



**EASTERN SHIRES
PURCHASING
ORGANISATION**

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: JOHN SINNOTT, MA, Dipl. P.A.,
CHIEF EXECUTIVE, LEICESTERSHIRE COUNTY COUNCIL

Date: 19 June 2013
My Ref: PH/ESPO
Please ask for: Pete Hitchings
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To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held at on Thursday, 27 June 2013 at 11.00 am at **Eastern Shires Purchasing Organisation**, Barnsdale Way, Grove Park, Enderby, Leicester, LE19 1ES.

The meeting will be preceded by a short tour of the premises commencing at 10.30 am, and a buffet lunch will be provided after the meeting. Please telephone or email me (details above) by Tuesday 25 June to confirm whether or not you wish to take part in the tour and whether you will be staying for lunch and, if so, whether you have any special dietary requirements.

Yours faithfully,

for Consortium Secretary

AGENDA

Item

Marked

1. Election of Chairman for 2013/14.
(A nomination will be received from Lincolnshire County Council.)
2. Election of Vice Chairman for 2013/14.
(A nomination will be received from Cambridgeshire County Council.)
3. Minutes of the meeting held on 7 March 2013. (Pages 3-10)
4. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

5. Declarations of interests in respect of items on this agenda.
6. Consortium Partnership Agreement - Progress Report. (Pages 11-13)
(Report of the Consortium Secretary)
7. Draft Outturn 2012/13. (Pages 15-22)
(Joint Report of the Consortium Treasurer and Director)

During discussion of Item 7 above, the Chairman will be asked to consider Item 15 on the agenda which will involve the likely exclusion of the public.

8. Annual Report 2012/13. (Pages 23-28)
(Joint Report of the Director and Consortium Treasurer)
9. Draft Annual Governance Statement. (Pages 29-46)
(Joint report of the Consortium Secretary and Treasurer)
10. Internal Audit Service Annual Report 2012-13. (Pages 47-59)
(Report of the Consortium Treasurer)
11. Director's Progress Report. (Pages 61-66)
(Report of the Director)

During discussion of Item 11 above, the Chairman will be asked to consider Item 14 on the agenda which will involve the likely exclusion of the public.

12. Proposal to Calculate Dividend Distribution Based on Member Turnover Including Academies. (Pages 67-70)
(Joint report of the Consortium Treasurer and Director)
13. Date of Next Meeting - Thursday 26 September 2013.

The public are likely to be excluded from the meeting during the consideration of the following items of business in accordance with the provisions of Section 100 (A) (4) of the Local Government Act 1972 (Exempt Information).

14. Supplementary Information Informing Director's Progress Report. (Pages 71-79)
(Report of the Director)
(Exempt under paragraphs 3 and 10 of Schedule 12(A))
15. Supplementary Information Informing Draft Outturn 2012/13. (Pages 81-91)
(Joint Report of the Consortium Treasurer and Director)
(Exempt under paragraphs 3 and 10 of Schedule 12(A))

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Thursday, 7 March 2013.

PRESENT

Cambridgeshire County Council

Cllr. S. Count, Cllr. J. Reynolds

Leicester City Council

Cllr. J. Thomas, Cllr. P. Westley

Leicestershire County Council

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

Norfolk County Council

Cllr. R. Smith

Peterborough City Council

Cllr. J. Holdich OBE (in the Chair)

Warwickshire County Council

Cllr. J. Whitehouse

Apologies for absence.

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

159. Minutes.

The minutes of the meeting held on 6 December 2012, having previously been circulated, were taken as read, confirmed and signed as a correct record.

160. Urgent Items.

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

161. 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.

162. Change to the Order of Business.

The Chairman sought and obtained the consent of the Management Committee to vary the order of business from that set out in the agenda.

163. Forecast Outturn 2012/13 and Draft Medium Term Financial Strategy 2013/14 - 2016/17.

The Management Committee received a joint report of the Consortium Treasurer and Director which presented the Forecast Outturn 2012/13 and Draft Medium Term Financial Strategy 2013/14 - 2016/17. A copy of the report, marked '4', is filed with these minutes. [Further details informing the Progress Report of the Director, of a commercially sensitive nature, were considered under exempt business in Minute 165 below.]

Arising from discussion the following points were noted:

- (i) The Management Committee was pleased to note progress in respect of efficiency projects and that the outturn was forecast to be better than budgeted;
- (ii) ESPO was developing its approach toward the effective gathering of market intelligence. This work, and work being undertaken on its approach to marketing, would be key for the development of the organisation in the future;
- (iii) There was a need for ESPO to develop further its stock level management processes;
- (iv) It was noted that amounts had been set aside for the future refurbishment of the ESPO building and for fleet maintenance;
- (v) Members commented that regular visits to the Consortium Authorities by the Director, to discuss key matters of interest, were valuable.

RESOLVED:

- (a) That the forecast outturn for 2012/13 be noted;
- (b) That the draft four year medium term financial strategy, which includes the draft budgets for 2013-14, 2014-15, 2015-16 and 2016-17, be approved.

164. 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 Forecast Outturn 2012/13 and Draft Medium Term Financial Strategy 2013/14 - 2016/17' (Paper '13') 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.

165. Supplementary Information Informing the Forecast Outturn 2012/13 and Draft Medium Term Financial Strategy 2013/14 - 2016/17.

The Management Committee received an exempt joint report of the Consortium Treasurer and Director which presented supplementary information informing the Forecast Outturn 2012/13 and Draft Medium Term Financial Strategy 2013/14 - 2016/17. A copy of the exempt report, marked '13', 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 contents of the report be noted.

[The meeting then reconvened into public session.]

166. Consortium Agreement.

The Management Committee considered a joint report of the Consortium Secretary and Treasurer, seeking approval for the draft Consortium Agreement and its schedules (including the ESPO Constitution). A copy of the report, marked '5', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) Following the meeting, subject to the views of the Management Committee, the Consortium Agreement would be submitted to each Consortium Authority for its consideration and execution;
- (ii) The Consortium Agreement had been put in place to fulfil the requirements of the business strategy review of ESPO and its adoption would strengthen ESPO's governance arrangements whilst reducing risk to the organisation and the Consortium Authorities;
- (iii) It was suggested that approximately two years following the implementation of the Agreement the suitability of an alternative structure for ESPO should be reconsidered. However, the joint committee model, with its additional and robust risk management procedures, was considered to be suitable for at least the short term;
- (iv) Members were pleased to note the proposed structure for ESPO services was that of a 'service menu approach' and that ESPO would be self-financing and, other than as provided for already in the Agreement, no capital contribution would be required from Consortium Authorities;
- (v) It was confirmed that the Consortium Agreement contained provision for the allocation and realisation of assets in the event of withdrawal by a member authority from the Consortium;

- (vi) The cost of revising the Partnership Agreement had been considerably less than budgeted for. The resultant underspend would be incorporated into ESPO's general reserves;
- (vii) That any references to 'equal liability' of member authorities should be amended to 'joint and several liability'.

The Chairman, on behalf of the Management Committee, expressed his thanks to all those officers who had been involved in the development of the Consortium Agreement and in particular Victoria Newbold of Warwickshire County Council, and her predecessor Suzanne Burrell, for their work.

Following discussion regarding the next steps to be undertaken to seek agreement to the Consortium Agreement, and in noting there remained two outstanding issues for the members representing Leicester City Council, it was moved and seconded that:

- (a) That the Consortium Agreement and its schedules, attached as Appendix A to the report, be approved and recommended to the individual Consortium Authorities for their agreement;
- (b) That the Consortium Secretary be authorised to:
 - i) make any necessary final drafting amendments to the Agreement arising from this meeting;
 - ii) liaise with individual Consortium Authorities in order that the Agreement be considered for approval by their appropriate Executive body;
 - iii) subject to ii) above, arrange for the timely execution of the Partnership Agreement.

The motion was put and carried. Seven members representing six of the authorities (Cambridgeshire County Council, Leicestershire County Council, Lincolnshire County Council, Norfolk County Council, Peterborough City Council and Warwickshire County Council) voted in favour of the motion. Two members representing the remaining authority (Leicester City Council) was unable to support the wording in the draft Agreement.

RESOLVED:

- (a) That the Consortium Agreement and its schedules, attached as Appendix A to the report, be approved and recommended to the individual Consortium Authorities for their agreement;
- (b) That the Consortium Secretary be authorised to:
 - i) make any necessary final drafting amendments to the Agreement arising from this meeting;
 - ii) liaise with individual Consortium Authorities in order that the Agreement be considered for approval by their appropriate Executive body;
 - iii) subject to ii) above, arrange for the timely execution of the Partnership Agreement.

167. ESPO Change Programme Closure Report.

The Management Committee considered a joint report of the Consortium Secretary and Treasurer, seeking approval to close ESPO's Change Programme. A copy of the report, marked '6', is filed with these minutes.

RESOLVED:

- (a) That the achievements of the Change Programme and follow on actions contained in section 5 of the appendix to the report be noted;
- (b) That the Programme's closure be approved.

168. Annual Review of Organisational Approach to Risk Management and Governance.

The Management Committee considered a joint report of the Director, Consortium Secretary and Treasurer, providing an annual review of ESPO's approach to risk management and governance. A copy of the report, marked '7', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) In respect of the Management Committee's responsibility for reviewing the effectiveness of internal control of the organisation and reviewing key strategic and operational risks when escalated by the Director, members felt the Management Committee should receive details of major risk records on a regular basis, where they arose;
- (ii) In respect of scoring major risk records, ESPO did not assign a score limit. It was the view that each project should be dealt with on a case by case basis and that their success depended upon their effective management.

RESOLVED:

That the Risk Management Strategy, set out as Appendix 1 to the report, be approved.

169. Progress Report of the Director.

The Management Committee considered a report of the Director, the purpose of which was to provide an update to members on developments since the Committee last met on 6 December 2012. A copy of the report, marked '8', is filed with these minutes. [Further details informing the Progress Report of the Director, of a commercially sensitive nature, were considered under exempt business in Minute 171 below.]

Arising from discussion the following points were noted:

- (i) The results of the Schools, Academies and Further Education Colleges Survey showed that the education sector was an increasingly competitive market;

- (ii) The Director confirmed that two of ESPO's suppliers' products had been found to contain small amounts of horse meat DNA. Members noted that it was the absolute responsibility of suppliers to ensure the security of their supply chain and the quality of their products and that the Director had taken appropriate action in response to this finding. ESPO would be introducing DNA testing into its quality assurance criteria for future procurement exercises;
- (iii) With regard to the Indigo warehouse system members considered there was a balance to be achieved between changes to the software to fit the needs of ESPO (which could incur further expense) and changes to ESPO's warehouse systems to meet the needs of the software being introduced. It was not the Director's intention for ESPO to invest significantly in the new software in order to incorporate further bespoke features, and in order to reduce stock bottlenecks he would be looking to adjust current warehouse working practices;
- (iv) Members asked for the level of 'waste directly recycled' to be reincorporated within future Balanced Scorecards.

RESOLVED:

That the progress report of the Director be noted.

170. 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 Progress Report of the Director.' (Paper '14') 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.

171. Supplementary Information Informing the Progress Report of the Director.

The Management Committee received an exempt report of the Director, which set out further supplementary information to Item 8, Progress Report of the Director. A copy of the exempt report, marked '14' 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 contents of the report be noted.

