



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Thursday, 27 September 2012.

PRESENT

Cambridgeshire County Council

Cllr. S. Count; Cllr. J. Reynolds

Leicester City Council

Cllr. J. Thomas; Cllr. R. Patel

Leicestershire County Council

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

Lincolnshire County Council

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

Peterborough City Council

Cllr. J. Holdich OBE (in the Chair)

Warwickshire County Council

Cllr. J. Whitehouse; Cllr. D. Wright

Apologies for absence

Apologies for absence were received from: Cllr. R. Smith – Norfolk County Council, Cllr. P. Hardy – Norfolk County Council and Cllr. D. Seaton – Peterborough City Council.

137. Minutes.

The minutes of the meeting held on 25 June 2012, having previously been circulated, were taken as read, confirmed and signed as a correct record.

138. Urgent Items.

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

139. Declarations of interests.

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

140. External Audit of the 2011/12 Financial Statements.

The Chairman welcomed to the meeting Mr Richard Bacon and Mr Thomas Gibbs of PricewaterhouseCoopers (PWC).

The Management Committee considered a joint report of the Interim Director and Consortium Treasurer, the purpose of which was for the external auditor to communicate certain matters arising from its audit of the 2011/12 financial statements to those charged with governance, prior to their certification. A copy of the report, marked 'B', is filed with these minutes.

Arising from discussion, the following points were noted:

- (i) It was noted that the Servicing Authority's Internal Audit Service had identified the same minor control measure issues as the external auditors;
- (ii) Given the amounts involved the control issue in relation to rebates invoiced to suppliers was not considered to be significant by PWC. The matter related to direct sales from suppliers to customers; no issue had been identified in relation to stores. PWC recognised that there were existing mitigating controls in place and that the issue was typical of a purchasing organisation;
- (iii) The Interim Director considered the matter of rebates to be related to ESPO's wider supply chain management processes. It was noted that ESPO was undertaking significant work to introduce more robust supply chain management systems; this included supply chain coordinators developing greater oversight of contracts, including the monitoring of rebates, through their lifetime;
- (iv) It was noted that members would be developing a greater focus on audit matters through the proposed work of the Finance and Audit Subcommittee.

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

RESOLVED:

- (a) That the content and matters raised in the audit letter 2011/12 be noted;
- (b) That the audit letter 2011/12 be approved.

141. Statement of Accounts and Annual Governance Statement 2011/12.

The Management Committee considered a joint report of the Interim Director and Consortium Treasurer which presented the Statement of Accounts and Annual Governance Statement for the financial year 2011/12. A copy of the report, marked 'C' is filed with these minutes.

Arising from discussion, the following points were noted:

- (i) With reference to note 24 of the Statement of Accounts the Interim Director was not listed as an employee of ESPO because he was not directly employed by ESPO;
- (ii) With reference to note 26 of the Statement of Accounts, the reason for increase in the amount of purchases from the Servicing Authority between 2010/11 and 2011/12 was queried;

[Subsequently to the meeting it was confirmed that, as the Servicing Authority, Leicestershire County Council provided a range of support services to ESPO . The increase on the prior year was mainly due to legal services (related to the Legal claim), additional internal audit work and the cost of establishing an ICT link between LCC and ESPO.]

- (iii) Dividend payments would be released as soon as possible following the approval of the Statement of Accounts.

RESOLVED:

- (a) That the Statement of Accounts and Annual Governance Statement for 2011/12 be approved;
- (b) That the information now provided be noted.

142. Finance and Audit Subcommittee - Proposed terms of reference and indicative Workplan.

The Management Committee received a joint report of the Consortium Secretary and Treasurer seeking approval to establish a standing Finance and Audit Subcommittee. A copy of the report, marked 'D', is filed with these minutes.

Arising from discussion, the following points were noted:

- (i) Members commented that meetings of the Subcommittee would give members greater opportunity to engage with financial and audit matters in more detail;
- (ii) It was suggested that all Consortium Authorities should be represented and engaged on the Subcommittee, where possible.

RESOLVED:

- (a) That the Terms of Reference for the Finance and Audit Subcommittee, as outlined in paragraphs 6 to 12 of the report (including the incorporation of an audit and efficiency monitoring function), be approved;
- (b) That the indicative work plan for the Subcommittee, as set out in Appendix A to the report, be noted.

143. Final Progress Report of the Interim Director.

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 25 June 2012. A copy of the report, marked 'E', is filed with these minutes. [Further details informing the Progress Report of the interim Director, of a commercially sensitive nature, were considered under exempt business in Minute 145 below]

The Chairman welcomed to the meeting Mr John Doherty, the new Director of ESPO. Mr Doherty explained that since his arrival he had been spending time getting to know the business, had met with employees, customers, suppliers and with regional and national representatives including of the Government Procurement Service (GPS), Yorkshire Purchasing Organisation (YPO) and the Pro5 Group. Throughout these discussions it had been clear that ESPO was very highly regarded.

Over the coming months Mr Doherty indicated that he would be focussing on the following:

- Continuing to meet individually with Consortium Members;
- Holding further discussions with nationally and regionally operating organisations such as GPS, YPO and the Pro5 Group; in order to maintain those positive relationships;
- Running the business in the most effective manner by building upon work already undertaken by the Interim Director to:-
 - Improve customer experiences
 - Respond to shifting demands
 - Complete implementation of new ways of working such as the Indigo warehouse system and pCard processing system which would be implemented in early 2013
 - Embed new members of the senior management team
 - Respond to business risk, such as supply chain management issues as they arose

Mr Doherty thanked the outgoing Interim Director for the considerable work which he had undertaken to develop ESPO.

