



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Friday, 24 June 2011.

PRESENT

Cambridgeshire County Council

Cllr. J. Reynolds

Leicester City Council

Cllr. R. Patel; Cllr. J. Thomas

Leicestershire County Council

Cllr. R. K. A Feltham CC; Cllr. M. B. Page CC; Cllr. D. R. Parsons CBE CC

Lincolnshire County Council

Cllr. D.C. Hoyes MBE; Cllr. S. Rawlins; Cllr. R. Shore

Norfolk County Council

Cllr. G. Jones; Cllr. R. Smith

Warwickshire County Council

Cllr. T. Naylor; Cllr. J. Whitehouse; Cllr. D. Wright

Apologies.

Apologies for absence were received from Cllr Jenkins (Cambridgeshire County Council) and Cllrs Benton and Holdich (Peterborough City Council).

63. Chairman's Announcement.

The outgoing Chairman, Cllr. Thomas addressed the Management Committee, thanking members and officers for their contribution during what had been a busy 2010/11 in which the Director of ESPO had retired and a Business Strategy Review had been undertaken.

64. Election of Chairman for 2011/12.

It was proposed, seconded and resolved that Dr R K A Feltham CC be elected as Chairman for 2011/12.

Cllr. R. K. A. Feltham - in the Chair.

65. Election of Vice Chairman for 2011/12.

It was proposed, seconded and resolved that Cllr J Holdich, OBE be elected Vice Chairman for 2011/12.

66. Minutes.

The minutes of the meeting held on 25 March 2011 were taken as read, agreed and signed as a correct record.

67. Urgent Items.

There were no urgent items.

68. Declarations of interest.

There were no declarations of interest in respect of items on the agenda.

69. 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.

70. 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 items of business entitled:

'Legal Claim against ESPO' (Paper K) as defined in paragraphs 3, 5 and 10 of Schedule 12A of the Act; and
'Supplementary Information Informing the ESPO Business Strategy Review Project Closure Report' (Paper L) 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.

71. Legal Claim against ESPO.

The Management Committee received an exempt 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 exempt report, marked 'K' is filed with these minutes.

The exempt report was not for publication by virtue of paragraphs, 3, 5 and 10 of Section 12A of the Local government Act 1972.

RESOLVED:

That the latest position in respect of the legal claim and the escalation of costs which are at risk be noted.

72. ESPO Business Strategy Review:

- (a) Supplementary information Informing the ESPO Business Strategy Review Project Closure Report.

The Management Committee considered an exempt report of the Consortium Secretary and Consortium Treasurer which set out supplementary information informing Paper 'B', ESPO Business Strategy Project Closure Report, considered under Minute 72b below. A copy of the exempt report, marked 'L' is filed with these minutes.

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

RESOLVED:

That it be noted that the Phase 1, 2 and 3 reports (attached as appendices to the report) have been delivered and that they be accepted and approved.

[The meeting then reconvened into public session].

- (b) Project Closure Report and Outline Implementation Programme.

The Management Committee received reports of the Consortium Secretary and Consortium Treasurer, the purpose of which was to seek formal agreement to close the Review of ESPO's Business Strategy and to recommend implementation of the Review. Copies of the reports, marked 'B' and 'C' respectively, are filed with these minutes.

Arising from discussion (and with reference to report 'L' above, minute 72a refers), the following principal points were noted:

- i) The Business Strategy Review had been member led and had included three member workshops. Recommendations on the way forward had been presented by the independent consultants following each of the three stages, with consultation and detailed input into the proposed review outcomes from members and officers within each of the Consortium authorities;
- ii) Concern was raised regarding the extent to which alternative governance models, particularly that of a limited company, which might mitigate risk had been explored and given sufficient weight in forming the Review conclusions and recommendations;
- iii) It was helpful to consider reports 'B' and 'C' together, particularly since one of the workstreams (Legal and Governance) recommended to take forward the Review conclusions could address the concerns raised in regard to consideration of alternative governance models;
- iv) The Outline Implementation Plan had been developed and supported from the independent consultants' conclusions and recommendations by officers in each of the Consortium Authorities, with individual officer

workstream leads from Warwickshire, Leicestershire, Cambridgeshire and Lincolnshire respectively identified to lead its implementation;

- v) In response to concerns raised about the management of business risk, it was noted that the Business Strategy and Efficiency Workstream, contained in the Outline Implementation Programme, included the development of a new business risk strategy. That work had already begun and was continuing, as evidenced in the Management of Business Risk report contained elsewhere on the agenda for the meeting [minute 79 refers];
- vi) If members wished to reap the benefits of aggregated demand and lower procurement costs such as through national Pro5 and energy contracts, it was inevitable that some residual risk would always remain following mitigation work to reduce levels of risk being undertaken.