[The meeting then reconvened into public session.]

172. Ed Walsh - Deputy Director of ESPO.

The Director reported that Ed Walsh, Deputy Director of ESPO, would be retiring from his position in summer 2013.

The Director, officers and members asked for their thanks to be recorded for Mr Walsh's considerable contribution to the work of ESPO over the years. They wished him well for the future.

173. Public Procurement and Small & Medium-Sized Enterprises.

The Management Committee considered a report of the Consortium Treasurer, the purpose of which was to update members on progress in respect of work undertaken by the Senior Officers Group on public procurement and Small and Medium Sized Enterprises (SMEs). A copy of the report, marked '9', is filed with these minutes.

Arising from discussion the following points were noted:

- (i) It was important to involve those individuals with experience of SMEs in the development of any Pre-Qualification Questionnaire to ensure that the documentation was provided in as simple terms as possible to businesses;
- (ii) It would be necessary for the Social Value Act to be considered as part of work undertaken on SMEs.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That the priorities contained in Appendix A of the report form the Procurement and SMEs deliverables within the SOG work programme for 2013/14;
- (c) That the Chief Officer Group be requested to consider and report back to the Management Committee the outcome of SOG's work in 12 months' time.

174. Items referred by the Finance and Audit Subcommittee.

None were reported.

175. Date of Next Meeting - Thursday 27 June 2013 at 11 am.

It was noted that the next meeting of the Management Committee was scheduled for Thursday 27 June 2013 at 11.00 am. The meeting would be held at ESPO, Grove Park, Blaby, Leicestershire, and would be preceded by a tour of the facilities there, commencing at 10.30 am.

176. 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 'Medium Term Business Strategy – 18 Month Rolling Update.' (Paper '12') 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.

177. Medium Term Business Strategy - 18 Month Rolling Update.

The Management Committee received an exempt report of the Director providing an update on progress made on the Medium Term Business Strategy 18 month rolling plan. A copy of the exempt report, marked '12' 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 progress made on the 18 month rolling plan as part of the current Four Year Business Strategy be noted;
- (b) That it be noted that an updated plan would be presented to the Management Committee at its meeting on 26 September 2013.

10.30 am - 12.00 pm
07 March 2013

CHAIRMAN



ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

CONSORTIUM AGREEMENT – PROGRESS REPORT

REPORT OF THE CONSORTIUM SECRETARY

Purpose of Report

1. To advise the Committee of progress in completing the Consortium Agreement.

Background

2. At its meeting on 7 March 2013, the ESPO Management Committee resolved that the Agreement and its schedules be approved and recommended to the individual Consortium Authorities for their agreement and that the Consortium Secretary be authorised to:-
 - (i) make any necessary final amendments to the Agreement arising from the meeting;
 - (ii) liaise with individual Consortium Authorities in order that the Agreement be considered for approval by their appropriate Executive body;
 - (iii) subject to (ii) above, arrange for the timely execution of the Partnership Agreement.

Six of the seven Consortium Authorities indicated their agreement to the proposed Constitutional documents. Leicester City Council stated their position as being that they could not agree to the proposed agreement at that stage.

Amendment to Draft Agreement

3. At the meeting on 7 March 2013, a point was made during the course of discussion that references to 'equal liability' of member authorities should be amended to 'joint and several liability'. This has led to further discussions between the legal representatives of the member authorities. From the perspective of an external body, all member authorities in ESPO may have joint and several liability (in other words a third party could sue all or any of the authorities). However, the purpose of the Agreement is to regulate the relations between the authorities so that liability will be shared equally between them. Accordingly, a form of words to reflect this intention has been drafted by lawyers from Warwickshire County Council and Leicestershire

County Council, circulated to all of the authorities and agreed by all of the member authorities with the exception of Leicester City Council.

Current Position

4. Three authorities, Norfolk, Warwickshire and Leicestershire County Councils have obtained agreement through their respective political processes for the Consortium Agreement to be completed. In three authorities, Cambridgeshire County Council, Lincolnshire County Council and Peterborough City Council, action is underway to complete those processes.
5. It is understood that Leicester City Council are minded to withdraw from the Consortium. However, no formal notice to that effect has been received. If Leicester City Council do wish to leave the Consortium, discussions will have to take place as to the exit arrangements and any consequential issues relating to the financial position including costs and liabilities. It may be appropriate for such discussions to take place through the Chief Officer Group prior to further consideration, if necessary, at Management Committee. The Chief Officer Group would also be the appropriate place for any discussion to take place on the effect of the departure of Leicester City Council on the future operation of ESPO.

Resource Implications

6. Implementation of the Change Programme, of which preparation of the Consortium Agreement formed a part, was mainly provided through a combination of existing resources, both financial and staff, of ESPO and Member Authorities.
7. A specific budget of £400,000 was set aside by the Management Committee on 24 June 2011 to support its implementation. In terms of the Consortium Agreement, only a small proportion of this budget was required through the use of specialist resources (a locum to support the development of legal documentation). The overall cost of the Programme, inclusive of the locum was £57,350.

Recommendation

8. The Management Committee is requested to note the position.

Equal Opportunities Implications

9. An Equality Impact Assessment (EIA) was undertaken as part of the ESPO wider Change Programme during the implementation phase (which included both service design performance and employment) to help identify any equality issues.

Background Papers

Report to ESPO Management Committee – 7 March 2013 – Consortium Agreement

Officer to Contact

David Morgan, County Solicitor

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ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

DRAFT OUTTURN 2012/13

**JOINT REPORT OF THE CONSORTIUM TREASURER
AND DIRECTOR**

Introduction

1. This report sets out the draft outturn for 2012/13 with explanations for the more significant variances. Members should note that the outturn will be subject to external audit.

Trading Summary

Income

2. The spending restrictions imposed on local authorities by central government have continued to bite and this trend is expected to continue with further central government challenges expected. In addition the transfer of schools from Local Authority control to Academy status has continued and is expected to accelerate in the period between now and 2015.
3. Stores' sales value has increased this year by £2,636k (7%) to £40.3m. Sales to member authorities including academies have remained flat, while sales to other authorities have increased by 21%.
4. The growth in store sales was thus principally achieved in non-member areas.
5. As a result of the Department of Education Phonics initiative which was launched in September 2011 the higher-value Directs catalogue products business increased to £23.35m from £18.9m the prior year. This national initiative was co-ordinated by ESPO on behalf of the Pro5 consortium.
6. Rebate income was £4.8m an increase of £0.6m on budget. This has been achieved while continuing to reduce rebate margin from suppliers.
7. Catalogue advertising was £0.9m and was consistent with the prior year and budget. This is a good performance at a time when pressures on advertising income are considered strong.
8. Overall the organisation's invoiced turnover for the year excluding rebates was £94.1 million. This was 8.9% higher than the prior year which was primarily due to higher store sales, directs and increased gas usage due to the extended winter.
9. A full breakdown of the total income and trading surplus is included in Appendix 1.

Expenditure

10. Spending restrictions also applied to ESPO operating expenses and employee costs. Pay rates have remained unchanged. Total employee costs, including agency costs, were 3.5% higher driven partly by increased volume at the stores. Other overhead expenditure reduced by £19k on the prior year, partly as a result of the impact of the cost efficiency programme. These forty individual projects were launched to reduce costs and drive efficiencies throughout the organisation. £150k of cost savings have been targeted from these projects in the MTFs for 2013-14.

Summary

11. The Net Surplus for the year was £2.7 million which is £74k (2.7%) higher than achieved in the prior year.
12. Further information which informs the Draft Outturn 2012/13, of a commercially sensitive nature, is contained in Item 15 (Exempt Report), elsewhere on the agenda, this includes:
1. Detailed breakdown of the year on year sales movement
 2. Detailed breakdown of the overhead expenditure
 3. Detailed Balance Sheet.
 4. Staffing Analysis
 5. Analysis of reserves
 6. Numbers of Orders
13. Details of variations from the Forecast Outturn are explained below where these have a significant impact on the operating surplus. An explanation is also included of changes in Service Lines income and expenditure compared to the Forecast Outturn.

Outturn 2012/13: Service line Analysis – Comparison to the prior year and the March 2013 Forecast Outturn for 2012/13Income:

14. The total income after deducting stores and cost of sales for the whole organisation for the year was £18.3 million. This is a 2.8% (£0.5 million) increase over the forecast. This is principally driven by higher rebate income £0.6m.
15. The most significant change from the Service Lines Forecast Outturn is the increased turnover in Energy attributable to the extended winter. Sales in Directs were £23.6m compared to forecast of £23.6m and major projects sales were £681k compared to a forecast of £438k.
16. Energy and Fuels operating surplus increased by £30k over the forecast to £448k as a result of the additional volume. The process for purchasing energy does not involve ESPO entering into speculative “future or options” type arrangements which could expose ESPO to substantial financial risk. ESPO enters into forward contract arrangements at a fixed price and that is the rate charged to customers with a small margin. ESPO’s Energy Governance Group, which comprises representatives from each Consortium Authority, monitors and sets parameters for the organisation’s

activity in the energy sector.

17. Consulting increased its volume to £478k compared to a forecast of £182k. This resulted in the division only having a net operating loss of £98k. The plan and the budget is for this division to break even in 2013-14.
18. The other noticeable increase movement was the surplus for Stores. This was £324k lower than forecast. This was down to a lower than expected gross margin. The forecast was based on the standard costing system which indicated a higher margin than actually resulted. This will now be subject to a review to ensure that such a variance does not re occur in the future.
19. Major projects generated a surplus of £149k compared to a forecast of £110k, caused by increased year end volumes. This division has been absorbed in to mainly education for 2013-14 and will thus not be subject to service line analysis in 2013-14.

Expenditure:

20. The total expenditure for the year was £15.5 million. This is compared to the forecast of £15.2m.
21. There are no significant changes from forecast within individual service lines although there are a number of significant variations from the forecast by expenditure category as shown on the traditional management Trading Account. These are explained as follows:-
 - Employment Costs £51k variance mainly down to additional agency costs.
 - Vehicles £53k variance down to poor winter weather increasing wear and tear on vehicles and additional repeat drops due to school closures.
 - Catalogues and Marketing £45k in line with original budget, additional marketing activity at year end to drive store and direct sales.
 - Bad Debts 37k variance down to prudent provisions in line with accounting policy. These debts are not written off just provided for. There have been billing issues with gas customers resulting in disputes, these are resolved over time but have contributed to the additional bad debt charge.
 - Professional Fees variance down to additional HR and Legal services.

Allocations from Operating Surplus

22. The Management Committee at its meeting on 7 March 2013 indicated that surplus reserves should be released back to general funds. To that end £145k has been released from the bonus fund provision representing the underspend on that fund as that issue is now closed.
23. It is proposed that a further allocation of £0.4million is used for the Building Capital Provision. It is also proposed that the level of capital provision is reviewed annually to ensure sufficient funds are set aside for the replacement costs of the buildings. The provision is necessary to ensure the building is maintained at the highest possible standard with funds allocated and available to meet general repairs and capital replacements/ improvements. This is consistent with the prior year and the MTFS.

