



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Friday, 4 December 2015.

PRESENT

Mr. J. Clarke – Warwickshire County Council (in the Chair)

Cambridgeshire County Council

Norfolk County Council

Mr. M. Castle CC
Mr. I. Monson CC

Leicestershire County Council

Dr. R. K. A. Feltham CC
Mr. G. Hart CC

Peterborough City Council

Mr. J. Holdich CC

Lincolnshire County Council

Mr. R. Foulkes CC
Mrs. S. Rawlins CC

Warwickshire County Council

Mr. D. Parsons CC

37. Minutes of the meeting held on 28 September 2015.

The minutes of the meeting held on Monday 28 September 2015 were taken as read, confirmed, and signed.

38. Urgent items.

There were no urgent items for consideration.

39. 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.

40. Items referred by the Finance and Audit Subcommittee.

There were no items referred by the Finance and Audit Subcommittee. The Committee was advised that the Subcommittee had considered items 7 – 10 and 14 on the agenda (minutes 46 – 49 and 52 refer). The Subcommittee had supported the new method of calculating the Dividend Distribution, and the proposed reduction in meetings of the Subcommittee. Although there had been some concerns about the impact of continuing austerity measures and the introduction of the national living wage, overall the Subcommittee was content with the current position and future direction of ESPO.

41. Resolution of Internal Audit High Importance Recommendations.

The Committee received a report of the Consortium Treasurer outlining the recent resolution of a high importance recommendation which had been made by the Internal Audit Service. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

At its meeting on 17 November 2014, the Finance and Audit Subcommittee had been informed that high risk recommendations had been made regarding managing the risks around the replacement of the energy management software. The follow up work undertaken since that meeting had provided the appropriate assurance to the Internal Audit Service that these risks were being managed appropriately enough to be signed off.

RESOLVED:

That the contents of the report on the resolution of high importance recommendations be noted.

42. Director's Progress update.

The Committee considered a report of the Director which provided an update on the actions and progress made since the previous ESPO Management Committee held on 28 September 2015. A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

Arising from discussion the following points were raised:

- (i). Initial monitoring reports indicated that ESPO would meet its Medium Term Financial Strategy target of a £3.3m surplus by the end of the 2015/16 financial year. Store sales were lower but rebate income was higher than had been estimated;
- (ii). In previous years ESPO had benefitted from one-off Department for Education initiatives such as the phonics scheme and universal free school meals. The lower store sales were in part attributed to no new initiatives during the financial year;
- (iii). The Director had successfully applied for a seat on the British Educational Suppliers Association (BESA) Executive Council. As the educational supplies market was undergoing a period of significant change during the rollout of the academies and free schools programme, it was hoped that this position at BESA would provide ESPO with an effective influence in the market;
- (iv). During the year ESPO and its staff had run events to support a number of charitable causes. Members were advised of a proposal to provide old education stock to a charity called EducAid which provided education in Sierra Leone to Ebola-hit communities. Members expressed their support for the proposal;
- (v). Sickness absences had decreased but were still considered to be high. There was no underlying pattern to absences other than the majority being in ESPO's operational teams. Managers were being trained on managing sickness and ESPO would be consulting with Leicestershire County Council as the Servicing Authority on initiatives to reduce sickness in line with its HR policies. The Committee would be provided with a further update in the next Director's Progress report regarding managing sickness absence;

- (vi). With regard to the use of incentives as a means to lowering sickness absences, members were advised that any work around managing sickness absence would have to be undertaken within the policies of the Servicing Authority. It was questioned whether a 'bonus for working' would be an appropriate method to reduce absences.

RESOLVED:

That the contents of the Director's Progress update be noted.

43. Change to the order of business.

RESOLVED:

The Chairman, having sought and obtained the consent of the Committee, changed the order of business from that set out on the agenda.

44. 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 'Supplementary Information informing the Director's Progress update' 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.'

45. Supplementary Information informing the Director's Progress Update.

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

RESOLVED:

That the supplementary information informing the Director's Progress Update be noted.

