

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 29 June 2022.

PRESENT

Lincolnshire County Council

Cllr. S. Rawlins

Cllr. A. Hagues

Peterborough City Council

Cllr A. Coles

Cllr O. Sainsbury

Leicestershire County Council

Mr. J. Poland CC

Warwickshire County Council

Cllr. R. Baxter-Payne

APOLOGIES:

Apologies were received from Cllr Peck and Cllr Jamieson (Norfolk County Council), Cllr W. Fitzgerald (Peterborough City Council, substituted by Cllr. O. Sainsbury), Cllr. P. Butlin (Warwickshire County Council) and Mrs. M. Wright CC (Leicestershire County Council).

IN ATTENDANCE:

Cambridgeshire County Council

Cllr. B. Goodliffe (Cambridgeshire County Council – Online)

Cllr. S. Ferguson (Cambridgeshire County Council - Online from item 13)

Grant Thornton (Minute 7 refers)

Andy S. Reid (Online)

ESPO

Kristian Smith - Director

David Godsell – Assistant Director

Matt Selwyn-Smith – Assistant Director

Dave Goodacre – Financial Controller

Leicestershire County Council

Lauren Haslam – On behalf of Consortium Secretary

Declan Keegan – On behalf of Consortium Treasurer

Neil Jones – Head of Internal Audit Service

Matt Davis – Internal Audit Manager

Mo Seedat – Head of Democratic Services

Cat Tuohy – Democratic Services Officer

56. Appointment of Chairman.

In the absence of the Chairman and Vice-Chairman Cllr. S. Rawlins was appointed Chairman for the duration of the Meeting.

Cllr. S. Rawlins in the Chair

57. Chairman's Announcements.

The Chairman thanked Cllr. Butlin for his work as Chair of the Management Committee for the period June 2021 to May 2022. During his period of office Cllr Butlin had overseen the following:

- Introduction of a new flexible working environment for ESPO staff making best use of space & technology
- A trading surplus of 5.6m despite the macro circumstances faced, meaning a year on 'bounce back' of £1m surplus growth from 2020-21.
- ESPO Trading Ltd returned a profit for ESPO Trading Ltd after only its third full year of trading.
- ESPO's procurement services generated a record rebate of over £9m
- Approval of a 26000 sq ft warehousing extension to the Grove Park including mobilisation of contractors and project board to deliver in time for the 2024 peak trading period
- Progression of the business development agenda including 'MySchoolFund' partnership with Sainsbury's, launch of 'Smarter Solutions' branding use of ESPO frameworks for a wider customer group and growth into Scotland via Scotland Excel framework place.
- The pilot of electric delivery vehicles into ESPOs fleet

Members of the Committee echoed the Chairman's comments and thanks.

58. Election of Vice-Chairman.

Mrs. M. Wright CC was appointed Vice-Chairman for the municipal year ending April 2023.

59. Minutes of the previous meeting.

The minutes of the meeting held on 16 March 2022 were taken as read, confirmed, and signed.

60. Urgent items.

There were no urgent items for consideration.

61. Declarations of interests.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

62. Items referred by the Finance and Audit Subcommittee.

There were two items referred by the Finance and Audit Subcommittee, concerned in items 10 - Internal Audit Service – Annual Report 2021-22 (minute 10) and 14 Draft Outturn 2021-22 (minute 14).

63. External Audit of the 2020/21 Financial Statements.

The Committee considered a report from the external auditors, Grant Thornton covering the 2020/21 Financial Statements, together with a letter of representation from the Consortium Treasurer. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Andy S. Reid from Grant Thornton, to the meeting.

Arising from the discussion the following points were made:

- i. As part of the 2019/20 financial statements ESPO received a qualified opinion as Grant Thornton had not been able to attend the stock check in person, meaning they were unable to apply what was required by the Audit Standards. As a result, the 2020/21 accounts had also received an unqualified opinion due to absence of an opening balance position. Members were assured that the qualified opinion was not unique to ESPO and had occurred on other audits across other public sector organisations such as NHS Trusts.
- ii. Grant Thornton had identified three misstatements, one that had been adjusted to reclassify interest costs from administrative expenses, and two unadjusted misstatements which related to the application of depreciation to revalued buildings and a prior year unadjusted misstatement that related to a cut off issue between 2018/19 and 2019/20. These were not deemed significant or material to have an impact on the 2020/21 statements. No significant control issues or areas of concern.
- iii. Grant Thornton informed the Committee that overall the quality of information was good, and ESPO had cooperated and provided good access and prompt responses to queries.

The Committee noted this was the final year of Grant Thornton's External Audit service for ESPO, as new auditors had been appointed. Details of the new audit arrangements were set out in the report to the Committee in November 2021. Members were informed that ESPO would be back on track with its reporting from the September meeting of the Management Committee. While ESPO was not bound by reporting deadlines, it was considered part of good governance to provide timely assurance to the Committee and Member Authorities.

APPROVED.

That the external audit of the financial statements 2020/21 be approved.

64. 2020/21 Financial Statements and Annual Governance Statement

The Committee considered a report of the Director and Consortium Treasurer which reported on the 2020/21 Accounts and Annual Governance Statement. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The dividend of £3.3m had been distributed to Member authorities at the end of 2021 for the 2020/21 surplus.
- ii. Though ESPO was not bound to produce an Annual Governance Statement, it was considered part of good governance to provide additional assurance to the Committee, alongside the financial accounts and external audit.
- iii. ESPO were mindful of potential volatility in the economy and the impact of inflation on its working capital. Historically, the Management Committee's approach was to retain surplus which provided resilience against potential risk factors.
- iv. ESPO were part of the Leicestershire County Council Pension Fund LGPS. As of 31 March 2021, ESPO held a net deficit of £26.7m, which would be repaid over the long-term, and was factored into the Medium-Term Financial Strategy and formed business as usual for ESPO.