24. It is proposed that a further £572k is set aside for earmarked projects as follows:

	<u>£k</u>
New projects	
CMS Upgrade	11
E Commerce (e-ordering / e-invoicing)	28
Scanning software (PL invoices)	20
Demand Planning	143
E Tendering / E Procurement	100
Rebates system	100
GEMS 2	170
	572

Distribution of Surplus:

25. The amount available for distribution after the above allocations to reserves is £1.9 million of which 80% (£1.5 million) is attributable to member authorities as a dividend.
26. The dividend entitlement for each member authority is calculated based on their use of ESPO services excluding academies is estimated as follows:

	<u>2012-13</u>
	<u>Proposed</u>
	<u>Distribution</u>
	<u>excl Academies £</u>
Cambridgeshire	226,421
Leicester City	212,827
Leicestershire	209,067
Lincolnshire	232,793
Norfolk	332,367
Peterborough City	85,062
Warwickshire	207,529
Total	<u>1,506,066</u>

A proposal to move to a method of distribution based on including academy spend is under consideration as detailed elsewhere on the agenda under Item 12.

ESPO Balances

27. The General Fund balance is primarily to meet any adverse trading conditions, provide funding for stock balances and other expenditure prior to the receipt of income. Established practice is that 20% of operating surplus is added to this fund up to a maximum of 5% of turnover. For 2012/13 £382k has been added to the General Fund balance representing 20% of surplus. The level of General Fund balance is expected to increase annually until the agreed maximum is retained according to the approved funding formula as explained below.
28. Applying the current formula to invoiced turnover, the maximum holding would amount to £4.7 million which is calculated as 5% of the turnover of £94.1m.
29. The actual value of the General Fund at 31 March 2012 amounts to £2.95million. Should the General Fund prove to be insufficient to support the business requirements in any year, ESPO have agreed temporary informal borrowing arrangements from Leicestershire County Council.

Recommendation

30. The Management Committee is asked to approve:
- (a) the draft out turn for 2012-13;
 - (b) allocations from the operating surplus for 2012-13 as outlined in paragraphs 22, 23 and 24 of this report;
 - (c) payment of the dividend subject to approval of the accounts and confirmation of the basis for distribution as outlined in paragraphs 25 and 26 of this report.

Reasons for recommendation

31. The Management Committee approval to the Outturn Report and related Management Accounts and Service Line Reporting is required as they directly relate to the Statement of Accounts.

Equal Opportunities Implications

32. None

Risk Assessment

33. None

Officers to Contact

John Doherty , Director of ESPO, 0116 265 7930

Brian Roberts, Consortium Treasurer, 0116 305 7831

List of Appendices

Appendix – Draft ESPO Management Accounts for year end 31 March 2013

ESPO MANAGEMENT ACCOUNTS FOR YEARAPPENDIXENDED 31st MARCH 2013

PRIOR YEAR		2012-2013 ORIGINAL BUDGET	2012-2013 REVISED FORECAST	2012-2013 ACTUAL
ACTUAL				
£000		£000	£000	£000
<u>INCOME</u>				
37,680	Stores Sales	39,682	40,738	40,316
28,638	Less Stores Cost of Sales	30,218	30,890	30,950
<u>9,042</u>	STORES TRADING SURPLUS	<u>9,464</u>	<u>9,848</u>	<u>9,366</u>
31.6%		31.3%	31.9%	30.3%
4,814	Rebates from Suppliers	4,177	4,221	4,852
2,166	Margin on Direct Orders	2,494	2,602	2,653
906	Catalogue Advertising	898	901	918
234	Other Income	181	194	279
659	Major Projects Income	220	110	126
<u>8,779</u>	CUSTOMER & CLIENT RECEIPTS	<u>7,970</u>	<u>8,028</u>	<u>8,828</u>
<u>17,821</u>	<u>TOTAL INCOME</u>	<u>17,434</u>	<u>17,876</u>	<u>18,194</u>
<u>EXPENDITURE</u>				
EMPLOYEES				
7,617	Salaries & Wages	8,077	7,868	7,914
476	National Insurance	524	471	477
1,034	Superannuation	1,198	1,062	1,061
<u>9,127</u>		<u>9,799</u>	<u>9,401</u>	<u>9,452</u>
OTHER EMPLOYEE EXPENSES				
51	Staff Training	106	45	56
36	Staff Advertising	37	74	44
34	Additional Pension Costs	30	40	34
32	Other Allowances & Payments	34	17	19
60	Insurance	63	61	60
PREMISES				
148	Repair, Maintenance & Insurances	163	153	166
94	Lighting & Heating	95	94	113
934	Rent	926	915	913
332	Rates	355	350	352
20	Water	29	22	20
TRANSPORT				
1,575	Vehicles	1,720	1,617	1,670
370	Renewals Fund Contribution	372	372	372
EQUIPMENT				
572	IT equipment	583	428	372
149	IT Renewals Fund Contribution	157	157	157

242	Warehouse and office equipment	202	167	210
	OFFICE EXPENSES			
178	Printing & stationery	160	167	216
143	Postage	108	147	126
40	Telephones	49	39	46
	OTHER EXPENSES			
463	Catalogues & Marketing	515	473	518
0	Bank Interest	0	0	0
41	Travel & Subsistence	46	33	43
43	Subscriptions	43	37	35
85	Provision for bad debts	30	30	67
39	Miscellaneous Expenses	48	37	54
22	Audit fees	24	14	15
80	BSF Partnership Fees	25	0	0
100	Consultancy & Professional Fees	61	101	177
	CENTRAL CHARGES			
147	Support services	159	175	147
<u>15,157</u>	<u>TOTAL EXPENDITURE</u>	<u>15,939</u>	<u>15,166</u>	<u>15,454</u>
<u>2,664</u>	<u>TRADING SURPLUS</u>	<u>1,495</u>	<u>2,710</u>	<u>2,740</u>
	<u>LESS TRANSFERS TO RESERVES:</u>			
0	Bonus Scheme Reserve	0	-145	-145
100	Projects	0	572	572
00	Legal Claim Reserve	0	0	0
00	Strategic Review Implementation		0	0
400	Building Capital Provision	0	400	400
<u>2,164</u>	<u>NET SURPLUS FOR YEAR</u>	<u>1,495</u>	<u>1,883</u>	<u>1,913</u>
	DISTRIBUTION OF NET SURPLUS:			
433	Trading Reserves	299	377	383
1,731	Distribution to Members	1,196	1,506	1,530
<u>2,164</u>		<u>1,495</u>	<u>1,883</u>	<u>1,913</u>



ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

ANNUAL REPORT 2012-13

REPORT OF THE DIRECTOR

Purpose of Report

1. To present to members the draft Annual Report for 2012-13.

Background

2. The Annual Report has been in the same format for a number of years. This year the opportunity was taken to update the layout, provide more of a forward looking theme, as well as a review of the year, and to simplify the content.

Annual Report Changes

3. The report first outlines ESPO's mission statement, followed by a vision of the organisation in the future. It sets out in clear terms to the reader the journey that ESPO is engaged on for all stakeholders of the organisation.
4. The next section covers financial reporting and a summary of the trading results. This includes some historical performance data in order that readers can identify some important trends.
5. Following this the report covers the key marketing activity that has been engaged in over the previous twelve months. This indicates to the reader the brand development activities that have been engaged in as well as specific targeted marketing.
6. The next section covers significant matters which should be brought to the attention of the reader. This includes the revaluation of the land and buildings. An update on the four year medium term financial strategy is also included setting out the strategic objectives of the organisation.
7. Finally the last section covers ESPO's long service employees and retirees. This recognises the vital contribution of ESPO's staff.

Resources Implications

8. None

Recommendation

9. Members are asked to approve the Annual Report for 2012-13.

Equal Opportunities Implications

10. None

Background Papers

11. None

Officer to Contact

John Doherty, Director
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Appendices

Draft Annual Report

ANNUAL REPORT

INTRODUCTION

ESPO is a local authority purchasing consortium. Our purpose and objectives are to provide our Member Authorities and other client bodies with a comprehensive, cost effective contracting and procurement service, covering a diverse range of commodities, products and services, as well as offering a complete and professional procurement consultancy, and assisting clients with complex procurement projects.

The Mission Statement is set out as:

“To deliver a professional, comprehensive procurement service on a self-financing basis, providing excellence in customer satisfaction and value for its Member Authorities and other customers.”

ESPO’s objective is to demonstrate its ability to deliver value for money services to our customers. In doing this we must ensure that our Member Authorities achieve a reward commensurate with the risk they share as ultimate funders of ESPO.

Value for money services will be achieved by ensuring a competitive offering is delivered by collaboration and recognising in some instances others can do it better. Achieving competitiveness will be delivered through improved efficiencies, focusing on the customer by improving service offering, listening and delivering what they need, and by understanding, managing and working with our supply chains.

Both risk and performance management will become an integral part of day to day operational performance. Risk management has been developed, and will be monitored and reviewed through a compliance process driven through a business case methodology and a risk strategy that is managed and escalated through the senior management team to the ESPO committee. ESPO will target an annual 3.5% return on capital.

Underpinning all of the above will be through retaining our loyal staff and continuously developing their capabilities.

OUR VISION

ESPO operates across the public sector in the UK, providing a comprehensive and cost effective procurement service for local authorities, schools and academies, voluntary and community organisations and charities. We understand the need to embrace fully the needs of our Member Authorities and our customers and to ensure that their economic, social and environmental requirements are met.

Our Vision is:

“to be recognised by our stakeholders as a leading centre for the provision and management of procurement solutions and for delivering real value to our Member Authorities, customers, suppliers and the local community.”

We will achieve this by bringing a vibrant mix of commercialism, market insight, category expertise, and best practice sourcing. ESPO will work together with Member Authorities, its customers, Pro5, and other partners, to engage markets and thereby achieve optimum outcomes for the benefit of its customers. ESPO will proactively challenge current practice, serving as a focal point for

collaboration, bringing leadership and articulating new commissioning and sourcing strategies. We are committed to a programme of continual efficiency improvements in our own operations as we seek to be the purchasing agent of choice in the local government/public sector.

ACCOUNTABILITY AND FINANCIAL REPORTING

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the organisation is required to produce a set of accounts in order to inform stakeholders that it has properly accounted for all public money it has received and spent and that its financial standing is on a secure footing.

FINANCIAL STATEMENTS

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

Core Statements

The Movement in Reserves Statement shows the movement in year on the different reserves held by the Organisation.

The Comprehensive Income and Expenditure Statement summarises the income and expenditure of the Organisation during the year.

The Balance Sheet shows the value as at the 31st of March 2013 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities.

The Annual Governance Statement sets out the framework designed to ensure that the Organisation operates a sound system of internal control which facilitates the effective exercise of its operations, and which includes arrangements for the management of risk. Whilst it is not a requirement to be part of this Statement of Accounts it is attached to this statement to aid the user to better understand the governance arrangements in force within the Organisation.

TRADING RESULTS

The spending restrictions imposed on local authorities by central government have continued to bite and this trend is expected to continue with further central government challenges expected. In addition the transfer of schools from Local Authority control to Academy status has continued and is expected to accelerate as we progress towards 2015.

Stores' sales value has increased this year by £2,370k (6.3%) to £40.1million. Sales to member authorities including academies have remained flat, while sales to other authorities have increased by 21%. The growth in store sales was thus principally achieved in non-member areas.

As a result of the Department of Education Phonics initiative which was launched in September 2011 the higher-value Directs catalogue products business increased to £23.04million from £20.7million (including phonics sales) the prior year. This national initiative was co-ordinated by ESPO on behalf of the Pro5 consortium.

