

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Tuesday, 27 September 2016.

PRESENT

Mr. I. Monson CC (in the Chair)

Cambridgeshire County Council

Mr. T. Orgee CC
Mr. R. Hickford CC

Norfolk County Council

Ms. S. Whitaker CC

Leicestershire County Council

Dr. R. K. A. Feltham CC

Peterborough City Council

Mr. J. Holdich CC

Lincolnshire County Council

Mr. R. Foulkes CC

Warwickshire County Council

Mr. D. Parsons CC

20. Minutes of the meeting held on 21 July 2016.

The minutes of the meeting held on 21 July were taken as read, confirmed, and signed, subject to the following amendment to minute 13 (e):

That minutes 13 (e) now read as 'That the significant workload and additional responsibilities for the senior team at ESPO arising from this and other strategic projects be considered appropriately by the Employing Authority.'

21. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

22. Declarations of interests in respect of items on this agenda.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No such declarations were made.

23. 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 the Governance Statement 2015/16 (minute 25 refers) at its meeting in June.

24. External Audit of the 2015/16 Financial Statements.

The Committee considered a joint report of the Director and Consortium Secretary which reported on the external auditor's key findings from the 2015/16 financial statements and presented a letter of representation from the Consortium Treasurer to the auditors. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

The Chairman welcomed Stephen Hallam and Alison Breadon from PricewaterhouseCoopers (PwC), ESPO's external auditors, to the meeting who communicated the results of their audit.

Arising from discussion, the following principal points were noted:-

- (i). PwC reported a positive audit for 2015/16 and expected that an unqualified audit opinion would be certified. All areas, bar one rated 'amber', covered during the audit had been rated 'green';
- (ii). The external auditors had identified three non-material accounting issues. As a result of an issue around rebate income in the previous year, officers had amended the accounting policy to ensure that there was adequate disclosure of its accounting policy for rebate income. As part of auditing this year, PwC undertook detailed testing to ensure ESPO's rebate income transactions were recognised appropriately based on this policy. As in previous years, some cut-off issues had been identified as part of expenditure sample testing of direct sales, though the impact on ESPO's accounts was unlikely to be material. Members confirmed that they remained satisfied with the appropriateness of accounting for gas accruals, direct sales and rebate revenue on a cash rather than accrual basis;
- (iii). No significant deficiencies in internal control were identified, though a number of matters were brought to the attention of the Committee and addressed in the report;
- (iv). PwC asked the Committee, as those charged with governance, to declare whether there were any known or suspected instances of fraud. No such declarations were made;
- (v). A concern was raised in relation to historic imbalances relating to aged creditors and debtors. The total value of balances older than seven years is £11k on the creditors' ledger and all historic balances on the sales' ledger are provided for in accordance with policy;
- (vi). The report raised an issue in relation to the transaction output report from ESPO's general ledger. It was advised that transaction information was available and obtainable, though there had been issues in terms of the compatibility of technologies used by ESPO and the auditors which prevented access to the full details of ESPO's financial transactions during the reporting period. The issue was resolved by other means and there was no impact on the audit;
- (vii). The completion of the audit would be subject to the approval of the final version of the Statement of Accounts.

RESOLVED:

That the external audit of the financial statements 2015/16 be approved.

25. Statement of Accounts and the Annual Governance Statement for 2015/16.

The Committee considered a joint report of the Director and Consortium Treasurer which reported on the 2015/16 Accounts and Annual Governance statement. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from discussion the following points were raised:

- (i). The annual governance statement had been considered in draft form at the previous meeting of the Management Committee and no significant governance issues had been identified;
- (ii). The value of Grove Park had been re-evaluated and had increased by £0.5m to £11m;
- (iii). The total dividend declared but not yet paid stood at £2.4m, up from £1.5m in 2014/15, and this was reported to be a record distribution.

RESOLVED:

That the Statement of Accounts and Annual Governance Statement for 2014/15 be approved.

26. Director's Progress Update.

The Management Committee gave consideration to a report of the Director which provided an update of the actions and progress made since the previous ESPO Management Committee held on 21 July 2016. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

Arising from discussion the following points were raised:

- (i). The sales total to the end of July was down £3.1m compared to the previous year, and variances were identified from gas sales, store sales, direct sales and rebates. However, it was recognised that sales as part of the School Holiday Offer during August had been strong and it was hoped this would help close the sales gap;
- (ii). ESPO had enjoyed strong performance over the summer period as a result of a number of improvements brought about by the change programme;
- (iii). In the previous quarter two risk reviews were undertaken and reported to the Committee. The next Leadership Team review was scheduled for the 28th September and would be reported to the Committee at its next meeting;
- (iv). It was noted that electronic sales had gone up, and concern was expressed over whether the use of the catalogue would decrease as a result. The Committee was advised that circulation of the catalogue this year matched that of the previous year and there were no indicators to suggest that use of the catalogue this year was down as a result of electronic sales.

RESOLVED:

That the Director's Progress Update be noted.

27. Dates of future meetings.

It was noted that the next meeting of the Committee would be held on Wednesday 30 November at 11.00am at ESPO, Grove Park.

28. 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 items of business entitled 'Supplementary Information informing the Director's Progress update', 'MTFS Monitoring for the first 5 Months of 2016/17', 'Herts FullStop Merger Project Update' and 'Creation of a Legal Trading Company' 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.'

29. Supplementary Information Informing the Director's Progress Update Report.

The Management 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 10', 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:

- a) That the supplementary information informing the Director's Progress Update be noted;
- b) That a report around international sourcing be presented to the Management Committee at its next meeting.

30. MTFS Monitoring for the first 5 Months of 2016/17

The Committee considered an exempt joint report of the Director and Consortium Treasurer monitoring the Medium Term Financial Strategy against the first five months of trading in the 2016/17 financial year. 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).

RESOLVED:

That the contents of the report be noted.

31. Project Update.

The Committee considered an exempt report of the Director on the progress of the strategic project at ESPO. 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).

RESOLVED:

- a) That the timeline for completion of due diligence has been deferred and its reporting will be at the 30 November meeting be noted;
- b) That the Committee note the delay in completing due diligence and the production of a business plan, which following agreement between Chief Officers is to be circulated electronically to members between committee cycles.

32. Creation of Legal Trading Company.

The Committee considered an exempt joint report of the Director and the Consortium Treasurer around the progress towards the creation of an ESPO legal trading company. 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).

RESOLVED:

- a) That the contents of the report are noted;
- b) That the Committee support the proposals and approach outlined in the report and set out as below:
 - (i). That a company limited by shared is created;
 - (ii). Which is held on behalf of ESPO Members by Leicestershire County Council for funding purposes, and for administrative and governance convenience;
 - (iii). That both profits/surpluses and also liabilities are shared among the members which would be set out in a separate legal agreement between members.

11.00am – 12.38pm
27 September 2016

CHAIRMAN

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