

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 16 November 2022.

PRESENT

Leicestershire County Council

Mrs. M. Wright CC
Mr. J. Poland CC

Norfolk County Council

Cllr A. Jamieson
Cllr G. Peck (Chairman)

Cambridgeshire County Council

Cllr B. Goodliffe (online)

Peterborough City Council

Cllr A. Coles (online)

Lincolnshire County Council

Cllr A. Hagues
Cllr S. Rawlins

Warwickshire County Council

Cllr R. Baxter-Payne
Cllr P. Butlin (online)

APOLOGIES

Apologies were received from Cllr Fitzgerald (Peterborough City Council), and Cllr Ferguson (Cambridgeshire County Council).

IN ATTENDANCE

Fortus

Richard Buckby

ESPO

Kristian Smith – Director
David Godsell – Assistant Director
Matt Selwyn Smith – Assistant Director
Maurice Campbell – Assistant Director
Dave Goodacre – Financial Controller

Leicestershire County Council

Declan Keegan – On behalf of Consortium Treasurer
Mo Seedat – Head of Democratic Services/On behalf of Consortium Secretary
Anna Poole – Democratic Services Officer

72. Appointment of Chairman.

Cllr Peck was nominated to be Chairman for the Municipal Year ending April 2023.

RESOLVED:

Cllr G. Peck be appointed Chairman for the Municipal Year ending April 2023.

Cllr. G. Peck in the Chair73. Appointment of Vice Chairman.

The Chairman reminded members that Mrs. M. Wright had been appointed Vice Chairman at the ESPO Management Committee meeting held on 29 June 2022 for the Municipal Year ending April 2023.

74. Minutes of the previous meeting.

The minutes of the meeting held on 29 June 2022 were taken as read, confirmed, and signed.

75. Urgent items.

There were no urgent items for consideration.

76. 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.

77. Items referred by the Finance and Audit Subcommittee.

There were two items referred by the Finance and Audit Subcommittee, in which were included in Item 11 - External Audit of the 2021/22 Financial Statements (minute 81 refers) and Item 12 - 2021/22 Financial Statements and Annual Governance Statement (minute 82 refers).

78. Director's Progress update.

The Management Committee considered a report of the Director which provided an update of the progress made since the last update provided in September 2022. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

The Director highlighted that the report presented a pleasing performance with total sales and the surplus generated was better than anticipated. However, he cautioned the Committee that rising prices may yet adversely affect sales volumes, and the impact of the recent pay award and the National Insurance reversal would also impact profits made. Whilst noting the pleasing picture now presented he highlighted that financial planning for 2023/24 would need to be realistic to take account of future budget challenges and uncertainty.

In presenting the report, the Director explained:

- i. Global supply challenges continued to impact stock availability although stock levels had been increased in order to meet customer demand,
- ii. The IT Team's efforts to embed and support hybrid working had been recognised in the recent customer satisfaction survey which showed a satisfaction rating of 100%,

- iii. ESPO had a higher number of vacancies than was usual, which was reflected the position seen across the economy in other sectors,
- iv. Regarding cyber security, an Internal Audit had identified 49 actions, with three High Importance Recommendations. All those classified as RED had been dealt with, and AMBER actions had been mitigated to GREEN,

In response to questions, members were informed that:

- i. The Local Government Pay award presented a unique challenge to ESPO, as most of its competitors were private sector organisations so were able to respond more quickly to economic conditions so as to retain staff. ESPO was bound by the public sector rules so needed to be more innovative in addressing staff retention.
- ii. Systems to detect fraud had been enhanced, following issues identified 18 months ago. These had been reviewed by the Internal Auditors and full assurance had been given. Extensive staff training had also been undertaken using the County Council's training programmes, with regular refresher training in place.
- iii. Lessons had been learned and measures put in place, following issues with supply and availability of education supplies during the summer. ESPO had outperformed many of its competitors and had seen new customers transfer to ESPO from them.
- iv. There was a balance to be achieved with increased pricing of goods and the impact that this may have on demand from customers. However, ESPO's competitors were also experiencing increasing prices. Members were assured that considerable analysis had been undertaken, including price benchmarking, but it was expected that the volume of orders would reduce, although it may be a delayed reaction.

RESOLVED:

That the update provided on the progress made since the last update in September 2022, be noted.