Overall the organisation's invoiced turnover for the year including rebates was £94million. This was 8.9% higher than the prior year which was primarily due to higher store sales, directs and increased gas usage due to the extended winter.

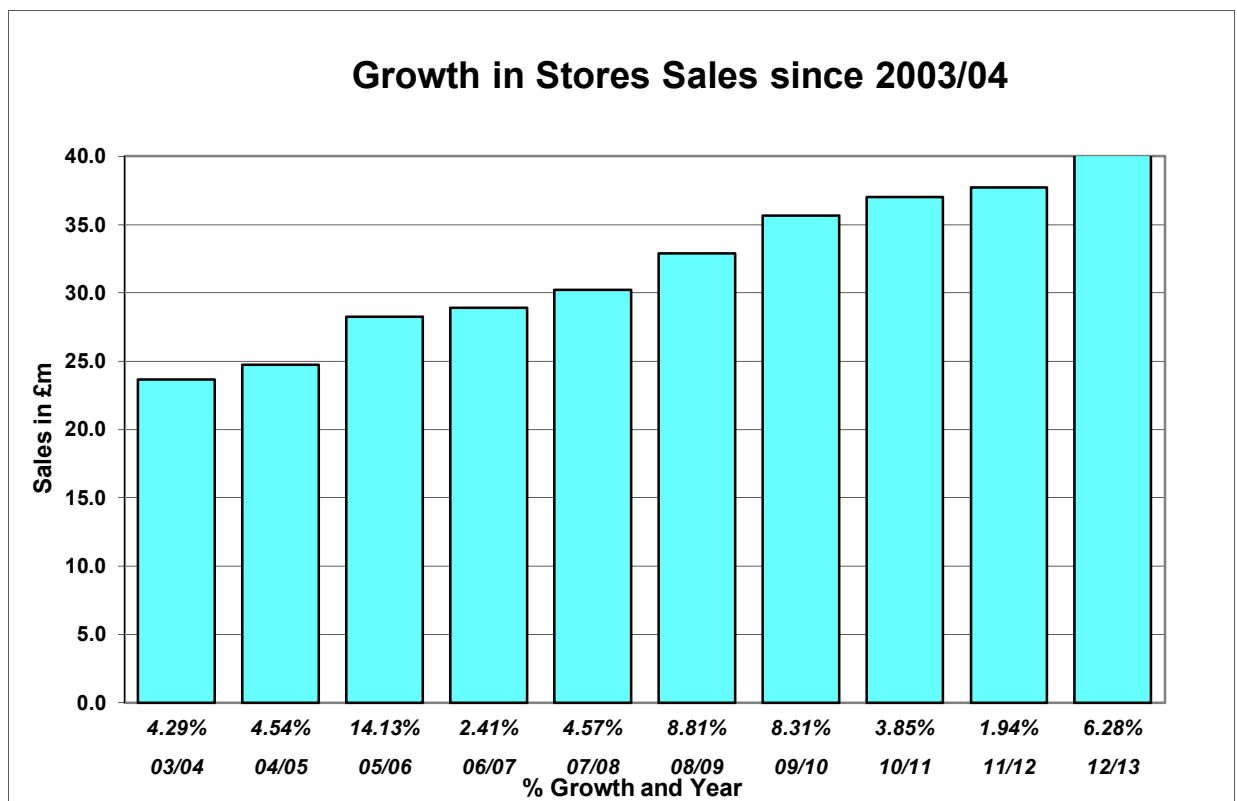
The reported surplus of £3.3million compares favourably with the prior year of £3.2million and reflects continued focus and cost control and investment in value for money pricing for our stakeholders.

Net cash balances increased by £2million during the year to £9.2million, this was after paying a £3.5million dividend to members in December 2012. This was due to a continued focus on cash generation over the financial year. Bad debt provisions were overall low at £279k which included an allowance for overdue rebate payments.

STORES

Stores sales of were just over £40.1m, an increase of 6.3% on last year.

The growth in Stores sales over the last ten years is illustrated in the following chart:



STORES PRICES

The chart below illustrates the price inflation for items held within Stores since 2003/04.

03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13
-1.23%	-0.35%	-0.18%	0.95%	1.66%	0.75%	4.54%	2.34%	3.10%	1.90%

MARKETING ACTIVITY

This year we have attended various events, exhibitions and conferences which are detailed below; these are a mix of local regional and national events and continue to be part of the annual marketing plan for the organisation. Among those events we attended were:

School Business Managers Conference	Northamptonshire
Academies Show	London
School Business Managers Forum	London
Meet the Supplier Event	Warwickshire
Early Years Conference	London
Head Teachers Event	Rugby
National Association of School Business Managers	Cardiff
School Business Managers Exhibition	Milton Keynes
Midland Colleges Regional Meeting	ESPO
Headteachers Conference	Cambridge
Free Schools Conference	London
Local Authority Caterers Association	Birmingham
Newly Qualified Teachers Conference	Cambridge
Secondary Schools Business Managers	Leicester
School Bursars Roadshow	Leicestershire
Primary Headteachers Conference	Cambridge
Eco Conference	Norfolk
National Association of School Business Managers Conference	Leicestershire
Phonics Workshop	Warwick
Academies Show	Birmingham
Education Business Awards	London
Primary School Business Managers	Leicester City
Neopost Customer Event & Exhibition	ESPO
Education Show	Birmingham
Public Sector Show	London

SIGNIFICANT MATTERS

The land and buildings at Gove Park were independently re-valued during the year at £10million, the same as the prior year and hence no reduction.

The medium term financial strategy including the budget for 2013-14 was approved by the Management Committee in March 2013. The four year strategy focuses on value for money, growth and developing increased capability within the organisation to be the leading public sector procurement organisation in the country.

STAFFING

In reporting another successful year ESPO also recognises that this has only been possible by the continued effort and goodwill of ESPO's staff.

During 2012/13 the following staff achieved 25 years' service with ESPO: Clive Doherty, Julie Joyce, Elaine Sager-Dodd, Barbara Taylor and Jayne Wortley.

I would also like to thank all those who retired during 2012/13 and wish them well. This includes Madeline Bird, Christopher Cooper, Stanley Hampson, Keith Reedman and Diane Webber.



ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

DRAFT ANNUAL GOVERNANCE STATEMENT

**REPORT OF THE CONSORTIUM SECRETARY AND
CONSORTIUM TREASURER**

Purpose of Report

1. To present to members the draft Annual Governance Statement for 2012-13 prior to final consideration by the Management Committee at its meeting on 26 September 2013.

Background

2. The Framework 'Delivering Good Governance in Local Government', published by CIPFA in association with SOLACE in 2007, sets the standard for local authority governance in the UK and the requirement to produce an Annual Governance Statement (AGS). CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued revised guidance.
3. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements, with an increased emphasis on a strategic approach focusing on outcomes and value for money, driven by the significant change being experienced in local government and the introduction of other key legislation. As ESPO is constituted as a joint committee of local authorities, it is required to be the subject of an Annual Governance Statement. The AGS is an important statutory requirement which enhances public reporting of governance matters.
4. The process for preparing the Annual Governance Statement was the subject of a high importance (HI) internal audit recommendation in May 2012. The process has thus been completely revised and updated to include the latest recommendations from CIPFA and SOLACE. ESPO has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

Outcomes of Revised Process for Preparing Annual Governance Statement

5. The new AGS is structured around the six core principles of good governance as follows:

PRINCIPLE A: Focusing on the purpose of the organisation and on outcomes for our stakeholders and implementing a vision for the future.

PRINCIPLE B: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

PRINCIPLE C: Promoting values for the organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

PRINCIPLE D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

PRINCIPLE E: Developing the capacity and capability of members and officers to be effective.

PRINCIPLE F: Engaging with stakeholders to ensure robust public accountability.

6. For each of the six core principles the following have been identified:
 - Governance Mechanisms
 - Assurances Received
 - Weaknesses identified
7. To ensure the Annual Governance Statement presents an accurate picture of governance arrangements currently in place, each SMT member was required to complete a 'Governance Self-Assessment', which provided details of the measures in place within their department to ensure compliance (or otherwise) with ESPO's Code of Corporate Governance. Where departments have identified specific 'areas of improvement', these are incorporated into a departmental action plan to discuss and prioritise implementation during the course of the next financial year.
8. A review of the effectiveness of the governance framework, including the system of internal control, has been carried out by the Head of Internal Audit Service. His findings are included in the report and indicate that there has been a substantial strengthening of ESPO's governance arrangements and the general direction of travel for future governance arrangements is positive.
9. A number of areas for improvement have been identified indicative of the more robust approach taken this year. Progress against these areas of improvement will be reported to members.
10. The Code of Practice in Local Authority Accounting states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported. Therefore, in the event of the above occurring, the AGS presented as Appendix 1 would

change. Details would, of course, be reported to members of the Committee for information.

Resources Implications

11. None.

Recommendation

12. Members are asked to:

- a) Review the draft AGS (Appendix 1);
- b) Consider whether it is consistent with the Committee's own perspective on internal control within the Authority;
- c) Consider the governance issues and confirm whether the proposed actions and improvement areas detailed in section 4 of the AGS are acceptable;
- d) Approve ESPO's 2012/13 Annual Governance Statement, [noting that this may be subject to such changes as are required by the Code of Practice in Local Authority Accounting].

Equal Opportunities Implications

13. None

Officer to Contact

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Mr B Roberts – Consortium Treasurer (Tel: 0116 305 7831) (Email brian.roberts@leics.gov.uk)

Appendices

Draft Annual Governance Statement 2012-13

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DRAFT Annual Governance Statement 2012/13

1. SCOPE OF RESPONSIBILITY

ESPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ESPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, ESPO is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

ESPO has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website and this statement explains how ESPO has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the Organisation is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of ESPO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at ESPO for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts. ESPO's governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.

PRINCIPLE A: Focusing on the purpose of the organisation and on outcomes for our stakeholders and implementing a vision for the future.

Under this principle, there is a requirement to:

- Exercise strategic Chairmanship by developing and clearly communicating the organisation’s purpose and vision and its intended outcome for stakeholders.
- Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.
- Ensure the organisation makes best use of resources and that tax payers and service users receive excellent value for money.

Description of Governance Mechanisms: <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Weaknesses identified: <i>Areas for improvement</i>
<ul style="list-style-type: none"> • Service/Business Plans supported by relevant strategies • Communication Strategy • Performance trends and reports on the progress of service delivery • Formal complaints policy and procedures that inform positive service improvement • Comparison of information on ESPO’s economy, efficiency and effectiveness of services • Instruction on how to measure Value for Money 	<ul style="list-style-type: none"> • Outcomes are delivered through department plans and strategies which set out objectives and targets in relation to ESPO’s priority outcomes. • Communication strategy that is based on a brand survey of our customers allowing us to provide a better service to our stakeholders. • Performance trends reported through performance dashboards. Also trends identified in monthly and weekly financial reports. • Annual Report considered by members – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts; • Formal complaints policy which ensures complaints are tracked and monitored. • A strategy which sets out how efficiencies included within the MTFs will be achieved; • Industry benchmarking measures undertaken in some departments to determine value for money. 	<ul style="list-style-type: none"> • Review complaints arrangements to ensure lessons learned flow through to department action plans. • Enhance benchmarking against other organisations • Improve VFM measures throughout the organisation..

