



Minutes of a meeting of the ESPO Finance Subcommittee held at County Hall, Glenfield, Leicestershire on Wednesday, 22 August 2012.

PRESENT

Cambridgeshire County Council

Cllr. J. Reynolds

Leicestershire County Council

Mr. M.B. Page CC

Leicester City Council

Cllr. R. Patel

Peterborough City Council

Cllr. D. Seaton

11. Election of Chairman.

It was moved by Mr M B Page CC, seconded by Cllr D Seaton and carried:-

“That Cllr J Reynolds be elected as Chairman for this meeting.”

Cllr J Reynolds - in the Chair

12. Minutes.

The minutes of the meeting held on 14 June 2012, having previously been circulated, were agreed as a correct record and signed.

13. Urgent Items.

There were no urgent items for consideration.

14. 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.

15. 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.

16. 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:

'Financial details of the Legal Claim (Paper 'G') 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.

17. Financial details of the Legal Claim.

The Management Committee received an exempt report of the Consortium Secretary, which provided a summary of the costs of defending the legal action brought against ESPO. A copy of the exempt report, marked 'I' 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The exempt report was not for publication by virtue of paragraphs, 3 and 10 of Section 12A of the Local Government Act 1972.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 officers be thanked for their work in relation to resolving the legal claim;
- (b) That the Management Committee be recommended to move the remainder of the earmarked reserves, which had been established to cover the costs of the legal claim, to ESPO's general reserves, subject to any further minor costs received in relation to court proceedings.

[The meeting then reconvened into public session.]

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

The Subcommittee received a report of the Consortium Treasurer proposing final draft terms of reference for the Subcommittee. A copy of the report marked 'B' is filed with these minutes.

Arising from discussion the following points were noted:

- (i) It was considered important that, should the terms of reference for the Finance and Audit Subcommittee be agreed by the Management Committee, all Consortium Authorities be represented on the Subcommittee. It was also considered important that members of the Subcommittee communicated the outcomes of each meeting to fellow members of the Management Committee also representing their Authority;

- (ii) It was important for ESPO to continue to develop its approach to ensuring value for money in all areas of its business. Various stakeholders had their own interpretation of value for money, and so it would be useful for the Subcommittee to consider the matter in more detail at a future meeting in order for members to come to a collective view in contributing to the shaping of ESPO's future approach in this area;
- (iii) Members of the Subcommittee would be circulated ESPO's monthly management accounts from October, subject to a decision by the Management Committee on the establishment of it as a standing Subcommittee. It was also intended for meetings of the Subcommittee to receive regular quarterly budget monitoring updates;
- (iv) It was noted that, in due course, the Management Committee may wish to delegate certain decision making powers to the Subcommittee;
- (v) There was some discussion regarding the timing at which ESPO's Draft Statement of Accounts had been prepared and issued, as Leicester City Council's external auditor had suggested that these should be made available to it earlier to enable relevant information to be included in its own accounts. It was noted that ESPO had signed off its draft accounts by the Consortium Treasurer and Interim Director by the statutory deadline of 30 June, and officers undertook to discuss the concerns raised with Leicester City.

RESOLVED:

- (a) That submission of final draft Terms of Reference, as outlined in the report (including the incorporation of an audit and efficiency monitoring function), and the draft indicative work plan set out as an appendix to the report, to the Management Committee on 27 September 2012, be approved.
- (b) That officers be requested to give a presentation to a future meeting of the Subcommittee regarding ESPO's approach to ensuring value for money in all areas of its business.

19. Draft Statement of Accounts 2011/12.

The Subcommittee received a joint report of the Interim Director and Consortium Treasurer presenting the draft statement of accounts for the financial year 2011/12. A copy of the report marked 'C' is filed with these minutes.

The Subcommittee received an oral update on the progress being made in the external audit of the draft Statement of Accounts by the external auditors PriceWaterhouseCoopers (PWC). PWC had indicated that ESPO's accounts were of a good standard, with only a list of very minor disclosure issues having been identified; and three minor control measure issues which would be reported to the next meeting of the Management Committee.

It was noted that the update was representative of the draft opinion of the

external auditors and it was possible that other relevant issues could arise. If so, they would also be presented to the Management Committee on 27 September 2012.

Arising from discussion the following points were noted:

- (i) Officers were complemented on the presentation of the report which was both detailed and understandable;
- (ii) It was noted that the Servicing Authority's Internal Audit Service had identified the same minor control measure issues as the external auditors;
- (iii) The increase in ESPO's unusable reserves was largely a result of the revaluation of ESPO's Grove Park building to £10m and other funds put aside for investment in vehicles, buildings and fixtures;
- (iv) ESPO regularly held amounts on behalf of the Pro5 group; this resulted in an increase in amounts for Short Term Creditors;
- (v) A short term increase in Short Term Borrowing was as a result of high billing in March; this had returned to normal levels in May.