RESOLVED:

- (a) That the Review has been completed in line with the original project objectives and that its closure be approved;
 - (b) That the project's stakeholders be notified of the approval of project closure, and of arrangements for implementation of the outcome of the Review;
 - (c) That staff in Member Authorities, key customers and suppliers and other stakeholders who have contributed to the Review be thanked for their involvement; and
 - (d) That the Outline Implementation Programme be approved, noting that the Legal and Governance Workstream would address the concerns raised in regard to consideration of alternative governance models (para. 72 b) (ii) above refers);
 - (e) That it be noted that a 'kick off' meeting would be arranged for all workstream leads in order to confirm the programme plan and timescales;
 - (f) That the development of the Programme Initiation Document in preparation for submission to the next Management Committee be approved;
 - (g) That the appointment of a Programme Manager be approved; and
 - (h) That approval for the recruitment of a permanent Director of ESPO be deferred for the time being.
- (c) Outline Implementation Programme.

[Following a change to the Order of Business, this item was considered as part of minute 72c) above].

73. Outline ESPO Four Year Strategy.

The Management Committee considered a report of the Interim Director which outlined the nature of the Business Strategy and Business Plan, which would

underpin the new ESPO governance and risk framework, and the process to achieve their final approval. A copy of the report, marked 'D', is filed with these minutes.

Arising from discussion the following points were noted:

- i) The Interim Director confirmed that measures of success would be included in the new Business Strategy and Business Plan, as shown in Appendix 1 to the report. An example would be the creation of an internal scorecard regarding efficiencies such as warehouse picking rates per hour. It was also recognised that it would be important to be able to demonstrate measures of success to strategic key stakeholders, such as through benchmarking exercises;
- ii) Whilst there was a corporate objective of meeting a minimum 3.5% return on capital employed, it should be remembered that ESPO was a not for profit buying organisation and there was a balance to be met between creating an operating surplus and ensuring best value contracts were achieved and minimising procurement costs to customers.

RESOLVED:

- a) That the outline ESPO Four Year Strategy be noted; and
- b) That the draft Business Strategy and Business Plan be submitted to the next meeting of the Management Committee.

74. Progress Report.

The Management Committee considered a report of the Interim Director which provided an update on the action and progress made since its last meeting. A copy of the report, marked 'E', is filed with these minutes.

Arising from questions, the Director confirmed that:

- i) As part of the efficiency savings being sought, drivers had undertaken fuel efficiency driving courses which had so far yielded a 2% fuel saving, benchmarking against couriers and private sector companies would commence shortly and the number of times per week organisations were offered for deliveries would be reviewed with a view to improving the capacity loads of vans and lorries;
- ii) Energy was purchased on behalf of customers twelve months in advance to allow for relative certainty in costs going forward. At the request of members, a copy of the next Energy newsletter would be provided for information;
- iii) In terms of developing sustainable energy sources, ESPO continued to provide a successful Green Catalogue for customers and was also looking at the possibility of installing a wind turbine (five year invest to save return) and/or solar panels (12 year invest to save return) at the Grove Park premises.

RESOLVED:

That the contents of the report be noted and approved.

75. Outturn 2010/11.

The Management Committee considered a report of the Interim Director and Consortium Treasurer which set out the outturn for 2010/11, with explanations for the more significant variances. A copy of the report, marked 'F' is filed with these minutes. [Further details informing the Outturn 2010/11, of a commercially sensitive nature, was considered under exempt business in Minute 77 below].

Arising from discussion the following principal points were noted:

- i) Turnover of £86.5 million was down 3% on the previous year, due to energy price decreases rather than any volume reductions;
- ii) Distribution of the surplus for 2009/10 remained pending following a decision of the Management Committee in June 2010;
- iii) The continuation of the bonus scheme for employees was currently under review, in consultation with the unions and employees. A report seeking a decision of the Management Committee as to whether that element of employees' terms and conditions should be discontinued and 'bought out' would be presented in due course;
- iv) The further proposed allocation of £0.4 million to implement the recommendations of the Business Strategy Review would be inclusive of any costs arising from the exploration of alternative governance models within the legal and governance workstream (see Minute 72 b) above).

RESOLVED:

- a) That the draft outturn for 2010/11 be approved;
- b) That the reserve of £0.4 million for the implementation of the Business Strategy Review be approved;
- c) That the allocation of the surplus for 2010/11 should remain held in reserves pending a decision on distribution.

76. 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 Outturn 2010/11" (Paper 'M');

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.

77. Supplementary Information Informing the Outturn 2010/11.

The Management Committee considered an exempt report of the Interim Director which set out further supplementary information regarding Paper 'F', Outturn Report 2010/11 [considered under Minute 75 above] which contained details of a commercially sensitive nature. A copy of the exempt report, marked 'M', is filed with these minutes.

The exempt 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 Service Line Income and Expenditure Summary contained in Appendix 1 be approved;
- b) That the Service Line Year to Date results contained in Appendix 2 be noted.

[The meeting then reconvened back into public session.]

