutory accounts.

[The meeting then reconvened into public session.]

44. Progress Report

The Committee considered a progress report of the Interim Director which advised of the progress made following his appointment in October 2010 with regard to issues such as day to day business management, efficiency and savings programmes, and staff development. A copy of the report, marked 'B', is filed with these minutes.

The Interim Director informed members that whilst the current Business Review was taking place, he saw his role as developing and enhancing the organisation to ensure it was in a strong position, in the context of current dynamic economic environment, and in a way that would not prejudice the outcome.

As part of such development, it was recognised that ESPO's contribution to efficiency savings should not only be to support member authorities through improved procurement, but through day to day

business management in order to improve ESPO's own organisational efficiencies and savings. To this end, a project list had been prepared and action was being taken to bring about improvements to warehouse operations, fleet management, office management, customer facing services and staff welfare.

RESOLVED:

That the report be noted.

45. Frameworks for the Supply of Gas and Electricity

The Management Committee received a report of the Interim Director which informed of the proposed renewal of contracts for the procurement of gas and electricity and to ask the Committee to delegate authority to the Interim Director, in consultation with the Consortium Treasurer, to conclude the proposed award of frameworks for gas and electricity for four years commencing in 2012, at a combined estimated annual value of £304m (excluding taxes/levies). A copy of the report, marked 'C' is filed with these minutes.

During discussion, the following points were raised:

- i) Tenders had been received for the new four year contract and initial analysis indicated they were an improvement on the 2008 contract, and would result in a more comprehensive service level agreement;
- ii) Retention of a large aggregation of customer demand was pleasing and important to make such a contract effective. As such, ongoing work was done to retain customer loyalty, examples of which were six monthly newsletters to schools illustrating the benefits of the contract, together with other ways of marketing the contract and service provision through a number of channels, including at the website www.espoenergy.org;
- iii) The percentage of the full cost breakdown charged by suppliers which could be impacted as a result of the tender exercise, whilst only being 1%, remained significant considering the scale of the total contract, at £304m;
- iv) Once the fixed costs associated with the use of transmission and distribution networks had been accounted for, the purchasing of energy on the market was the most crucial aspect in getting the best price for consumers;
- v) The benefits of the contract's flexible (approximately 80 purchases per annum), rather than fixed (single purchase), arrangements provided a number of benefits including the spreading of risk and avoiding purchasing 100% of the volume when the market price could be at its highest.

RESOLVED:

- a) That the contents of the report be noted;
- b) That authority be delegated to the Interim Director, in consultation with the Consortium Treasurer, to conclude the proposed award of frameworks for gas and electricity for four years commencing in 2012 at a combined estimated annual value of £304m (excluding taxes/ levies).

46. Date of next meeting.

It was noted that the next meeting of the Committee would be held on Friday 25 March 2011 at 11.00 am.

10. 30 am – 11.32 am
6 December 2010

CHAIRMAN