THE MEETING WAS RESUMED IN PUBLIC SESSION

46. MTFS Monitoring for the first Six Months of 2015/16.

The Committee considered a joint report of the Director and Consortium Treasurer monitoring the Medium Term Financial Strategy against the first six months of trading in the 2015/16 financial year. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). It was anticipated that during the winter months gas sales would be lower than expected due to lower gas prices. Members were advised that the effect on revenues would be marginal as the margins on gas sales remained mostly the same irrespective of volume sold;
- (ii). Although the use of agency staff had remained high to offset staff sickness absences, overall staffing costs were lower. It was anticipated that as absence management was managed, there would be less use of agency staff;
- (iii). Officers maintained cash reserves for ESPO above £6m which would be used to invest in IT and vehicles used by ESPO. There was another £3.6m of reserves which had been saved for specific projects.

RESOLVED:

That the contents of the report monitoring progress against the Medium Term Financial Strategy against the first six months of trading be noted.

47. Proposal to change the basis of calculating the Dividend Distribution.

The Committee received a joint report of the Director and Consortium Treasurer outlining the proposed changes to the method used for calculating the dividend distribution. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). The current calculation method had been inherited by the ESPO Management Team at a time when Leicester City Council had been a member of the consortium. Subsequently, following discussions with officers, it had been decided to review the appropriateness of the calculation method used;
- (ii). The basic principles underpinning any revision to the calculation method were ensuring that 80% of the retained surplus was distributed to members, using a method which encouraged the use of ESPO services, and reflected the previous usage of ESPO services by each member authority;
- (iii). A number of models had been trialled and tested with the intention of finding a model which would minimise any possible impact (up to a maximum of a £30,000 swing) on dividend distribution compared to the previous method of distribution. However as the Medium Term Financial Strategy was aimed toward increasing the surplus over the next four years. No member authority would receive less money as a result of these changes;
- (iv). The proposals as set out in the report had been supported by the Finance and Audit Subcommittee.

RESOLVED:

- a) That the proposed method of changing the dividend distribution be approved;
- b) That the calculation method be reviewed in two years time.

48. Impact of the National Living Wage.

The Committee received a joint report of the Director and Consortium Treasurer outlining the possible impact of the proposed National Living Wage on ESPO. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

Arising from discussion the following points were raised:-

- (i). It was anticipated that by 2020 the National Minimum Wage could be £9.75 per hour which presented a significant direct financial risk for ESPO. In addition to the direct risk, there was an indirect risk of the impact on customers such as schools which would reduce their income and purchasing power. As the wage would only apply to those aged 25 and over, the material impact on ESPO would be dependent on its workforce age profile at the time;
- (ii). The National Living Wage increase would also mean ESPO have to consider the implications for wage differentials;
- (iii). Whilst the initial incremental increases would be incorporated into the growth outlined in the Medium Term Financial Strategy, ESPO would have to undertake a number of measures in the later years of the Strategy to counter the impact of the National Living Wage in order to achieve the £6 million surplus;
- (iv). It was unlikely that ESPO would receive any tax relief for the impact of the increased wage as it was exempt from paying Corporation Tax.

RESOLVED:

That the contents of the report be noted.

49. Review of the Frequency of Finance and Audit Subcommittee meetings.

The Committee received a report of the Consortium Secretary outlining the proposal to reduce the number of Finance and Audit Subcommittee meetings from four to two per annum. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

The proposal to reduce the number of Finance and Audit Subcommittee meetings had arisen from comments from members at the meeting of the Subcommittee early in the year. Members were advised that from 2016 onwards there would be two meetings to consider key financial documents such as the Medium Term Financial Strategy. However members would be able to request an additional meeting if they felt it was needed.

RESOLVED:

That the proposal to reduce the number of Finance and Audit Subcommittee meetings to two per annum be approved.

50. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on Wednesday 2nd March 2016 at 11.00am at County Hall, Glenfield.

51. 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' 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.'

52. Strategic Discussion Document to Inform MTFS Assumptions.

The Committee received an exempt joint report of the Director and Consortium Treasurer which outlined the assumptions underlying the next Medium Term Financial Strategy. A copy of the exempt report, marked 'Agenda Item 13', is filed with these minutes.

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

RESOLVED:

That the assumptions underpinning the draft Medium Term Financial Strategy be noted.

10.30 am - 12.25 pm
04 December 2015

CHAIRMAN