PRINCIPLE B: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Under this principle, there is a requirement of ESPO to:

- Ensure effective Chairmanship throughout the organisation and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function;
- Ensure a constructive working relationship exists between organisation members and officers and that the responsibilities of members and officers are carried out to a high standard;
- Ensure relationships between the organisation, its partners and the public are clear so that each knows what to expect of the other.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Weaknesses identified: <i>Areas for improvement</i>
<ul style="list-style-type: none"> • Job descriptions for: Director, S151 Officer; Head of Internal Audit • Member/Officer Protocol • Constitution • Scheme of delegation, standing orders and financial regulations • Effective Director and Chairman pairing • Compliance with Role of Chief Financial Officer and Role of Head of Internal Audit • Monitoring officer provisions • Conditions of employment including; appraisal arrangements; pay and conditions policies; structured pay scales • Effective performance management system including progress on Key Performance Indicators and identifying areas of improvement • Business and financial planning process 	<ul style="list-style-type: none"> • Constitution sets out ESPO’s political structure and roles and responsibilities of the Committees, the Chief Officers and the rules under which they operate. There are specific job descriptions in place. • Constitution sets out ‘Responsibility for Functions’ including scheme of delegation to the Director. Also includes financial regulations and contract procedure rules. • Regular meetings take place between the Chairman, the Director and the servicing authority. • Assessment of compliance with the Statement on the Role of the CFO and Role of the Head of Internal Audit. • Monitoring Officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed. • Employment Committee at LCC manage and govern all pay matters and are responsible for terms and conditions of service, including remuneration. Pay Policy Statement ensures the ESPO manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way. • Established Finance function maintains sound financial frameworks and supports delivery of MTFS. • Performance reports to relevant committees. 	<ul style="list-style-type: none"> • Finalise agreement to Constitution • Improve scheme of delegation down to lower levels of management

PRINCIPLE C: Promoting values for the organisation and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Under this principle, there is a requirement of ESPO to:

- Ensure organisation members and officers exercise Chairmanship by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensure that organisational values are put into practice and are effective.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Weaknesses identified: <i>Areas for improvement</i>
<ul style="list-style-type: none"> • Annual Governance Statement • Member and Officers Codes of Conduct • Performance appraisal • Procedures for responding to behaviour complaints • Anti –fraud and anti-corruption policies • Standing orders and financial regulations • Register of Interests and Gifts and Hospitality – members and staff • Ethical awareness training and dealing with conflicts of interest • Communicating shared values with members, staff, the community and partners • Whistleblowing arrangements • Decision making practices/framework • Protocols for partnership working 	<ul style="list-style-type: none"> • AGS produced by compiling and scrutinising information from Departmental Self Assessments, Corporate Assurance Statement and assurance from Internal Audit Service. • Members of individual authorities are subject to their own Code of Conduct • Adopted LCC Employee Code of Conduct. 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers align employees PDR priorities and objectives to the service, department and ESPO's priorities. • 'Leading for High Performance' programme underpins the approach to performance management and covers importance of maintaining strong ethical governance. • Adopted LCC Anti Fraud & Corruption Policy, Strategy and Procedures. • Constitution sets out 'Meeting Procedure Rules' and Financial Rules and Regulations • Organisational Values considered during the PDR, complimented by departmental notices displaying visions and achievements. "ESPO Matters" contains information for all staff. • Embedded 'Whistleblowing' procedures. 	<ul style="list-style-type: none"> • Improve staff awareness of the various codes of conduct, customer care standards, Anti F&C Policy, Whistleblowing , Bribery and Officer and Member Protocol. • Refresh existing Anti F&C Policy, Strategy and Procedures

PRINCIPLE D: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Under this principle, there is a requirement of ESPO to:

- Be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs;
- Ensure that an effective risk management system is in place;
- Use their legal powers to the full benefit of the stakeholders and communities in their area.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Weaknesses identified: <i>Areas for improvement</i>
<ul style="list-style-type: none"> • Finance and Audit Committee • Internal Audit function • Decision making protocols / records of decisions and supporting materials • Members’ and officers’ code of conduct • Terms of reference and membership • Training for committee members including information needs to support decision making • Calendar of dates for submitting, publishing and distributing timely reports • Approved Risk Strategy/Policy • Effective counter fraud arrangements • Legal advice provided by officers 	<ul style="list-style-type: none"> • Finance and Audit Committee receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports. • Internal Audit Service annual plan of audits provide assurance that the internal control systems of ESPO are operating effectively. • Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials are available through the Decision Enquiry System. • ESPO’s risk management framework recently aligned with local government best practice – providing assurance to senior management, Members and public that ESPO is mitigating the risks of not achieving key priorities. • Members of the Finance and Audit Committee actively engage and take interest in risk management, including detailed scrutiny of the Corporate Risk Register. • Monitoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate. 	<ul style="list-style-type: none"> • Increase/Improve Risk management awareness throughout the organisation.

PRINCIPLE E: Developing the capacity and capability of members and officers to be effective

Under this principle, there is a requirement of ESPO to:

- Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encourage new talent for membership of the organisation so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Weaknesses identified: <i>Areas for improvement</i>
<ul style="list-style-type: none"> • Induction programme • Officer training and development plans • Availability and communication of activities • Performance reviews of officers • Succession Planning • Member training and development 	<ul style="list-style-type: none"> • Learning and Development Plans approved by LCC and are reviewed and updated on a periodic basis enabling LCC L&D service to respond to need not anticipated or known at the beginning of the training plan process. • Induction available to all managers and staff with core training provided for specific roles. • Relevant L&D activities communicated through intranet, email updates, newsletters, briefings and staff workers groups. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against behaviours which underpin the management competency framework • Performance management and reporting systems in place at various levels, allowing outcomes to be cascaded and linked to individual development plans. • Member engagement meetings cover functional roles and responsibilities of ESPO 	<ul style="list-style-type: none"> • Lack of succession planning in place for relevant posts

PRINCIPLE F: Engaging with stakeholders to ensure robust public accountability

Under this principle, there is a requirement of ESPO to:

- Exercise Chairmanship through a robust scrutiny function which effectively engages all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service;
- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

Description of Governance Mechanisms – <i>Evidence and documents that demonstrate compliance / good practice</i>	Assurances received	Weaknesses identified: <i>Areas for improvement</i>
<ul style="list-style-type: none"> • Database of stakeholders • Annual report • Communication Strategy • Annual financial statements • Freedom of Information Act publication scheme • ESPO Website • Best practice standards in recruitment and staff terms and conditions 	<ul style="list-style-type: none"> • Full public annual report providing information on outcomes, achievements, satisfaction and progress against key priorities and plans. • ESPO recognise the importance to consult, involve and listen to stakeholders so that services can be improved and future plans made. • Communication strategy based on a brand survey. • The Account Statements set out the published statement of accounts of the Organisation year on year. The accounts have been produced in line with the various regulations that govern local organisation accounting. • Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that ESPO embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. FOI practices are in place to enable ESPO to meet obligations and aid understanding of public interests. • ESPO website is frequently used as a medium to inform and engage with the stakeholders and updates on the homepage direct users to key information. • Recruitment undertaken in accordance with policy and procedures. 	<ul style="list-style-type: none"> • Improve handling of FOI requests. • Update database of stakeholders • Improve links to LCC website for Committee papers and minutes.

3. REVIEW OF EFFECTIVENESS

ESPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within ESPO who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit Service's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA Governance Framework details the key sources of typical systems and processes that an organisation can adopt to ensure it has an effective system of internal control. Using this guidance ESPO can provide assurance that it has effective governance arrangements, which have been established through the following:

Code of Corporate Governance

The Director has a duty to monitor and review the operation of the Code of Corporate Governance and as part of this process the Director ensures an annual assessment of the Organisation's compliance with the Code of Corporate Governance is undertaken.

Internal Audit Service

Background

During the financial year 2012-13, Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit service to ESPO. LCCIAS conformed to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). The Code requires the Head of Internal Audit Service (HoIAS) to give an annual opinion on the overall adequacy and effectiveness of ESPO's internal control environment i.e. its framework of governance, risk management and control.

Governance related internal audit work

During the financial year 2012/12 a detailed audit of ESPO's approach to preparing its Annual Governance Statement (AGS) revealed areas for improvement. During 2012/13 based upon recommendations, relevant action has been undertaken to improve processes and this has been acknowledged by the HoIAS through the preparation of the current AGS

Implementation of the ESPO Change Programme, has included input by Member authorities, Servicing Authority specialists, ESPO management and LCCIAS and this has resulted in a stronger governance framework, with clear functions, roles, responsibilities and levels of delegation.

The formation and development of the Finance and Audit Subcommittee with its range of functions including receiving internal audit plans, reports and evaluations, has strengthened the governance, transparency and accountability of ESPO management, the Servicing Authority through the Consortium Treasurer and Secretary and the Head of Internal Audit Service.

The Head of Internal Audit Service has concluded based on the findings of work undertaken that overall, there has been a substantial strengthening of ESPO's governance arrangements and the general direction of travel for future governance arrangements is positive.

Risk management related internal audit work

During the year, detailed specific audits of ESPO's risk management framework and its business continuity arrangements were undertaken. Actions to implement improvement recommendations have been agreed and ESPO management has identified the area for continuing focus.

Other 'risk based' audits were conducted to ensure that ESPO management identifies, evaluates and manages risk to achieving its objectives i.e. ensuring controls are in place to reduce risk exposure. Examples included: processes for the financial vetting of suppliers; supplier performance monitoring; compliance with procurement directives; pre-employment checks and health and safety compliance. The HoIAS has concluded overall, that ESPO has a robust risk management framework but should continue to implement plans to improve awareness of risk management beyond strategic management level.

Internal Financial (and ICT) Controls related internal audit work

A number of financial system audits were undertaken on ESPO's general ledger activities and other operational financial systems. The HoIAS concluded overall that general assurance can be given that the operation and management of the core financial systems of ESPO are of a sufficient standard to provide for the proper administration of its financial affairs.

Risk management arrangements*Governance of Risk*

ESPO's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. In order for risk management to be most effective and become an enabling tool, ESPO must ensure a robust, consistent, communicated and formalised process is established.. The refresh of the framework aims to ensure that links to Departmental Risk Registers are strengthened, thereby ultimately improving the flow of risk information throughout the Organisation. This revision also included a refresh of the Corporate Risk Register and Risk Management Policy and Strategy – these along with supporting documentation, form an integrated framework that supports the ESPO in the effective management of risk.

The new structure will enhance the effectiveness of the current approach to managing risks by developing and applying a more quantitative approach to decision making processes throughout ESPO. In implementing a management of risk system, ESPO seeks to provide assurance to all our stakeholders that the identification, evaluation and management of risk play a key role in the delivery of our strategy and related objectives.

External Audit

ESPO's external auditors PricewaterhouseCoopers (PWC) gave detailed findings from their planned audit work of ESPO, to those charged with governance through:

Report to those charged with Governance

Under International Auditing Standards, external auditors are required to report to those charged with governance on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion.

Audit opinion for the 2011/12 Statement of Accounts, incorporating value for money conclusion

The audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. For 2011/12, ESPO's statement of accounts presented a true and fair view, in accordance with the relevant codes and regulation.