79. Dates of Future Meetings.

RESOLVED:

That it be noted that the dates of meetings in 2023 were scheduled to take place at 10.30am as follows:

- 22 March 2023
- 28 June 2023
- 20 September 2023
- 15 November 2023

80. Exclusion of the 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 would involve the disclosure of exempt information as defined in the Act and that in all circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

81. External Audit of the 2021/22 Financial Statements.

The Committee considered an exempt report of the Director and Consortium Treasurer concerning the 2021/22 Financial Statements, together with a Letter of Representation from the Consortium Treasurer. A copy of the report marked 'Agenda Item 11', 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 Chairman welcomed Richard Buckby from Fortus to the meeting, who explained that the audit had identified issues, which were detailed in the report; an unqualified audit opinion would be issued. He commended ESPO officers for their constructive, helpful and collaborative support with the audit.

In response to questions, the Committee was informed that the Fixed Asset Register was physically inspected by Fortus as part of the audit. Members were assured that systems were in place to inspect bulk assets in buildings as part of good housekeeping and control. A log of assets was maintained, which was currently being reviewed.

RESOLVED:

That the external audit of the financial statements for 2021/22 be approved.

82. 2021/22 Financial Statements and Annual Governance Statement.

The Committee considered an exempt report of the Director and Consortium Treasurer concerning the 2021/22 Financial Statements and Annual Governance Statement. A copy of the report marked 'Agenda Item 12', 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).

In the ensuing discussion, the following points were noted:

- i. Although ESPO was not statutorily required to produce an Annual Governance Statement (AGS), it was considered good governance to provide additional assurance to the Committee, alongside the financial accounts and external audit. Doing so did not give greater transparency publicly to ESPO finances, as its competitors also produced an AGS;

- ii. The dividend referred to in the report would be distributed to Member Authorities by the end of 2022;
- iii. The surplus set out in the Management Accounts was higher than that detailed in the Financial Statements due to pensions liabilities which were only accounted for fully in the Financial Statements;
- iv. The £400,000 contribution to reserves was part of an on-going strategy to ensure sufficient funds were available for maintenance and improvements to the existing warehouse;
- v. Due to the recent turmoil in the financial markets there would be a degree of uncertainty with pension schemes deficits over the next few years. The Consortium Treasurer assured members that, although the position was not as positive as had been predicted in March, it was still within acceptable parameters;
- vi. The amount detailed in the accounts for the management of the pension scheme consisted of the cash cost and an accounting cost; the actual contribution paid with payroll was lower. The difference related to the update of the actuaries' assumptions and was due to technical accounting rather than a cash cost.

RESOLVED:

That the following be approved

- a) the 2021/22 financial statements;
- b) the 2021/22 annual governance statement;
- c) the 2021/22 dividend pool as detailed in the report;
and that
- d) £400,000 be allocated to Building Reserves in line with practice adopted in previous years of the MTFS.

83. Supplementary Information Informing the Progress Report of the Director's Progress Update.

The Committee considered an exempt report of 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).

In presenting the report, the Director explained that business was doing well, with additional business secured, and commended the Sales Team's efforts for the high performance over the summer holidays. It was expected that increasing pressures on school budgets would affect sales volumes next year. Social media had recently been introduced as a marketing tool.

In response to questions, Members were informed that:

- i. ESPO's offer to Multi Academy Trusts had been formed prior to the Government's White Paper which was released in September which would now provide further opportunities for expansion.
- ii. The Government's Energy Bill Relief Scheme, for commercial operations, would run from October 2022 to March 2023. ESPO was doing all it could to secure good rates and ensure supply. Costs had recently fallen as a result of the warm weather and current levels of cover for gas and electricity were detailed in paragraph 28 of the report.

RESOLVED:

That the update provided by the Director be noted.

84. Project Update on ESPO Warehouse Extension.

The Committee considered an exempt report of the Director which gave an update on the extension of the warehouse. A copy of the exempt 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 informed that the extension would help to facilitate growth. The invitation to tender had been issued, and the planning application would be heard by Leicestershire County Council. The budget was detailed in the report and included a contingency amount. A detailed project plan had been developed and identified that the build would be ready by July 2024. Mitigating actions were put in place to manage risk and ensure delivery of the project, which would be managed by a Project Board with any significant changes reported to the Management Committee.

RESOLVED:

That the update provided on the ESPO Warehouse extension be noted and that the project as set out in the business case continues to be supported.

85. ESPO Trading Ltd.

The Committee considered an exempt report of the Director which gave an update on ESPO Trading Ltd. A copy of the exempt 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).

RESOLVED:

That the update provided on ESPO Trading Ltd be noted.

11.00 am - 12.42 pm
16 November 2022

CHAIRMAN