

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 22 March 2023.

PRESENT

Leicestershire County Council

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

Norfolk County Council

Cllr A. Jamieson (online)
Cllr G. Peck (Chairman)

Cambridgeshire County Council

Cllr B. Goodliffe (online)
Cllr S. Ferguson (online)

Lincolnshire County Council

Cllr A. Hagues
Cllr S. Rawlins (online)

Warwickshire County Council

Cllr R. Baxter-Payne (online)

Peterborough City Council

Cllr A. Coles

APOLOGIES

Apologies were received from Cllr Butlin (Warwickshire County Council) and Cllr Fitzgerald (Peterborough City Council).

IN ATTENDANCE

ESPO

Kristian Smith – Director
David Godsell – Assistant Director
Maurice Campbell – Assistant Director
Gary Tapp – Head of Strategic Finance

Leicestershire County Council

Lauren Haslam – on behalf of the Consortium Secretary
Declan Keegan – on behalf of Consortium Treasurer
Neil Jones – Head of Internal Audit Service
Matt Davis – Audit Manager
Mo Seedat – Head of Democratic Services
Anna Poole – Democratic Services Officer

86. Minutes of the previous meeting.

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

87. Urgent items.

There were no urgent items for consideration.

88. 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.

89. Items referred by the Finance and Audit Subcommittee.

There were three items referred by the Finance and Audit Subcommittee, which were covered in Item 5 - Annual Internal Audit Plan 2023-24 (minute 90 refers), Item 7 - Finance and Audit Subcommittee – Terms of Reference and Risk Policy Update (minute 92 refers), and Item 13 - Budget 2023/24 (minute 97 refers).

90. Annual Internal Audit Plan 2023-24

The Management Committee received a report of the Consortium Treasurer concerning the annual Internal Audit Plan for 2023-24. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

The Committee noted that the Plan had been developed following consultation with the ESPO Director and leadership team, and that the 150 days allocated for the internal audit work may not end on 31 March each year as there was an element of overlap with audit activity.

The Committee was advised that the Finance and Audit Subcommittee had considered the report at its meeting on 15 February and supported approval of the Plan.

The Committee was informed that a wide range of audits would be carried out and, in addition to the traditional key financial audit work, this would include the key changes to the warehouse, hybrid working, emerging risk and counter fraud activity, and the supply chain process. All proposed audit activity had been mapped against the ESPO risk register to ensure that all risks were considered. The Plan was a statement of intent that would be adjusted to respond to organisational changes following discussion with the Directors of ESPO and the Consortium Treasurer.

Members were assured that the High Importance Recommendations would be retested.

Arising from discussion, Members were informed that the Internal Audit Plan was achievable in the year as additional staff had been recruited to the Audit Team. However, should issues arise with achievement of the Plan within timescales, decisions about which areas of activity should take priority would be made following a risk assessment of individual audits to assess the likelihood and impact to the organisation. Audit activity would be prioritised, in consultation with the Consortium Treasurer and the Head of Audit, to enable a strong audit opinion to be reached at the end of the year.

RESOLVED:

That the

- a. methodology used as a basis for developing the Internal Audit Plan 2023-24 be noted; and
- b. ESPO Internal Audit Plan for 2023-24 be approved.

91. Public Procurement Rules - Developments During 2022-23

The Management Committee considered a report of the Director which provided an update on aspects of the Procurement Bill that applied to ESPO's business (other than ETL and Eduzone). A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Committee was advised that the Procurement Bill was halfway through the legislative process, having been considered by the House of Lords and was currently being considered by the House of Commons; it was expected to receive Royal Assent in the next couple of months. A public consultation would be carried out on the draft regulations and the Bill would come into effect in Spring 2024.

The Assistant Director added that a Project Team had been established to identify implications arising from the Bill for ESPO in terms of its processes, policies, people and a transitional plan was in place. Senior offices would ensure that the right resources were in place to comply with the Bill and they had already identified that more resources were needed to meet the transparency requirements.

In response to questions, the Assistant Director informed members that:

- i. The Cabinet Office was developing a detailed and comprehensive training package which ESPO would access for the training of core procurement staff. Training was also being developed for senior leaders, and this would be made available to members of the Committee.
- ii. ESPO had made resources available for additional training to be carried out for those staff outside the procurement team who commissioned contracts, and for suppliers. The Director recognised the scale of the challenge in implementing aspects of the Bill and emphasised the effort being put in to fill vacancies within the procurement team. He highlighted that there had been recent success with recruitment in attracting more mature people which he felt was due to the work life balance offered by ESPO.
- iii. The new and old systems would be run side by side for at least six months. Officers would need to ensure that sufficient resource was in place to do so, and to ensure that ESPO fully accessed the Cabinet Office training.
- iv. Looking further ahead, it was highlighted that the procurement changes may lead to an increase in customers as some organisations would seek the procurement excellence that ESPO could offer.