Arising from discussion the following points were noted:

- (i) That good progress was being made with producing the key areas of the Partnership Agreement and Constitution, led by Warwickshire County Council. As a result of the significant work required by representatives of all Consortium Authorities in drafting the documents, it was noted that they would now be submitted to the Management Committee for approval in March 2013;
- (ii) ESPO's Senior Management Team carefully monitored cash flow in order to manage the significant fluctuations in demand at different times of year. Members commented that it would be useful for the Finance and Audit Subcommittee to receive further information on this;

- (iii) ESPO's commitment to ensure the implementation of the Indigo warehouse and pCard solution was welcomed. It was important that the introduction of the Indigo system did not adversely impact on customer service, therefore the system would be implemented at a suitable time of lower demand;
- (iv) It was suggested that benchmarking was not relevant to all sectors as it was not always possible to compare products on a like for like basis, or in some cases the existence of only a few suppliers made benchmarking inappropriate;
- (v) The resultant increase in costs of operating nightshifts were offset by efficiencies being recouped by replenishing stock during the night. This was a more productive process which resulted in a unit cost saving;
- (vi) The introduction of more efficient electronic means for customers to place orders was hampered by the fact that a significant number of customers continued to pay by check;
- (vii) ESPO was continuing the implementation of new policies, including for the management of sickness absence;
- (viii) Consideration would be given to self insuring in areas of the business, in addition to that of the car scheme insurance fund, in which it was considered good value for money to do so.

RESOLVED:

That the final progress report of the Interim Director be noted.

144. 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:

'Supplementary Report Informing the Progress Report of the Interim Director.' (Paper 'G') as defined in paragraphs 3 and 10 of Schedule 12A of the Act;

and

'Development of Academies Programme' 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.

145. Supplementary Information Informing the Progress Report of the Interim Director.

The Management Committee received an exempt report of the Interim Director, which set out further supplementary information to Item 7, Final Report of the Interim Director. 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 and 10 of Section 12A of the Local Government Act 1972.

RESOLVED:

That the report and appendices be noted.

146. Development of Academies Programme.

The Management Committee received an exempt presentation of the Interim Director providing a summary of work being undertaken by ESPO to respond to changes in the education sector. A copy of the exempt presentation is filed with these minutes.

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

It was noted that consideration would need to be given regarding the future methodology of distributing the Consortium Authorities' dividend in response to the changing nature of the schools market.

RESOLVED:

That the report and appendices be noted.

[At this point Cllr Holdich CBE withdrew from the meeting. In the absence of the Chairman Cllr Rawlins, the Vice-Chairman, took the Chair]

Cllr S Rawlins in the Chair

147. Public Procurement and Small and Medium-Sized Enterprises.

The Management Committee considered a report of the Interim Director, the purpose of which was to consider the extent to which ESPO supported SMEs and how this support could be developed. A copy of the report, marked 'F', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) There was general consensus that it was not appropriate to assign targets for the number of SMEs with which ESPO worked. It was, however, important to establish tender processes which were as accessible as possible to SMEs. One such way was to incorporate a

system which invited suppliers to sign up to be alerted of contract tenders relevant to their sector;

- (ii) In noting that local authorities were major employers within their respective areas, it was suggested that, where appropriate, efforts should be made to ensure that local SME suppliers received support to ensure they could appropriately access contracts alongside larger suppliers based elsewhere;
- (iii) It was noted that Lincolnshire County Council had been considering how to improve the accessibility of its own procurement exercises for SMEs. In undertaking this work the Authority had identified a number of key areas for focussed development, including: greater collaboration; improving basic procedures such as the simplification of pre-qualification documentation; development of e-tendering software; methods for measuring levels of local contribution. It was also considered necessary to ensure that tendering exercises were not overly prescriptive;
- (iv) It was suggested that the Chief Officer Group, with support from the Senior Officer Group, should be asked to undertake work on further improving the accessibility of ESPOs procurement processes to SMEs; in particular to prioritise and move forward on the top four or five possible actions referred to in paragraph 18 of the report. The particular needs of each Consortium Authority might also be communicated to the new Director during his member visits;
- (v) Members indicated that in particular the sharing of best practice should be considered as a high priority given that this action was unlikely to have significant resources implications. It was also important to ensure that Consortium Authorities shared a common definition of SMEs.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the Chief Officer Group be requested to undertake further work, including confirming the needs of Consortium authorities and the sharing of best practice, to prioritise and develop what it considers to be the most important of the possible processes listed in paragraph 18 of the report, with support from the Senior Officer Group, to report on the outcome of this work to the Management Committee at its meeting in March 2013.

148. Date of next meeting - 6 December 2012 at 10.30 am.

It was noted that the next meeting of the Management Committee was scheduled for Thursday 6 December at 10.30 am.

149. Dave Summersgill.

As this was the final meeting attended by the Interim Director before leaving ESPO, the Chairman, on behalf of the Management Committee, thanked him for the hard work and significant contribution he had made over the last two

years to the development of ESPO

10.30 am - 12.45 pm
27 September 2012

CHAIRMAN