



Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Monday, 17 November 2014.

PRESENT

Mr. J. Clarke CC (in the Chair)

Mr. G. A. Hart CC

Ms. S. Rawlins CC

60. APOLOGIES.

Apologies were received from Dr Feltham CC (Leicestershire) and Mr Reynolds CC (Cambridgeshire). Mr Hart CC substituted for Dr Feltham CC.

61. MINUTES.

The minutes of the meeting held on 9 September 2014 were taken as read, confirmed and signed.

62. 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.

63. URGENT ITEMS.

There were no urgent items for consideration.

64. MTFS MONITORING FOR THE FIRST SIX MONTHS OF 2014-15

The Director presented a report outlining the financial performance against the MTFS for the first six months of the financial year. A copy of the report, marked 'Agenda Item 4', is filed with these minutes.

Arising from discussion the following points were noted:-

- (i). That at the time of writing the Growth Net worth of business was £2.2m, but this was now £2.0m due to a higher than forecast usage of agency staff. The RAG rating for this had been changed to red since the time of writing of the report. As a consequence of this it was advised that the return to Members had been reduced to £1.2m from £1.4m (as stated in the report);
- (ii). The end of the phonics scheme had resulted in a decrease in the Direct Sales but this had been offset by an increase in income from the implementation of that school meals for primary pupils;
- (iii). Catalogue advertising spend was lower than had been originally budgeted for;

- (iv). Whilst schools had not experienced the level of cuts as other local authority services it was anticipated that following the general election there would be a higher level of cuts to school budgets than hitherto. ESPO had a strong foothold in the schools market with 9000 schools as customers, of these 1275 were academies and 80% were primary schools. Work was in hand to develop this market further;
- (v). The delay in implementing new warehouse processes was taking longer than had been anticipated. Following implementation of the changes the pace of orders going through the warehouse would increase;
- (vi). With regard to the use of reserves to pay off debt, the conclusion of the Consortium Treasurer was that this was not desirable due to the penalties of early repayment and because the reserves would not be available for the purposes that they were set aside for, such as fleet and IT renewal.

RESOLVED:

That the contents of the report be noted.

65. PROGRESS AGAINST THE 2014-15 INTERNAL AUDIT PLAN

The Consortium Treasurer presented a report outlining progress made against the 2014-15 Internal Audit Plan, and to highlight any audits where high importance recommendations had been made. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

Arising from discussion the following points were noted:-

- (i). An outside project manager had been brought in for the GEMS replacement, with the biggest issue being in regards to data transfer from the Laser system. This change was being done slowly in order to identify any errors in data transfer and ensure the transfers were done effectively. As a result of this the GEMS replacement had been delayed until December;
- (ii). An Internal Audit Charter was due to be considered by Leicestershire County Council's Corporate Governance Committee at its meeting on 24 November 2014, and ESPO would be asked to adopt a similar charter. In addition a Quality Assurance and Improvement Programme (QAIP) was being developed and was scheduled to be approved by the County Council's Chief Financial Officer in December. The adapted Internal Audit Charter and progress on the QAIP would be reported to the Subcommittee in February 2015.

RESOLVED:

That the contents of the report be noted.

66. PROCUREMENT AND RISK MANAGEMENT UPDATE

The Director presented a report on the risk position of procurement activities at ESPO. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

Arising from discussion the following points were noted:-

- (i). The Chief Officer Group had considered the current approach to levels of risk undertaken and were satisfied with the approach and advised that there was no desire on their part to take on any more risk;
- (ii). As with risk generally, the Chief Officer Group would not recommend a change to energy trading practises. It was noted that although more energy trading could produce greater returns, it would expose ESPO to greater risk due to the volatility of the market;
- (iii). Procurement activities which were not compliant could be at greater risk of legal challenge and mechanisms had been put in place to ensure robust procurement governance arrangements, as a result of which ESPO had not been exposed to any legal risks during the last two years;
- (iv). That although 5% of the 200 framework agreements provide 43% of ESPOs £5m rebate, in the spirit of the ESPO ethos as a public sector provider it was necessary to provide some services that were not commercially viable but the service outcome/value was considered high especially to Consortium partners. An example of a necessary framework agreement was the provision of banking services following supplier changes;
- (v). With regard to the impact of a withdrawal by the UK from membership of the EU, officers advised that this would be unlikely to alter the approach to procurement significantly as the current rules were seen as good practice which ensured transparency in the process.

RESOLVED:

That the contents of the report be noted.

67. DATES OF FUTURE MEETINGS.

RESOLVED:

The Subcommittee noted the 2015 meeting dates.

68. ANY OTHER ITEMS.

There were no other items for consideration.

69. 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 'Strategic Discussion Document to Inform MTFS Assumptions for 2015-19' 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.'

70. STRATEGIC DISCUSSION DOCUMENT TO INFORM MTFS ASSUMPTIONS FOR 2015-19.

The Subcommittee received an exempt report of the Director and Consortium Treasurer setting out the assumptions being considered for the MTFS covering the period 2015-19. A copy of the exempt report, marked 'Agenda Item 9', is filed with these minutes.

RESOLVED:

That the report and the proposal therein for the refresh of the MTFS be approved for submission to the Management Committee.

(THE MEETING THEN RECONVENED INTO PUBLIC SESSION.)

10.32 am - 12.02 pm
17 November 2014

CHAIRMAN