



Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Tuesday 7th February 2017.

PRESENT

Dr. R. K. A. Feltham CC – Leicestershire County Council (in the Chair)

Norfolk County Council
Mr. I. Monson CC

Peterborough County Council
Mr. D. Seaton CC

Lincolnshire County Council
Mrs. S. Rawlins CC

Apologies

Mr. J. Clarke – Warwickshire County Council
Mr. R. Hickford – Cambridgeshire County Council

32. Minutes of the meeting held on 6 June 2016.

The minutes of the meeting held on 6th June 2016 were taken as read, confirmed and signed.

33. Declarations of interest in respect of items on the 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 declarations were made.

34. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

35. Internal Audit Service - Progress Against the 2016-17 Internal Audit Plan.

The Subcommittee received a report of the Consortium Treasurer outlining the progress made against the Internal Audit Plan for 2016 - 17. A copy of the report, marked 'Agenda Item 4', is filed with these minutes.

The Subcommittee was advised that all audit work for 2015/16 had been concluded with no high importance recommendations. With regard to the audit plan for 2016/17 the Audit Manager provided an update as follows:-

- Final reports would be issued shortly on vehicle operating licences, absence management and MStar;
- The Health and Safety report had been completed and was currently under review by the Audit Manager.

With regard to areas not yet audited the Subcommittee was assured that these were continuously monitored for any significant risks and reported on through Directors progress reports and material risk records.

RESOLVED:

That the contents of the report be noted.

36. The Internal Audit Charter for ESPO.

The Subcommittee received a report of the Consortium Treasurer concerning changes to the Public Sector Internal Audit Standards (the PSIAS) and a revised Internal Audit Charter for ESPO which reflects the changes in the PSIAS. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

RESOLVED:

That the contents of the report be noted and the ESPO Management Committee be recommended to approve the revised Internal Audit Charter for ESPO.

37. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Committee would be held on 24th May 2017 at 11.00am.

38. 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 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:-

- i) MTFs Monitoring for the first nine months of 2016/17
- ii) Forecast Outturn 2016/17 and Draft Medium Term Financial Strategy 2017/18 - 2020/21'

39. MTFS Monitoring for the first nine months of 2016-17.

The Subcommittee received a exempt report of the Director and Consortium Treasurer outlining the results of the first nine months of trading from April to December 2016. A copy of the report, marked 'Agenda Item 8', 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 the following points were raised:-

- (i). Whilst there had been a decline in store sales ESPO had managed to maintained its margins and grow market share;
- (ii). Gas sales were lower due to the milder weather. However, this had a limited impact on ESPO revenues as income is derived from the number of meters. Whilst there had been a loss of some gas customers to Nottinghamshire this was offset by new customers in Coventry, Derby and from Calico Housing. The introduction of ½ hour meters would have a very limited impact on the business;
- (iii). The funding pressures on schools is having an impact on spend levels through the ESPO catalogue and procurement solutions. Currently the most significant customer base comprised primary schools and ESPO recognised the importance of engaging with Multi Academy Trusts and the need create an appropriate offer for them;
- (iv). Whilst ESPO was on target to achieve a £3.9 million surplus despite the increased pressures in the market it was clear that its ability to deliver future surplus targets through the price and margin increases and efficiencies was diminishing. New initiatives were therefore necessary to ensure future growth of the business.

RESOLVED:

That the contents of the report be noted.

40. Forecast Outturn 2016/17 and Draft Medium Term Financial Strategy 2017/18 - 2020/21

The Subcommittee considered a report outlining the draft proposals for the Medium Term Financial Strategy covering 2017/18 - 2020/21 and the draft budgets covering that period. A copy of the exempt report, marked 'Agenda Item 9', 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).

Members noted the tougher financial and business environment now facing ESPO and were supportive of the shallower rate of growth included in the MTFs. In doing so they recognised that the delivery of the growth projected would be dependent upon the delivery of some or all of the initiatives outlined in paragraph 15 of the report.

In reply to questions the Director advised as follows:-

- i) Discussions had been held with the Chief Officer Group regarding the establishment of a Trading Company and external consultants had been engaged to advise on this. The Chief Officer Group would be discussing options concerning the structure and governance of the company with a view to bringing a report to the Management Committee in due course. Members commented on the need to progress this initiative given the potential business opportunities offered;

- ii) The capital programme as currently set out did not include provision for warehouse automation. The business case for automation was being prepared and would be the subject of a separate report to the Management Committee;
- iii) That in taking forward the new initiatives there would be careful consideration of the risks posed to ESPO and its constituent authorities.

RESOLVED:

- a) That the draft four year medium term financial strategy, be noted;
- b) That the forecast outturn and draft budgets for 2017/18 - 2020/21, be noted;
- c) That the forecast outturn and draft Medium Term Financial Strategy be recommended for approval at the Management Committee on 28 February 2017.

11.00 am - 12.26 pm
07 February 2017

CHAIRMAN