RESOLVED:

That it be noted that the Management Committee will be asked to approve the Draft Statement of Accounts at its meeting on 27 September 2012.

20. Management Accounts for the first quarter.

The Subcommittee received a report of the Interim Director setting out the results for the first three months of trading April to June 2012 (Quarter 1). A copy of the report marked 'D' is filed with these minutes.

Arising from discussion the following points were made:

- (i) The Indigo warehouse system was being introduced gradually; it was being operated alongside traditional warehouse picking methods in order for staff to gain experience of using the new system before the older system was removed. This period of transition was expected to include September, as a high volume of orders were expected during this time. The initiative remained in budget;
- (ii) ESPO continued to monitor the activity of potential competitors and continued to target new customers in the education sector. A significant number of new accounts had been created in the last few months. It would be of benefit to ESPO to support academies as far as possible because new academies, whilst lacking significant procurement experience, were seeking to develop their relationships with suppliers, including clear assurances from them;
- (iii) ESPO was working alongside the Government to develop service lines

and new services which would be targeted at academies; this was a concerted effort to establish links with academies which were not already being served by local government based purchasing organisations such as ESPO.

RESOLVED:

That the contents of the report and appendix be noted.

21. 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 Accounts for the First Quarter' (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.

22. Supplementary Information Informing the Management Accounts for the first quarter.

The Management Committee received an exempt report of the Interim Director, which set out further supplementary information of a commercially sensitive nature regarding the Management Accounts for quarter one. 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 noted that ESPO continued to take steps to alleviate pressures from periods of high order volumes.

RESOLVED:

- (a) That the report and appendices be noted;
- (b) That officers be requested to, in future reports, present staffing level analysis alongside details of staffing costs;
- (c) That officers be requested to provide a report to a future meeting of the Subcommittee on how ESPO manages periods of high order volumes.

[The meeting then reconvened into public session.]

23. Annual Governance Statement 2011/12.

The Subcommittee received a presentation by the Interim Director on the Annual Governance Statement 2011/12 process. A copy of the presentation is filed with these minutes.

RESOLVED:

That the presentation be noted.

24. Internal Audit Service - Annual Report 2011-12.

The Subcommittee received a report of the Consortium Treasurer presenting the Internal Audit Service Annual Report for 2011-12. A copy of the report marked 'E' is filed with these minutes.

Arising from discussion the following points were made:

- (iv) The Servicing Authority's Internal Audit Service and external auditors worked independently of one another. Where joint working the external auditor might request the Internal Audit Service to undertake a piece of work which would then be reviewed by the external auditor. This approach was considered to be most cost effective because it avoided unnecessary duplication;
- (v) Internal Audit focussed on following up high importance recommendations by re-testing;
- (vi) The cost of Internal Audit services was included within the cost charged to ESPO by the Servicing Authority;
- (vii) Should any issue of concern regarding audit arise during a financial year officers would investigate the issue and report to members.

RESOLVED:

That the Internal Audit Service Annual Report for 2011-12 be noted.

25. Annual Internal Audit Plan 2012-13.

The Subcommittee received a report of the Consortium Treasurer presenting the Annual Internal Audit Plan for 2012-13. A copy of the report marked 'F' is filed with these minutes.

Arising from discussion the following points were made:

- (viii) ESPO had undergone a period of significant change. During this time management worked closely with Internal Audit Services to identify areas for improvement including requesting investigations into specific areas of business. This approach had proved to be very productive;
- (ix) ESPO continued to develop its own risk register. The more developed this register, and those accompanying risk assurance processes, became

the more the Internal Audit service would make use of the register to undertake its own work;

- (x) Should additional audit requirements arise during the year the Servicing Authority's Head of Internal Audit Service would review work allocations and adapt the Service's plan to respond appropriately. If resources were required above those days allocated to the audit of ESPO the Consortium Treasurer was responsible for ensuring that ESPO received a continuous audit service;
- (xi) The Audit 'Universe' was a methodology for allocating audit resources. The current methodology was under review to ensure best practice.

RESOLVED:

- (a) That the risk based methodology used as a basis for developing the internal audit planning strategy be supported;
- (b) That the ESPO Internal Audit Service Plan for 2012-13 be noted.

26. Internal Audit Service - Progress against the Audit Plan 2012-13.

The Subcommittee received a report of the Consortium Treasurer giving a summary of progress against the Audit Plan 2012-13. A copy of the report marked 'G' is filed with these minutes.

It was noted that it was intended for the Subcommittee to receive updates on progress against the Audit Plan at each of its scheduled meetings.

RESOLVED:

That the contents of the report be noted.

10.30 am - 12.25 pm
22 August 2012

CHAIRMAN