ESPO's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Organisation which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

ESPO is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Having regard to the guidance on the specified criteria by the Audit Commission, external auditors are satisfied that, in all significant respects, ESPO put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Organisational Governance and Performance Framework

The Senior Management Team receives a quarterly Organisational Governance Scorecard, which includes information relating to:

- Audit and risk management;
- Information issues;
- Procurement;
- Employee related information;

Annual Governance Assurance Statements

The annual review of effectiveness requires the sources of assurance, which ESPO relies on, to be brought together and reviewed from both a department and corporate view.

To ensure this Annual Governance Statement presents an accurate picture of governance arrangements currently in place, senior managers were required to complete a 'Governance Self Assessment', which provided details of the measures in place within their area to ensure compliance (or otherwise) with ESPO's Code of Corporate Governance. Where specific 'areas of improvement' were identified, these have been incorporated into an action plan for management to discuss and prioritise during the course of the next financial year.

In order to assist the Head of Internal Audit Service's opinion on the adequacy and effectiveness of the Organisation's governance arrangements, sample checking of the returns and supporting evidence was conducted. This included:

- Discussion on how the self-assessment was conducted, co-ordinated, discussed and signed;
- Follow up with Directors' to confirm their involvement;
- Selecting areas across the range of the six core principles to test if there is sufficient evidence to support a department's response;
- Quick interviews with re-elected Members;
- Quick surveys of staff to evaluate their knowledge of department and corporate principles, plans and policies.

Findings were reported to a senior management group and concluded the following:-

The Role of the Chief Financial Officer (CFO)

CIPFA has issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The statement sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them. The CFO of ESPO is also the CFO of LCC.

ESPOs' financial arrangements fully conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. As CFO, the Director of Corporate Resources is a key member of the ESPO servicing authority liaison committee and is responsible for the proper administration of ESPO's financial arrangements and leads a fully resourced and suitably qualified Strategic Finance Function. The CFO is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance and financial management across the Organisation.

The Role of the Head of Internal Audit

CIPFA has issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. The Head of the Internal Audit Service for ESPO is also the Head of the Internal Audit Service for LCC.

ESPO's Internal Audit Service arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*. The Head of Internal Audit Service (HoIAS) works with key members of the Senior Management Team to give advice and promote good governance throughout the organisation. The HoIAS attends the Finance and Audit Sub Committee and the Management Committee as and when required. The HoIAS also leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Organisation and external stakeholders, escalating any concerns and giving assurance on ESPO's control environment. The HoIAS has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance, risk management and internal audit across the Organisation.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

4. GOVERNANCE ISSUES

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that ESPO's overall financial management and corporate governance arrangements during 2012/13 are sound.

Progress on issues previously identified:

The table below describes the governance issues identified during 2011/12 and the progress made against this during 2012/13:

Issue	Update on position	Carry forward for 2013/14	Lead Officer
<ul style="list-style-type: none"> • Update the Constitution and Partnership Agreement including the introduction of a Code of Corporate Governance. • Sourcing arrangements with one or more other consortia including Government Procurement Service (GPS) • Introduction of improved risk management procedures • Better engagement of member authorities with key issues. 	<ul style="list-style-type: none"> • An updated Constitution and Partnership Agreement has been prepared and submitted to members for approval. A Code of Corporate Governance has been adopted. • A number of detailed discussions have been held with GPS and other PBO's. • Updated Risk Management Statement presented to Members March 2013. • Regular face to face meetings between the Director and Members. 	<ul style="list-style-type: none"> • Approval by individual Member Authorities • Continued development of these arrangements • Annual Review • Continuation of these arrangements 	<ul style="list-style-type: none"> Monitoring Officer Director Director Director

Whilst the review of effectiveness concluded ESPO's overall financial management and corporate governance arrangements during 2012/13 are sound, the assurance gathering process identified key corporate areas of improvement. Implementing actions to address these will ensure that identified weaknesses within ESPO's current control environment will be strengthened, and further enhance our overall governance arrangements.

The table below describes identified areas for improvements during the review period 2012/13 to carry forward for monitoring within 2013/14.

Key Improvement Area	Lead Officer	Deadline
<u>Complaints</u> Review complaints arrangements to ensure lessons learned flow through to department action plans.	Director	December 2013
<u>Benchmarking</u> Enhance benchmarking against other organisations by including cost base efficiency as well as competitive pricing.	Director	March 2014
<u>Value for Money</u> Improve VFM measures throughout the individual departments to ensure all stakeholders receive the best value for money service.	Director	December 2013
<u>Constitution and Partnership Agreement</u> Finalise agreement to Constitution and Partnership Agreement with individual Members.	Monitoring Officer	September 2013
<u>Scheme of Delegation</u> Improve scheme of delegation down to lower levels of management.	AD Finance	September 2013
<u>Internal Communication</u> Improve staff awareness of the various codes of conduct, customer care standards, Anti F&C Policy, Whistleblowing, Bribery and Officer and Member Protocol.	Director	September 2013
<u>Anti Fraud & Corruption</u> ESPO assesses itself against the Audit Commission's 'Protecting the Public Purse' (PPP) and the National Fraud Authority (NFA) Counter Fraud checklist to increase understanding of fraud exposure and direct potential improvements. Refreshing and aligning ESPO's existing policy, strategy and procedures to guidance within the NFA Fighting Fraud Locally, Local Government Fraud Strategy, will enhance arrangements to create fraud awareness and further emphasise ESPO's zero tolerance towards fraud.	Director	September 2013
<u>Risk Management</u> Improve risk management awareness throughout the organisation and continue to embed risk management at operational level.	AD Finance	September 2013
<u>Succession Planning</u> There is a lack of succession planning for key posts. A review of key roles and responsibilities will be undertaken	Director	December 2013
<u>FOI requests</u> Improve handling of FOI requests such that a more robust procedure is in place.	Director	September 2013
<u>Stakeholder Database</u> Prepare database to ensure all areas of public accountability is properly administered.	Director	September 2013
<u>Improve links to LCC website for Committee papers and minutes.</u> Development and maintaining of ESPO website to establish a direct link to the LCC website to ensure that relevant Committee papers and minutes can be accessed and viewed	AD Finance	December 2013

5. CERTIFICATION

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 4. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

John Doherty
Director

Councillor S Rawlins
Chairman, ESPO Management Committee



ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2012-13

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. To provide the Management Committee with an annual report on internal audit work conducted during 2012-13.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs.
3. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) to provide internal audit for ESPO. LCCIAS must conform to internal audit professional standards. For 2012-13 these were the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code).
4. The Code requires the Head of Internal Audit Service (HoIAS) to provide a written report to those charged with governance, this is timed to support the preparation of the Annual Governance Statement, a draft of which is presented elsewhere on the agenda for this meeting. The HoIAS annual report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment and present a summary of the audit work from which the opinion is derived.
5. This report precedes the final draft of the Annual Governance Statement being presented to the Management Committee at its meeting in September, alongside the Statement of Accounts.

Internal Audit Service Annual Report

6. The annual report for 2012-13 is provided in Appendix 1.
7. The report contains the HoIAS annual opinion on the overall adequacy and effectiveness of ESPO's internal control environment i.e. its framework of governance, risk management and control. Appendix 2 explains what the "internal control environment" covers. The HoIAS opinion combines an objective assessment, based on the results of individual audits undertaken and actions by

management thereafter, and the professional judgement of the HoIAS based on his evaluation of other related activities.

8. For 2012-13, whilst recognising further improvements are required, positive opinions were given in all three areas of the framework of governance, risk management and control.

Consideration by the Finance and Audit Subcommittee

9. The Finance and Audit Subcommittee considered and noted the Internal Audit Service Annual Report on 3 June 2013.
10. During discussion on progress made against the Internal Audit Annual Plan 2012/13, the Subcommittee noted that an audit of Business Continuity had been undertaken during 2012/13. The purpose of the audit had been to give assurances that arrangements were in place to ensure acceptable continuation of critical functions in the event of system failures or emergencies.
11. Members were advised that ESPO had responded quickly to recommendations arising from this audit and asked for outcome to be reported to the Management Committee for information. Further details in respect of the audit will be reported at the meeting.

Resources Implications

12. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
13. The 200 planned days was exceeded by 10 due to the unplanned impact of servicing the Finance and Audit Subcommittee and additional time taken to close some audits. The total charge was £58,800.

Recommendation

11. That the Management Committee notes the Internal Audit Service annual report for 2012-13.

Equal Opportunities Implications

12. There are no specific equal opportunities implications contained within the annual summary of work undertaken.

Background Papers

Accounts and Audit Regulations (Amendment) 2011
 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
 Report to Finance and Audit Subcommittee on 3 June 2013 - Internal Audit Service Annual Report 2012-13

Circulation under Sensitive Issues Procedure

None

Officer to Contact

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Appendices

Appendix 1	-	Internal Audit Service work during 2012-13
Appendix 2	-	The Internal Control Environment - a summary explanation

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ESPO

Leicestershire County Council Internal Audit Service Annual Report 2012-13



**Neil Jones CPFA, Head of Internal Audit Service,
Leicestershire County Council**

May 2013

LEICESTERSHIRE COUNTY COUNCIL
INTERNAL AUDIT SERVICE
ANNUAL REPORT 2012-13

Overall Opinion

The CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) requires the Head of Internal Audit Service (HoIAS) to provide an opinion on the overall adequacy and effectiveness of ESPO's internal control environment i.e. its framework of governance, risk management and control. Based on an objective assessment of the results of individual audits undertaken and actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, the following opinions have been drawn:-

Governance: -

There has been a substantial strengthening of ESPO's governance arrangements and the general direction of travel for future governance arrangements is positive.

Risk management: -

ESPO has a robust risk management framework and plans to improve awareness of risk management beyond strategic management level.

Internal financial and ICT controls: -

General assurance can be given that the operation and management of the core financial systems of ESPO are of a sufficient standard to provide for the proper administration of its financial affairs.

A summary of the work undertaken by Leicestershire County Council Internal Audit Service (LCCIAS) during 2012-13 is detailed below.

Audit Requirement

Consortium Treasurer responsible for arranging continuous audit

Under ESPO's constitutional arrangements (recently reviewed as part of a fundamental change programme) the role of the Servicing Authority (Leicestershire County Council) and that of the Consortium Treasurer is defined. This states that Leicestershire County Council (the County Council) as the servicing authority, continue to provide financial support services (including internal audit) to ESPO.

Background

Leicestershire CC internal auditors carry out the work

The internal audit of EPSO is carried out by Leicestershire County Council's Internal Audit Service (LCCIAS). Auditors work closely with the external auditor PricewaterhouseCoopers (PwC) so as to minimise duplication.

Giving assurance on ESPO's internal control environment

The primary objective of internal audit is to provide Members, the Consortium Treasurer (the Treasurer) and Consortium Secretary and the Director of ESPO (the Director) with independent and objective assurance on the overall adequacy and effectiveness of ESPO's internal control environment i.e. the framework of governance, risk management and internal control

Responsibility in respect of the control environment

It is the Director's responsibility to design, install and operate adequate arrangements for governance, risk management and internal control within appropriate constitutional frameworks; and to identify, assess and manage risks that are significant to the achievement of ESPO's objectives.

As internal auditors, LCCIAS provides independent and objective assurance to the Finance and Audit Subcommittee, the Treasurer and the Director that ESPO is doing so successfully for each of the areas audited, and reports its findings, conclusions and recommendations accordingly.

Wide scope of audit coverage

The methodology used to assess the need for internal audit coverage reflects the increasing emphasis being placed on governance and risk management.

