



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Friday, 2 March 2012.

PRESENT

Cambridgeshire County Council

Cllr. S. Count; Cllr. J. Reynolds

Leicester City Council

Cllr. J. Thomas

Leicestershire County Council

Cllr. R. K. A Feltham (in the Chair); Cllr. M. B. Page

Lincolnshire County Council

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

Norfolk County Council

Cllr. T. Garrod; Cllr. R. Smith

Peterborough City Council

Cllr. J. Holdich OBE

Warwickshire County Council

Cllr. T. Naylor; Cllr. D. Wright

Apologies for absence

Apologies for absence were received from: Cllr. R. Patel – Leicester City Council, Cllr. P. Hardy (Cllr. T. Garrod substituting) – Norfolk County Council and Cllr. J. Whitehouse (Cllr. T. Naylor substituting) – Warwickshire County Council.

103. Minutes.

The Minutes of the meeting held on 3 November 2011, having previously been circulated, were taken as read, confirmed and signed as a correct record.

104. Urgent Items.

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

105. Declarations of Interest.

The Chairman invited those who wished to do so to declare an interest in respect of items on the agenda. No declarations were made.

106. 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:

'Legal Claim Update' (Paper 'G') as defined in paragraphs 3, 5 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.

107. Legal Claim Update (Exempt Minute 107 also refers).

The Management Committee received an exempt report of the Consortium Secretary, which provided an update on the legal claim made against ESPO. A copy of the exempt report, marked 'G' 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The exempt report was not for publication by virtue of paragraphs, 3, 5 and 10 of Section 12A of the Local Government Act 1972.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 relation to the legal claim be noted.

108. Annual Audit Letter 2010/11.

The Management Committee considered a joint report of the Interim Director and Consortium Treasurer, the purpose of which was to present the Annual Audit Letter 2010/11 for consideration and for the external auditor to communicate certain matters arising from its audit to those charged with governance. A copy of the report, marked 'B', is filed with these minutes.

The Chairman welcomed Mr Bacon and Ms Kennedy of PwC, ESPO's external auditors, to the meeting.

Those involved with preparing the report were commended for their work and that the report should be seen as part of a journey of continued improvement in ESPOs governance and financial management.

RESOLVED:

That the contents of the Audit Letter 2010/11 be noted.

109. Annual Audit Plan 2011/12.

The Management Committee considered a joint report of the Interim Director and Consortium Treasurer, the purpose of which was to provide details of the scope of the audit to be undertaken by ESPO's external auditor, PriceWaterhouseCoopers, for the audit year of 2011/12. A copy of the report, marked 'C', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) The proposal to increase PwC's misstatement reporting threshold from £1000 up to £83,000 (5% of PwC's audit materiality level) was welcomed on the basis that this was a more appropriate level strategically;
- (ii) There was no inherent conflict of interest with regard to auditors of Leicestershire County Council also undertaking audit functions for ESPO. The Management Committee was advised that, should a conflict of interest arise then appropriate action would be taken promptly to ensure that this did not compromise the work of auditors working for either organisation;
- (iii) As ESPO operated under Joint Committee arrangements a host authority was required to undertake tasks which allowed the continued effective administration of the organisation, including finance and legal services.

The Chairman thanked Mr Bacon and Ms Kennedy for their contribution to the meeting.

RESOLVED:

That the contents of the Audit Plan 2011/12 be noted.

110. Forecast Outturn 2011/12 and Budget 2012/13.

The Management Committee considered a joint report of the Interim Director and Consortium Treasurer, the purpose of which was to provide the Management Committee with detailed Forecast Outturn for 2011-12 and proposed budget for 2012-13. A copy of the report, marked 'D', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) Development of a 4 year financial plan and 4 year strategy was continuing which would complement the annual budget reports which were presented to the Management Committee, to give a longer term view of ESPO's position;
- (ii) In the longer term it was intended for ESPO to develop its strategy of low margin and high volume; this was reflected in the fact that cost increase was linked to income increase. The strategy was designed to ensure, and was consistent with, the organisation's objectives of providing value for money for customers rather than seeking to maximise profits;
- (iii) It was noted that ESPO was a Department for Education preferred supplier on the basis that it was a not for profit organisation. Were ESPO to review this strategy it was likely that this relationship would be damaged;

