

Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield on Wednesday, 8 October 2025.

PRESENT

Ms. R. Wyatt (in the Chair) – Cambridgeshire County Council
Cllr. T. Bridgwood – Lincolnshire County Council
Ms. H. Butler – Leicestershire County Council
Cllr. N. Garland – Warwickshire County Council

Apologies

Cllr. J. James – Norfolk County Council
Cllr. M. Jamil – Peterborough City Council

In Attendance

Williamson & Croft

Tor Stringfellow – External Auditor

ESPO

Kristian Smith – Director
Gary Tapp – Commercial Financial Controller

Leicestershire County Council

Matt Davis – Audit Manager
Simone Hines – Consortium Treasurer
Neil Jones – Head of Internal Audit and Assurance
Angie Smith – Democratic Services Officer

1. Appointment of Chairman.

RESOLVED:

That Cllr. R. Wyatt be nominated as Chairman for the Municipal Year ending June 2026.

2. Minutes of the Previous Meeting.

The minutes of the meeting held on 12 February 2025 were taken as read, confirmed and signed.

3. Declarations of Interest.

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.

4. Urgent Items.

There were no urgent items for consideration.

With the agreement of Members, the Chairman agreed to take Agenda Item 6 as the first substantive item.

5. Internal Audit Service - Annual Report 2024-25.

The Sub-Committee considered an annual report of the Consortium Treasurer on internal audit work conducted during 2024-25. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from discussion, the following points were made:

- i. A Member commended the report and asked for clarity on how it compared to previous years. Officers responded the findings were consistent with prior years, which was encouraging given the current challenges and risks facing the public sector. The consistency reflected positively on the robustness of the control framework and was a testament to the effective management and the support provided throughout the audit process.
- ii. A Member noted, of the 19 audits that had been planned, 16 were completed. Officers reported that three of the audits had spanned across two financial years and were therefore still in progress. These included audits on rebates, procurement, and value for money and product benchmarking. Interim work had commenced on these areas but had not yet reached completion. It was noted that internal audit work tended to be fluid in nature and could extend over multiple years. Consequently, those audits could be carried forward and incorporated into the subsequent year's audit plan.

It was moved by Cllr. Wyatt and seconded by Cllr. Bridgwood.

RESOLVED:

That the Internal Audit Service Annual Report for 2024-25 be approved.

6. Internal Audit Service - Progress Against the 2025-26 Internal Audit Plan.

The Sub-Committee considered a report of the Consortium Treasurer which provided a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LLCIAS) during the period 29 January to 22 September 2025. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

It was suggested that, for Members who were not part of an Audit Committee at their constituent authorities, a short training session be provided prior to the February 2026 meeting, at which the next annual plan would be presented, to introduce new governance documents and standards.

It was moved by Cllr. Wyatt and seconded by Ms. Butler.

RESOLVED:

- a) That the progress against the 2025-26 Internal Audit Plan be noted.

- b) That there were no high importance recommendations within the Committee's domain be noted.
- c) That a short training session be provided prior to the February 2026 meeting, at which the next annual plan would be presented.

7. External Audit of the 2024/25 Financial Statements.

The Sub-Committee considered a joint report of the Chief Officer and Consortium Treasurer, which reported key findings from the external audit of the 2024-25 financial statements. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

The Chairman welcomed Mr. Tor Stringfellow, Williamson & Croft, external auditor, to the meeting.

Arising from discussion, the following points were made:

- i. In response to a Member's query from Cllr. H. Butler regarding the absence of timescales for rebate testing recommendations, it was explained that rebate testing formed part of a continuous improvement process aimed at minimising income leakage within the rebate framework. A range of controls had been implemented, including the use of the procurement platform, Tussell, to monitor supplier spend, monthly revenue recognition meetings to track changes in supplier spend, and contractual provisions allowed for supplier audits in cases of unusual activity. No fixed timeline had been set, as the process was ongoing and designed to evolve.
- ii. A question arose regarding the reported £3.5 million decrease in cash. Officers clarified that this was primarily due to the funding of the warehouse extension, which had cost £6.7 million over two years and had been financed from ESPO's internal reserves. The expenditure had impacted cash reserves, but efforts were underway to rebuild reserves for future investments in sustaining ESPO's growth and ensuring sufficient funds were available for the dividend payment scheduled for December 2025.
- iii. A Member raised concerns about the frequent use of the term "not material" in the report and asked where the line was drawn on materiality. It was explained that materiality for ESPO was calculated as 1% of turnover, which equated to approximately £1 million. Items below 5% of that materiality threshold were considered trivial and typically did not require further audit assessment or were captured as part of random sampling assessments.
- iv. A sample of £783,000 in trade debtors had been tested, revealing £46,000 in discrepancies. This was extrapolated to an estimated error of £339,730. Given ESPO's turnover of £119 million, the extrapolated error was deemed immaterial.
- v. In response to a question, it was confirmed that Optima Energy did not perform rebate value validations. Members suggested that it might fall under the remit of Tussell, data specialists to implement.
- vi. A Member sought clarification on ESPO's financial arrangements regarding cash flow exposure, noting that funds were collected from members and paid to Total Gas and Power for energy services. Officers confirmed that ESPO provided both framework and fully managed energy services, primarily to councils. It was explained that while

customers bore the market risk, ESPO experienced seasonal cash flow pressures, particularly in winter. ESPO paid suppliers before receiving customer payments, creating a temporary gap. To manage this, ESPO had established a calculated minimum working capital requirement of £6.4 million to ensure adequate coverage.

- vii. A Member raised concerns regarding a 9% decrease in income, particularly in gas revenue. Officers confirmed the reduction was primarily due to a decline in market gas prices following the previous year's surge linked to the war in Ukraine. As gas cost prices fell, customer revenue decreased accordingly. Also highlighted was a contraction in the educational supplies market, as reported by the British Educational Suppliers Association, which further impacted catalogue revenue. However, ESPO had begun offsetting these declines by investing in growth and development areas.
- viii. A Member requested an update on the implementation of new data procedures for tracking rebates and stressed the importance of having robust systems to ensure future data integrity. Officers confirmed that the Head of Commercial was reviewing implementation timelines, noting that numerous actions had been taken over recent years to reduce framework income leakage. Although no specific dates were provided it was emphasised that it was a continuous improvement process, with leakage now significantly reduced. Transparency had improved using the Tussell platform, which helped identify an additional £130k in rebates.

The motion was moved by Cllr. Wyatt and seconded by Cllr. Bridgwood.

RESOLVED:

That the external audit of the financial statements 2024-25 be noted.

8. 2025/25 Financial Statements.

The Sub-Committee considered a joint report of the Chief Officer and Consortium Treasurer, concerning the 2024-25 Financial Statements and Annual Governance Statement. Members were further asked to recommend to ESPO Management Committee the approval of the 2024-25 Financial Statements and the proposed dividend pool of £5.4million. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The motion was moved by Cllr. Wyatt and seconded by Cllr. Bridgwood.

RESOLVED:

That the Sub-Committee recommend that the Management Committee approve the 2024-25 Financial Statements, Annual Governance Statement, and proposed dividend pool of £5.4million.

9. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 11 February 2026 at 10.30am.

10. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) 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 likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the Act, and, in all circumstances, the public interest of maintaining exemption outweighs the public interest in disclosing the information.

11. Financial Performance Update - 5 Months to August 2025.

The Sub-committee considered a joint report of the Chief Officer and Consortium Treasurer, which provided an update on the financial performance in 2025/26, covering the five months to the end of August 2025. 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).

Arising from discussion, Members discussed and asked questions on the following:

- Peaks and troughs of performance through seasonality of sales, contraction of the educational supplies market, and constrained budgets of schools.
- Warehouse efficiency and forecasting patterns.
- Pricing and marginality.

It was moved by Cllr. Wyatt and seconded by Cllr. Bridgwood.

RESOLVED:

That the contents of the Financial Performance Update, five months to August 2025, be noted.

12. Risk Review.

The Sub-Committee considered a joint report of the Chief Officer and Consortium Treasurer, which provided an overview of ESPO's risk landscape. A copy of the 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 discussion, Members discussed and asked questions on the following:

- Risks around drug and alcohol misuse, the testing of employees and disciplinary process.

It was moved by Cllr. Wyatt and seconded by Ms. Butler.

RESOLVED:

That the overview of ESPO's risk landscape be noted.

10.30am to 11.54am
08 October 2025

CHAIRMAN