78. Annual Report and Draft Statement of Accounts 2010/11.

The Management Committee considered a joint report of the Interim Director and Consortium Treasurer which provided an update on the amended Accounts and Audit Regulations 2011 and transition to producing the Statement of Accounts under International Financial Reporting Standards (IFRS) for 2010/11. It also presented the Annual Report and draft Statement of Accounts for the financial year 2010/11. A copy of the report, marked 'G', is filed with these minutes.

Members noted and welcomed the Interim Director's reference, on page 6 of the Annual Report 2010/11, to the contribution and dedication of a number of long serving ESPO staff.

In noting the significant governance issue referred to on page 48 of the draft Statement of Accounts, the Interim Director confirmed that a review of the Consortium Code of Practice would be undertaken once the Legal and Governance Workstream, from the Review outcomes, had finalised its documentation.

RESOLVED:

- a) That the changes to IFRS accounting standards to 2010/11 be noted;
- b) That the Annual Report 2010/11(attached as Appendix A to the report) be approved;

- c) That the draft Statement of Accounts for 2010/11 (attached as Appendix B to the report) be noted; and
- d) That on behalf of the Management Committee, the Interim Director be asked to thank all the staff referred to on page 6 of the Annual Report 2010/11 for their contribution, dedication and long service which was much appreciated, and in particular to the six named staff who had been with ESPO from its inception.

79. Management of Business Risk.

The Management Committee considered a report of the Interim Director which outlined the business processes and risk management activities to manage all procurements generally but to underpin and properly risk manage the procurement risk activities in respect of Pro5 in particular. It also provided notification of a number of Pro5 procurement projects identified as warranting referral to the Management Committee [considered in greater detail under exempt business of a commercially sensitive nature under Minute 81 below]. A copy of the report, marked 'H', is filed with these minutes.

In respect of what the Interim Director should feel constituted a level of risk in respect of procurement projects that should be escalated to the Management Committee for decision, members were of the opinion that this should be left to his judgement, in accordance with ESPO's financial regulations and contract procedure rules.

Where the Interim Director felt risk mitigation still left a potentially high residual risk, it was felt then that the project should be brought to the attention of the Management Committee for its consideration.

RESOLVED:

- a) That the actions taken to date and the future planned actions to the improved management of risk be noted;
- b) That it be noted that the framework agreements which support ESPO's catalogue sales will be subject to a risk assessment;
- c) That it be approved that those procurement projects where residual risk is regarded as potentially high will be referred to the Management Committee for decision;
- d) That a further report should be submitted to the next meeting of the Management Committee outlining progress made.

80. 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 Management of Business Risk Report” (Paper ‘N’);

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.

81. Supplementary Information Informing the Management of Business Risk Report.

The Management Committee considered an exempt report of the Interim Director which set out further supplementary information regarding seven procurement projects whose business cases identified detail of a commercially sensitive nature. The information supplemented Paper ‘H’, Management of Business Risk, considered under Minute 79 above. A copy of the exempt report, marked ‘N’, is filed with these minutes.

The exempt 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 and that the business cases for each of the procurement contracts appended to the report, marked 1-7, be approved;
- b) That the Interim Director be authorised to award the contracts subject to the internal risk assessment procedures that are being put in place;
- c) That it be noted that only those projects where residual risk is regarded as potentially high will there be an intention to refer to the Management Committee for final approval to any contract award.

[The meeting then reconvened into public session].

82. Review and Revision of the Financial Regulations and Contract Procedure Rules.

The Management Committee considered a joint report of the Interim Director, Consortium Secretary and Consortium Treasurer, the purpose of which was to seek approval for revised financial regulations and contract procedure rules, which had been updated in order to align with those of the servicing authority. A copy of the report, marked ‘I’, is filed with these minutes.

RESOLVED:

That the key changes made to the ESPO Financial Regulations and Contract Procedure Rules, contained in appendices 1 and 2 of the report, be approved.

83. National Framework Agreement for Catering Services and Urgent Action Taken by the Interim Director in Relation to School Catering Services.

The Management Committee considered a report of the Interim Director which sought approval for the award of four elements of a National Framework Agreement for Catering Services, the fifth having been approved between meetings under urgent action taken by the Interim Director in relation to School Catering Services and in consultation with the Chairman and Vice Chairman.

RESOLVED:

- a) That the contents of the report be noted;
- b) That the urgent action taken by the Interim Director to award that part of the framework covering education catering on 11 May 2011 be noted;
- c) That the provision of a national framework agreement for catering services be approved; and
- d) That the Interim director be authorised to award the remaining elements of the framework, as detailed in paragraph 11 of the report.

84. Date of Next Meeting.

It was noted that representatives of Norfolk County Council would be unable to attend the suggested date for the next meeting of the Management Committee due to a meeting of its County Council scheduled to be held on the same day.

RESOLVED:

- a) That officers be requested to canvass an alternative date for the next meeting of the Management Committee;
- b) That a future meeting of the Management Committee be held at ESPO Headquarters, Grove Park, to together with a tour of the operational facilities for new and existing members.

11.00 am - 1.20 pm
24 June 2011

CHAIRMAN