- (iv) Reserves were unusually high partly to ensure security against the legal claim against ESPO (minute 107 refers) and partly because other significant activities, such as pay harmonisation, had been delayed and so had not yet incurred spend;
- (v) The Management Committee was advised that, subject to the outcome of the legal claim against ESPO, it was intended to release outstanding dividends to Member Authorities. Following a resolution to the claim a report would be presented to the Management Committee which would include recommendations on a way to move forward;
- (vi) A concern was expressed about the costs for HR services. The Committee was advised that ESPO was purchasing HR support from Leicestershire County Council, as the servicing authority, because HR requirements had increased to the extent that ESPO's traditional capacity was insufficient to deal with the necessary workload. Two members of staff who had previously worked within ESPO had been absorbed into Leicestershire County Council's HR function in order that a more effective service was provided to ESPO;
- (vii) Inflationary pressures had reduced the volume of products stored in the warehouse. As a result ESPO required fewer warehouse operatives. ESPO responded by working on the basis of employing agency staff to ensure that the planned reduction in staff levels was managed so as to avoid redundancies;
- (viii) With regard to catalogue advertising (as detailed in Appendix 1A of the report) ESPO was making efforts to advertise both branded and unbranded goods together to encourage customers to choose the cheaper of the two; usually the unbranded product. This practice would ultimately help to reduce costs. A difficulty with this approach was that frequent customers were often reluctant to try a new but cheaper alternative product and instead preferred to purchase tried and tested, but more expensive products;
- (ix) The Vehicle and Equipment Reserve comprised the cyclical replacement of ESPO equipment;
- (x) Replacement of the current GEMS integrated management system software was likely to require approval by the Management Committee at a future meeting;
- (xi) Members would benefit from budget reports in future being presented in more detail including greater information with regard to the assumptions underpinning the headline figures presented.

RESOLVED:

- (a) That the report and appendices be noted;
- (b) That the Forecast Outturn for 2011/12 be noted;

- (c) That the budget for 2012/13 be approved; and
- (d) That a Subcommittee be established to work with the Director and Consortium Treasurer prior to consideration of the 2013/14 budget to consider how future budgets should be developed and presented.

111. Progress Report.

The Management Committee considered a report of the Interim Director, the purpose of which was to provide an update to members on developments since the Committee last met on 3 November 2011. A copy of the report, marked 'E', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) The Management Committee had a significant role to play in managing risk. It was therefore suggested that members might need to consider risk records in detail more regularly in order to fulfil this function.
- (ii) It was expected that a new Partnership Agreement would be put in place by Autumn 2012. An update on progress would be provided to members at the next meeting of the Management Committee.

RESOLVED:

That the contents of the report be noted.

112. Employee Terms and Conditions Update.

The Management Committee considered a report of the Consortium Treasurer, the purpose of which was to provide an update on the consultation and negotiations being undertaken by the Servicing Authority in relation to the proposed modernisation of its Terms and Conditions with the workforce and recognised Trade Unions, and to provide information on the final proposals to Terms and Conditions which impact specifically on ESPO staff, as members of that workforce. A copy of the report, marked 'F', is filed with these minutes.

The Management Committee was advised that negotiations regarding the bonus scheme were progressing; it was expected to report back to the Committee outcome at the next meeting.

RESOLVED:

That the contents of the report be noted.

113. Dates of Future Meetings - 2012.

The Management Committee considered the proposed schedule of meeting dates in 2012, which had been previously circulated to members.

It was noted that the meeting of the Management Committee previously scheduled for Thursday 21 June 2012 had been rescheduled to Monday 25

June 2012.

It was suggested that in future a 10.30 start time for all meetings would be better and it was seen as convenient for members.

RESOLVED:

That the schedule of meetings in 2012 be approved as follows:

Monday 25 June 2012 (at 10.30 am)
Thursday 27 September 2012 (at 10.30 am)
Thursday 6 December 2012 (at 10.30 am)

114. 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 Report Informing the Forecast Outturn 2011/12, Budget 2012/13 and Progress Report of the Director.' (Paper 'H') 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.

115. Supplementary Report Informing the Forecast Outturn 2011/12, Budget 2012/13 and Progress Report of the Director.

The Management Committee received an exempt joint report of the Interim Director and Consortium Treasurer, which set out further supplementary information to Item 6, Forecast Outturn 2011/12 and Budgets 2012/13. A copy of the exempt report, marked 'H' 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.

It was suggested that the content could benefit from being displayed more clearly. Furthermore, all reports presented to the Management Committee might benefit from standardising the way in which figures were presented. It was noted that the Subcommittee established to determine future presentation of budget information would have an opportunity to discuss any changes which were required.

RESOLVED:

That the report and appendices be noted.

11.00 am - 1.45 pm
02 March 2012

CHAIRMAN