RESOLVED:

That the update on the Procurement Bill as it applies to ESPO's business (other than ESPO Trading Limited and Eduzone) be noted.

92. Terms of Reference and Risk Policy Update

The Management Committee considered a report of the Director which sought approval for changes to the Terms of Reference for the Finance and Audit Subcommittee, and the consequential changes to the Risk Management Policy. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

The Assistant Director explained that the proposed changes would generate a well maintained and healthy risk management culture throughout the organisation and ensure that more robust controls and processes were in place throughout the year, for example for internal and external audit, risk management and the annual governance statement. The changes were built on the existing delegations in place for the Finance and Audit Subcommittee. Members were assured that there remained the possibility of escalating issues to the Management Committee if necessary.

The Committee noted that the Finance and Audit Subcommittee approved the proposed changes for submission to the Management Committee at its last meeting.

RESOLVED:

That the proposed changes to the Finance and Audit Subcommittee Terms of Reference, and the Risk Management Policy, be approved.

93. Director's Progress update.

The Management Committee considered a report of the Director which provided an update of the actions and progress made since the previous ESPO Management Committee held on 16 November 2022. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The Director explained that January's performance was slightly below budget but highlighted that after 10 months a surplus of £5.8m had been generated, which was £0.6m ahead of budget. He said that there had been a pleasing year with sales volumes well ahead of budget and higher demand being seen throughout the year. Costs had been well controlled with expenditure of £20.1m, and although £1m higher than budget, this reflected the increased volumes and distribution costs associated with fulfilling additional orders.

In presenting the report, the Director explained:

- i. Reference to the budget in paragraph 10 should be amended from £5.8m to £5.7m. it was expected that this budget would be exceeded by a range of between £5.9-£6m for the year.
- ii. ESPO's Feefo rating, which showed what customers thought, had improved to 94% and, as a result, ESPO had received a Trusted Service Award with an overall score of 4.3 out of 5.
- iii. ESPO had undertaken a benchmarking survey to measure customer service. This had showed a good performance at 85.3 compared with 83 in 2021, and was six points above the UK benchmark score.
- iv. Stock availability had recovered strongly and was now at 98.8%, increasing the efficiency of the operation and attracting new customers.

- v. The extension of the Grove Park warehouse was progressing, with the current focus on preparing for planning permission and sourcing the contractor. The expected completion date was quarter 2, 2024.
- vi. Recruitment and retention remained a challenge. The creation of a resourcing adviser role was being considered which would advertise ESPO vacancies, optimising processes and analysing recruitment and retention data to determine future action to attract and retain talent.
- vii. Staff were being consulted on the creation of a multi-faith prayer and contemplation space at the Leicester office, which would show the organisation as an inclusive employer.

The Committee commended the ESPO team for such a positive performance for the year.

RESOLVED:

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

94. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on 28 June 2023 at 10.30am at County Hall, Glenfield.

95. 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.

96. Supplementary Information informing 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 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 presenting the report, the Director explained that business, including international business, was doing well. The website had been upgraded and a number of marketing campaigns undertaken. He also briefed the Committee on an employment issue and a product issue.

In response to questions, members were informed that:

- i. Customer loyalty was not taken for granted. A number of loyalty offers were in place to retain the customer base.

- ii. Products included an age range, where this was appropriate, and were inspected thoroughly by the product team. It was also the customers responsibility to confirm the quality and appropriateness of products, particularly with toys for early years.
- iii. ESPO now had one consolidated website which was more streamlined and was more attractive to encourage and retain customers.

RESOLVED:

That the update provided by the Director be noted.

97. Budget 2023/24

The Committee considered an exempt report of the Director regarding the budget for 2023/24. 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 Assistant Director explained that

- i. Assumptions had been applied in setting the budget, due to the uncertain economic environment and budget challenges for schools.
- ii. Investment in development of the new website would continue and investment in capital projects such as the Grove Warehouse extension and replacement of fleet was the largest element of the budget.

The Assistant Director summarised by saying that the overall budget was achievable despite the uncertain economic environment.

In response to questions, members were informed that, in setting the budget, assumptions had been made about the rate of inflation based on ONS predictions.

RESOLVED:

That the proposed budget for 2023/24 which projects the following be approved:-

- a) an anticipated outturn of £5.9million for 2022/23;
- b) a budgeted surplus of £6.2million for 2023/24; and
- c) a financial reserve of £13.5million at the end of 2023/24.

10.30 - 11.42 am
22 March 2023

CHAIRMAN