RESOLVED:

That the Statement of Accounts and Annual Governance Statement for 2020/21 be approved.

65. Internal Audit Service - Annual Report 2021-22.

The Committee received a report of the Consortium Treasurer on the Internal Audit Report 2020/21. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Head of Internal Audit (HoIAS) informed the Committee that aside from the partial assurance rating on cyber security arrangements, no other significant governance, risk management or control failings had been come to his attention. Therefore, substantial assurance had been given, and ESPO's control environment overall remained adequate and effective.

There were three high importance recommendations in the Cyber Security Audit Report, which had been accepted by ESPO. The HoIAS was confident, having spoken to senior managers, that the issue was well understood, and work was already underway to mitigate the risk, and Internal Audit would follow up progress in the next quarter.

The HoIAS informed the Committee that three planned audits had been cancelled during 2021-22 due to other work prioritisation, or certain audits taking longer. The previously planned audits would either be deferred or risk assessed during 2022/23 to consider continued relevance.

The Committee noted that the ESPO Senior Management Team met regularly with the Consortium Treasurer and the HoIAS at Leicestershire County Council to review the findings of audits. Members were assured that any high assurance recommendations would be reported to the Management Committee.

RESOLVED:

That the Annual Internal Audit Report 2021/22 be approved.

66. Director's Progress update.

The Management Committee gave consideration to a report of the Director which provided an update of the actions and progress made since the previous ESPO Management Committee held on 16 March 2022. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

In response to a question on recruitment the Director informed the Committee that ESPO did not look to target specific demographic groups, though they did tend to target local universities to recruit graduates. It was noted that ESPO were looking to engage a recruitment coordinator who would focus on recruitment opportunities, as well as understand any barriers for those who did not wish to join ESPO.

ESPO employed between 300 and 350 staff, which increased during summer months. Throughout ESPO there were pockets of vacancies, such as within procurement, given the high demand for procurement professionals across the sector. Demand for drivers also continued, for which ESPO had worked with Leicestershire County Council and deployed a market supplement to bolster and maintain recruitment. Members were assured ESPO monitored the employment carefully across the business.

RESOLVED:

That the report be noted.

67. Exclusion of Press and Public.

RESOLVED:

That under Section 100 (A) (iv) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that it will involve the disclosure of exempt information as defined in the Act and that in all of the circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

68. Directors Supplementary Information.

The Committee received an exempt report from the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 13', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

Arising from the discussion the following points were noted:

- i. New proposed procurement rules would present a significant shift from the European Union Rules. ESPO were aware of the changes and would continue to monitor and plan for any challenges ahead.
- ii. ESPO were customer led, and continued to see demand for paper catalogues, exercise books and paper generally within schools. The Committee were assured that ESPO managed their suppliers and stock closely to avoid risk to availability.
- iii. In relation to the energy, ESPO communicated regularly with its customers about risk and pricing as it was recognised that rising costs could only be managed to a certain extent.
- iv. ESPO had introduced exclusive package deals for Multi Academy Trusts.

RESOLVED:

That the report be noted.

69. Outturn 2021-22.

The Committee considered an exempt joint report of the Director and Consortium Treasurer concerning the draft Outturn 2020/21. A copy of the report, marked 'Agenda Item 14', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

The Committee was advised that the Finance and Audit Subcommittee had considered and recommended the report for approval at its meeting in May 2022.

- i. The returns received in relation to energy frameworks were protected as the rebate received was generally at a fixed price.
- ii. In relation to wage settlements, ESPO continued to monitor the situation and had budgeted for a 2% increase, though recognised it could be up to 4%. ESPO were confident that it would still achieve its budget.
- iii. The rebate income was a key income stream that drove ESPO's surplus due to the high spend under contract. Given the size of the market ESPO felt there was still potential to grow.

RESOLVED:

- a) That the report be noted.
- b) That the provisional £4.1m dividend be approved and the £400,000 be allocated to Building Reserves in line with practice adopted in previous years of the MTFs.

70. Project Update on ESPO Warehouse Extension.

The Committee considered a report of the Director which provided a project update on the progress towards the ESPO Warehouse Extension. A copy of the report, marked 'Agenda Item 15' is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information)

Members highlighted development delays within their own council developments that had resulted in increased costs they were aware of. The Director assured the Committee that ESPO would control the controllable and ensure good governance of the project through regular engagement with the Management Committee and the project board.

It was noted that ESPO received advice from Leicestershire County Council's Strategic Property Team and had added additional contingency to manage risk to the project which would be carefully managed at each project board.

RESOLVED:

That the Committee note support the report.

71. ESPO.org one year on.

The Committee considered an exempt presentation of the Director the purpose of which was to update Members in relation to the new Website. A copy of the report. Marked 'Agenda Item 16', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

The Committee noted work was ongoing to ensure ESPO had optimised 'Search Engine Optimisation' and 'Search Research Optimisation', which was simplified on the new website.

The website was mobile, and i-pad friendly and presented a better user experience for customers. Arising from a question it was noted there were limits with whom ESPO could trade and this was governed by the Local Government Goods and Service Act. The Act had not been updated since originally enacted hence the decision to establish ESPO Trading Limited to give extra bandwidth to trading.

RESOLVED:

That the presentation be noted.