Plan for audit coverage assessed using risk based methodology

For 2012-13 LCCIAS audit planning methodology comprised reviewing and updating the 'audit universe' (a list of auditable entities) and applying the internally designed risk scoring/ranking system 'MILE'. Emphasis was placed on risk factors, namely materiality; risk likelihood; its impact and known reductions in risk exposure. Scores derived from the analysis were used to rate the relative importance of a number of different headings such as governance arrangements, income, procurement etc

"Joint audit" work with PwC

Part of the annual internal audit plan for ESPO requires that LCCIAS conducts annual audits on key elements of the general ledger and IT systems. These audits are undertaken in consultation with ESPO's External Auditors (PWC) to assist in their responsibility to form an opinion that ESPO's financial accounts are not materially misstated. PWC determines that the quality and scope of LCCIAS work is sufficient to contribute positively to ESPO's overall control environment and to allow them to place reliance on LCCIAS work.

Risk based auditing

LCCIAS uses a number of techniques to reach its opinions on what level of assurance can be provided that risks are being identified, evaluated and managed. Much work will be based around a "risk based" audit. With this technique key risks (based on likelihood and impact) are identified and agreed at the start of the audit. The quality of controls to mitigate these risks is then tested

High importance recommendations

Following testing, where risk levels are considered still to be significant, (in line with ESPO's own risk scoring methodology), then recommendations are designated as High Importance (HI). Action taken to implement the recommendation is always re-tested by LCCIAS.

ESPO member involvement

The Finance & Audit Subcommittee receives audit reports i.e. annual plan, quarterly progress against the plan (including progress against implementing HI recommendations), annual report (including the HoIAS opinion) and the review of effectiveness of the system of internal audit.

Summary of Work

Audits undertaken in 2012-13	Work undertaken during the year is listed below.
Stock (complete 12-13)	Objective was to provide assurance that the financial information held on the warehouse system and the general ledger with regard to stock were aligned. Recommendations around surplus/deficit thresholds; management information; operational processes and monitoring and performance information were agreed.
Rebates Phase 2	Objective was to ensure that for a sample of suppliers, the levels of turnover indicated by the suppliers and consequently the level of rebate paid to ESPO by the supplier were accurate. One recommendation around following up any discrepancies was agreed to be implemented.
Warehouse Picking System	Objective was to obtain and evaluate key performance indicators currently in operation/available and to subsequently measure these against the new Indigo system (Stage Two 12/13 audit) in order to ascertain if the key deliverables of the project have been achieved. One recommendation around developing key performance indicators was agreed to be implemented.
Annual Governance Statement	Objective was to ensure that there were adequate arrangements in place to demonstrate compliance to the principles of good governance outlined in the CIPFA/SOLACE Framework. The one HI recommendation (to improve the process for the 2012-13 compilation) was accepted and progress has been made.
Supplier Performance	Objective was to provide assurance that arrangements were in place to ensure poor supplier performance was identified, monitored and managed effectively. A number of recommendations around improving complaints procedures and customer relationship records; introducing satisfaction questionnaires; management information and key performance indicators and targets and escalation procedures were all agreed to be implemented

Health & Safety	Objective was to ensure that ESPO assesses and monitors that it is compliant with Health & Safety requirements & legislation and, in particular, that the recommendations coming from the LCC review of Health & Safety (March 2012) had been fully considered and, where appropriate, implemented. Recommendations relating to regular reviews of policies; records of checks; proactive risk management and reviewing first aid cover were all agreed to be implemented.
Risk Management	Objective was to confirm that there is an effective risk management framework in place within the organisation. Recommendations relating to reviewing policy; reporting arrangements; alignment to business priorities; quarterly reporting training and guidance and publicity were all agreed to be implemented.
E-tendering	Provided advice on audit trail requirements in tender documents and reviewed and commented on applicants' submissions
Financial Vetting	Objective was to ensure that procedures for the financial vetting of suppliers were being followed in line with guidance provided. Recommendations included establishing a process to determine for which contracts it is necessary to continue to review financial stability on a regular basis; changes to wording within tender documentation to assist understanding; reporting results and monitoring consistent compliance.
Legislation Compliance	Reviewed a sample of contracts and projects to show that external legislation and ESPO directives had been correctly applied in relation to the tendering process e.g. advertisement, tender receipt & opening, tender award. Recommended improved records and document retention.
Rebates (processes)	Evaluated progress against implementing the previous year's audit HI recommendations.
General Ledger	A programme of work on the key financial systems; to give assurance on the completeness and accuracy of the 2012/13 General Ledger. The programme has to be agreed with the External Auditor since the outcomes assist their annual assessment of the likelihood of material misstatement in ESPO's financial accounts. Found that accounting procedures were being applied to ensure the completeness and accuracy of the General Ledger.

Business continuity arrangements	The objective was to provide assurance that arrangements were in place to ensure acceptable continuation of core activities in the event of system failures or emergencies. One HI recommendation to define business critical services was agreed
Debtors	Objective was to provide assurance that debt recovery processes were robust and write-offs are valid and appropriately authorised. Recommendations were made to improve controls but none were deemed high importance.
Rebates (supplier verification)	Objective was to give assurance that for a sample of suppliers, the levels of turnover indicated by the suppliers and consequently the level of rebate paid to ESPO by the supplier were accurate.
Stock	Objective was to provide assurance that there were robust systems for receipts into, movements within and issues from stores and, that issues were supported by sales ledger invoices. Deferred pending further development of the Indigo stock management processes and will be picked up in the 2013-14 audit plan.
Pre-employment checks	Objective was to give assurance that pre-employment procedures in relation to Agency staff were robust in relation to the confirmation of: relevant qualifications, driving licenses and right to work. Found that processes were robust
Trading information	The objective was to ensure that the trading results provided by ESPO, both for internal use and reported to the Management Committee, were well founded in its General Ledger. Found that there was an adequate trail to the General Ledger.

Person to Contact about this Report

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The internal control environment

CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) defines the internal control environment as: -

Comprising the systems of governance, risk management and internal control.

The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

The International Auditing Standard (315) also states that it encompasses the following:-

- Communication and enforcement of integrity and ethical values
- Commitment to competence [including ensuring the required level of knowledge and skills]
- Participation by those charged with governance [this includes audit committee members or its equivalent]
- Management's philosophy and operating style [including monitoring business risk]
- Organisational structure [to achieve its objectives]
- Assignment of authority and responsibility
- Human resources policies and practices

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ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

PROGRESS REPORT OF THE DIRECTOR

Purpose of Report

1. The purpose of this report is to update members on the actions and progress made since the last Management Committee meeting on 7 March 2013.

External Activities and Developments

2. The Pro5 Directors met on 9 May to consider the current mode of operation and its effectiveness in achieving national procurement contracts for the benefit of its individual stakeholders. They also considered other national challenges and the changing commercial dynamic of the members which, coupled with the recent OFT ruling on competition, has resulted in Pro5's previous memorandum of understanding becoming increasingly outdated. Pro5 has resolved to reconsider its role and its priorities before meeting again on 19 June.
3. ESPO's relationship with GPS continues to progress. In a recent meeting with GPS it was acknowledged that collaboration cannot be a "one size fits all" solution to procurement. ESPO's priorities need to remain those of its members and its customers and whilst working with GPS can bring synergies and the great benefits derived from scale, it also comes with the risk of foregoing regional and SME focus. Any collaboration has to consider all of these issues and where it is right to do so ESPO should recognise its own individual solutions must be put in place.
4. A key development is the change in leadership at GPS. The current Managing Director is leaving and the existing Deputy Chief Procurement Officer will take on the role of Acting Managing Director. A meeting is being arranged for her and the GPS Chair to meet with Pro5.
5. The LGA's National Procurement Strategy has still not been formally published, however certain work streams are starting to evolve including: ICT, Energy, Construction and Social Care. Pro5 has not been approached as an entity but ESPO has contacted the leads of each of these work streams to offer its expertise and support in the development of these areas.
6. An outline proposal for ESPO/GPS/YPO to become the procurement partner of the Chief Fire Officers' Association (CFOA) was submitted in early May, followed by a detailed proposal on 24 May. CFOA are now in the process of evaluating the various proposals received.
7. Meetings with the LCSG/London Heads of Procurement Network and the Procurement East Network (PEN) continue, as does their interest in, and usage of, ESPO standard or bespoke solutions.

8. ESPO has exhibited at the Academies Show (February 2013) and the Public Sector Show (April 2013) which I took the opportunity to attend. ESPO was also present at World Class Procurement in the NHS (April 2013). Public sector exhibitions continue to prove excellent marketing vehicles for ESPO and its partners.
9. Members may be aware that the Cabinet Office instigated a supplier feedback service in 2011 regarding public procurement issues. The Supplier Feedback Service is an informal service which exists to provide suppliers and others concerned with public procurement a route to raise concerns about procurement processes and practices. As part of this service the Government introduced a Mystery Shopper Scheme. The web link below sets out its scope, remit and results if members wish to explore further:

<https://www.gov.uk/doing-business-with-government-a-guide-for-smes#mystery-shopper-scheme>
10. ESPO was contacted recently regarding the Lincolnshire Print Services Contract and Pro5 Consultancy Services tenders. There was criticism regarding the cumbersome nature of elements of the procurement process. By its nature, the process can be cumbersome, but where possible ESPO will continue to seek ways make it process more accessible. We continue to assist the Cabinet Office to answer the enquiries made by the suppliers who, by definition, remain anonymous throughout the process.

Academies

11. ESPO acknowledges the strategic importance of Education customers and the conversion by schools to academies is a high priority for the organisation. Members have previously asked for ESPO's progress in respect of its work with academies to be regularly reported on. Appendix 1 sets out in detail ESPO's work in this sector.

Internal Developments

Procurement and Marketing Restructure

12. As previously advised, the restructure process was completed in April 2013 and during May we have undertaken recruitment exercises to fill vacant posts, with new starters commencing in July.
13. Following the successful Change Workshops held in May (designed and delivered by Leicestershire County Council Learning and Development team) a further rollout of facilitated Workshops for teams to develop and embed strategic objectives is planned over the summer months.
14. Letters communicating the restructure changes to our customers and suppliers were issued week commencing 10 June, referring them to our website for updated contact information. Details of the contacts lists can be found using the following link: www.espo.org/restructure

Audit Reports

15. A number of audit reports have been issued in the period since the last ESPO Management Committee but no 'High Importance' recommendations have been received.
16. The Internal Audit Annual Members' Report is presented elsewhere on the agenda for this meeting.

P-Cards

17. The system is operational and has been tested in a live environment with Leicestershire County Council. It is now ready to be rolled out to all users with live interest from Coventry City Council and Lincolnshire County Council. This facility is available to all member authorities and engagement is expected to achieve payback on the £30k investment in the project.

Indigo Warehouse Management System

18. During the week commencing 3 June 2013, with the help of Indigo's consultants, ESPO processed orders through the new system at the same rate as it can pick and pack orders through the existing Aurora paper-based system.
19. The Indigo capacity during this period was approximately 30% of total output and we intend to continue to process orders with this dedicated Indigo trained team throughout the peak period.

Sickness Absence

20. ESPO is continuing to manage the sickness levels experienced in 2012/13, with a dedicated HR advisor proactively contacting ESPO line managers to discuss any attendance issues being experienced with their staff.

Supplementary Information Informing the Progress Report

21. Further information of a commercially sensitive nature which informs this report is contained under Item 14 (Exempt Report), on the agenda for this meeting.

Resources Implications

22. None arising directly from this report. Where particular projects are referred to, such as p-cards, these are referred to within the budgeted lines for the budget 2013/14.

Recommendation

23. Members are asked to note the contents of the report.

Equal Opportunities Implications

24. None

Risk Assessment

25. Not applicable

Background Papers

26. None.

Officer to Contact

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Appendices

Appendix 1 – Briefing Note on Academies

Briefing Note - Academies

Members asked that the Director set out ESPO's progress with its work on academies both nationally and within Consortium areas.

Internal changes

1. ESPO has made a number of internal changes in recognition of schools moving away from local authority control under the Government Academies Programme. These include a restructure within the Marketing Division to develop an education specific team focused on schools and academies, and the creation of an Education Category Team within the Procurement Division. This team will work with the procurement category teams to ensure future procurements recognise the changes in the education market. This includes the type of goods and services previously provided by the local authority but are now to be procured directly by the academies. It also includes frameworks that may previously have been used by a few large local authority customers with high volume requirements, but will now be used by a multitude of customers with smaller individual needs, so will need to develop to reflect the change in the customer profile.
2. Of particular interest is our involvement with the National Association of School Business Managers (NASBM). We have held a number of seminars in Nottinghamshire promoting ESPO's academy offering and this has resulted in interest from other NASBM locations.

External changes

3. External marketing activity has focused on events such as the Academies Show (held twice a year, once in London and once in Birmingham) which is targeted at schools that are about to convert or have already converted. The shows have been very well attended which is encouraging. The format of these shows is that they offer free entry to schools, a free to attend seminar programme intended to offer support to the schools, and an exhibition area where suppliers can promote their services. ESPO took an exhibition stand, as did a number of local authorities, to promote service provision. Of note is the number of private sector organisations at the shows seeking to sell their services to academies – which focuses the need for ESPO, and its member local authorities, to remain competitive and stress the benefits of public sector procurement to academy customers.

ESPO frameworks

4. Support services such as HR, payroll, etc, have traditionally been provided to schools via their local authority. Some local authorities are indicating that they intend to continue to trade with academies for the provision of services whereas others will not. ESPO is planning to introduce a framework for the provision of such back office services and will be commencing engagement with local authorities shortly to assess their interest in becoming involved.
5. Feedback from academy customers has fed into the development of a number of ESPO/Pro5 frameworks, eg Grounds Maintenance and Cleaning Services to facilitate the provision of these services by external suppliers. Local authorities have been able to submit tenders for consideration with

some success, eg Leicestershire County Council is listed as a supplier on both the frameworks referred to above.

6. The framework for Insurance Services has now been awarded and has already created a large amount of interest from the academy marketplace. To back this up we have recently held two insurance events for customers to learn more about the contract. These took place at EXPO and Cambridge.

Loyalty discount

7. For schools and academies that register on the Academies website we have introduced a loyalty discount to be paid at the end of the financial year. This is to encourage our Education customers to provide feedback and usage of our framework contracts.

Savings

8. The Department for Education are seeking to identify £1bn savings, and they see procurement efficiencies as a key driver to help achieve this target. In May 2013 the Schools Commercial Team within the DfE issued a survey to ESPO asking for information about our procurement activity relating to schools. Our response, which included a number of examples of savings achieved by schools using a cross section of ESPO frameworks, was well received, prompting the following response: *"Thanks for an excellent response. I hadn't realised the amount of savings that were generated from ESPO frameworks and activity. Grateful for the case studies, the examples of savings across categories, response about barriers and for providing some really helpful information"*.
9. It is perhaps worth noting that whilst school customers know ESPO for its stores catalogue and the value it represents, they are not always as aware of the potential savings that can be gained by using the direct supply frameworks for goods and services. This issue equally relates to local authority customers who may be considering outsourcing or external commissioning as ways to mitigate the effects of budget cuts. Framework solutions may, in many cases, already be in place to facilitate policy changes without the need to go through lengthy procurement exercises. This could be for something as simple as the PAT Testing of electrical equipment, for which the ESPO call-off framework identified 54% savings for Cambridgeshire County Council, or could be more complex frameworks for services such as social care. This presents a potential marketing opportunity for ESPO as the public sector seeks to find ever more imaginative ways to reduce expenditure whilst maintaining service levels.



ESPO MANAGEMENT COMMITTEE – 27 JUNE 2013

**PROPOSAL TO CALCULATE DIVIDEND DISTRIBUTION BASED ON
MEMBER TURNOVER INCLUDING ACADEMIES**

JOINT REPORT OF THE CONSORTIUM TREASURER AND DIRECTOR

Purpose of Report

1. To consider the impact of moving to a method of calculating the dividend distribution based on member turnover including academy spend, rather than excluding academy spend.
2. The possibility of moving to a basis inclusive of academy spend was raised by members at the ESPO Management Committee on 27 September 2012. This report sets out the impact of such an approach.

Background of Academy Programme

3. The Coalition Government has been encouraging the creation of academies throughout England and Wales since it came to power in 2010. The pace of conversion away from local authority control has varied county by county.
4. Central Government is seeking to maximise the programme of school to academy conversion, whether by choice; being put into special measures; or the desire to seek and control incremental funding.
5. Historically the allocation of the dividend from ESPO has been calculated on the basis of local authority spend exclusive of spend by academies, as academy budgets are not under local authority control. The proportion of spend attributable to education is shown in the Appendix to this report.
6. The pace of converting to academy status is not under local authority control and clearly varies by local authority and school type. On-going relationships and engagement between individual members and academies in their areas is also likely to differ in the future. As at April 2013 there were 2879 academies in England out of 21,832 educational institutions. In April 160 schools converted to academies although it is likely that the pace of change could accelerate as we come closer to 2015 and the General Election.

Impact of Moving to Dividend Distribution Based on Member Turnover including Academies

7. The basis of calculating the impact of moving to the new dividend distribution model is the forecast out-turn as presented to members for 2012-13 at the March Management Committee meeting.
8. Each member authority's spend, exclusive and inclusive of academies, is presented in the Appendix. This is for both Stores sales and Directs.
9. The summary impact is shown in the table below based on the forecast dividend available for distribution for 2012-13, noting that the overall dividend distribution would remain unchanged:

	<u>2012-13</u>	<u>2012-13</u>	
	<u>Proposed</u>	<u>Proposed</u>	
	<u>Distribution</u>	<u>Distribution</u>	<u>Excluding</u>
	<u>incl Academies</u>	<u>excl Academies</u>	<u>academies at 80%</u>
			<u>Conversion</u>
Cambridgeshire	230,816	226,421	227,480
Leicester City	179,724	212,827	194,431
Leicestershire	223,669	209,067	218,206
Lincolnshire	268,848	232,793	257,817
Norfolk	312,738	332,367	319,672
Peterborough City	83,410	85,062	83,189
Warwickshire	206,861	207,529	205,271
Total	1,506,066	1,506,066	1,506,066

Consideration by the Chief Officer Group

10. The Chief Officer Group considered this issue at its meeting on 22 May 2013 and resolved to recommend to the Management Committee to change the dividend distribution model to one based on total educational spend including academies, the proposal being effective for 2012-13 and to last for three years up to 2015-16 prior to review as necessary.

Resources Implications

11. None. The overall dividend distribution to Consortium Authorities will remain unchanged as a result of the proposal.

Recommendation

12. The Management Committee is recommended to change the dividend distribution model to one based on total educational spend including academies, the proposal being effective for 2012-13 and to last for three years up to 2015-16 prior to review as necessary.

Equal Opportunities Implications

13. None

Risk Assessment

14. None

Officers to Contact

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Appendices

Appendix - Analysis of Member Spend – Including Academies

Analysis of Member Spend – Including Academies

STORES and OT (12 Months) MARCH 2013 INCLUDING ACADEMIES

	Non - Education			Education			Totals		
	LYTD	TYTD	% Var	LYTD	TYTD	% Var	LYTD	TYTD	% Var
Cambridgeshire	458,181	460,100	0.41	2,140,225	2,331,099	8.92	2,598,406	2,791,199	7.42
Leicester City	1,027,339	816,901	-20.48	1,351,124	1,448,521	7.21	2,378,463	2,265,422	-4.75
Leicestershire	498,588	432,973	-13.16	2,411,730	2,340,511	-2.95	2,910,318	2,773,484	-4.70
Lincolnshire	274,498	182,124	-33.65	2,977,939	3,168,054	6.38	3,252,437	3,350,178	3.01
Norfolk	739,285	355,949	-51.85	3,303,644	3,420,116	3.53	4,042,929	3,776,065	-6.60
Peterborough	50,128	55,426	10.56	843,293	905,303	7.35	893,421	960,729	7.53
Warwickshire	407,760	353,227	-13.37	2,131,279	2,166,113	1.63	2,539,039	2,519,340	-0.78
Member Total	3,455,779	2,656,700	-23.12	15,159,234	15,779,717	4.09	18,615,013	18,436,417	-0.96
Others	6,105,254	6,029,007	-1.24	12,839,301	15,379,986	19.79	18,944,555	21,408,993	21.18
Totals	9,561,033	8,685,707	-9.16	27,998,535	31,159,703	11.29	37,559,568	39,845,410	6.09
Phonics DfE MF					260,342				
Total inc MF					31,420,045	12.22		40,105,752	6.78

DIRECT (12 Months) MARCH 2013 INCLUDING ACADEMIES

	Non - Education			Education			Totals		
	LYTD	TYTD	% Var	LYTD	TYTD	% Var	LYTD	TYTD	% Var
Cambridgeshire	194,962	139,824	-28.28	1,182,686	1,281,346	8.34	1,377,648	1,421,170	3.16
Leicester City	543,705	376,866	-30.68	613,336	582,120	-5.09	1,157,041	958,986	-17.12
Leicestershire	292,536	237,844	-18.69	1,115,540	1,030,754	-7.60	1,408,076	1,268,598	-9.91
Lincolnshire	165,825	93,778	-43.44	1,237,961	1,403,990	13.41	1,403,786	1,497,768	6.69
Norfolk	253,698	267,859	5.58	1,374,425	1,667,560	21.33	1,628,123	1,935,419	18.87
Peterborough	23,487	25,764	9.69	438,101	564,703	28.90	461,588	590,467	27.92
Warwickshire	165,104	161,534	-2.16	1,050,135	1,082,179	3.05	1,215,239	1,243,713	2.34
Member Total	1,639,317	1,303,469	-20.49	7,012,184	7,612,652	8.56	8,651,501	8,916,121	3.06
Others	4,405,069	3,739,901	-15.10	5,830,019	7,899,110	35.49	10,235,088	11,639,011	13.72
Totals	6,044,386	5,043,370	-16.56	12,842,203	15,511,762	20.79	18,886,589	20,555,132	8.83
Phonics DfE MF					2,486,013				
Total inc MF					17,997,775	40.15		23,041,145	22.00
Grand Totals	15,605,419	13,729,077	-12.02	40,840,738	46,671,465	14.28	56,446,157	60,400,542	7.01
Total inc Phonics MF					49,417,820	21.00		63,146,897	11.87
Phonics vouchers					-290,663				
Grand Total					49,127,157	20.29		62,856,234	11.36

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