



Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Wednesday 7th February 2018.

PRESENT

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

Cambridgeshire County Council
Mr. M. Howell CC

Peterborough City Council
Mr. D. Seaton CC

Warwickshire County Council
Mr. P. Butlin CC

Apologies.

Mr. J. Fisher – Norfolk County Council
Mrs. S. Rawlins – Lincolnshire County Council
Mr. R. Butroid – Lincolnshire County Council

41. Minutes of the meeting held on 7th February 2017

The minutes of the meeting held on 7th February 2017 were taken as read, confirmed and signed.

42. 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.

43. 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.

44. Date of next meeting.

It was noted that the next meeting of the Committee would be held on 9th May 2018 at 10.30am.

45. 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) Internal Audit Service – Progress against the 2017-18 Internal Audit Plan
- ii) MTFFS Monitoring for the first nine months of 2017/18
- iii) Forecast Outturn 2017/18 and Draft Medium Term Financial Strategy 2018/19
- 2021/22

46. Internal Audit Service - Progress Against the 2017-18 Internal Audit Plan

The Subcommittee received a report of the Consortium Treasurer outlining the progress made against the Internal Audit Plan for 2017 - 18. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

The report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

In response to questions, the Subcommittee was advised as follows:-

- i) The two high importance (HI) recommendations concerning MSTAR and Data Protection would be followed up in the first quarter of the next financial year and copies of the full audit reports along with the report on the Supply Chain when completed would be made available to members;
- ii) The Internal Audit Service was provided under a Service Level Agreement (SLA) between the County Council as Servicing Authority and ESPO. Other services provided under the SLA included services such as finance, insurance, legal and democratic. The cost of the audit service to ESPO in the current financial year was approximately £50,000 and was based on the number of days worked;
- iii) There was a good relationship between ESPO and Internal Audit. Where the Internal Audit service had concerns about responses from ESPO to its recommendations there was provision for these concerns to be escalated to the Director of Finance at Leicestershire County Council (in his role as Consortium Treasurer) and if necessary to the Chairman of the Management Committee. Reference was also made to the Audit Charter approved by the Management Committee which governed the relationship;
- iv) There was confidence that the Internal Audit Service had the right skill mix to undertake audits of ESPO as it currently operates. It was noted that when the Trading Company starts to operate there could be a need to obtain external commercial audit expertise;

RESOLVED:

That the contents of the report be noted.

47. MTFFS Monitoring for the first nine months of 2017-18.

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 2017. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The 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) The increase in the cost of agency staff was as a result of a deliberate policy given the peaks and troughs experienced by the business. The use of agency staff offered flexibility and reduced costs. This policy had now reached the point where the optimum level of core permanent staff required had been reached and moving forward there would not be a significant increase in agency costs;
- ii) To date recruitment of warehouse staff had not been an issue and there had been a number of instances where agency staff had transferred onto the permanent staff;
- iii) There was an issue regarding the recruitment of HGV drivers both in terms of succession planning and the remuneration package for those driving 12tonne vehicles. The job evaluation of drivers recently undertaken has in part addressed this problem.
- iv) The risk register contain a risk covering Brexit. Approximately 25% of staff working for ESPO was from EU countries. It was too early to assess the impact that Brexit would have on recruitment but the position would be closely monitored.
- v) The additional cost shown for the Finance and IT sections was primarily due to ESPO having to run the GEMS and Optima Systems for gas sales. It is hoped that the Optima system would be fully implemented by June 2018 at which point the GEMS system would be discontinued.

RESOLVED:

That the contents of the report and comments now made be noted.

48. Forecast Outturn 2017/18 and Draft Medium Term Financial Strategy 2018/19 - 2021/22

The Subcommittee considered a report outlining the draft proposals for the Medium Term Financial Strategy covering 2018/19 - 2021/22 and the draft budgets covering that period. A copy of the exempt report, marked 'Agenda Item 9', is filed with these minutes.

The 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 the financial impact of the pay offer which was estimated £900,000. It was noted that notwithstanding these additional pressures the ambition was to achieve a £6million surplus by 2021.

In reply to questions the Director advised as follows:-

- i) Discussions had been held with the Chief Officer Group regarding the potential acquisition of a small private sector company with a turnover of just over £1million which specialised in serving the early year's market. This would fit well with ESPO's future ambition as the early years market was a key driver in

setting up the trading company as most operators in that market were private sector providers. An update will be provided to the Management Committee;

- ii) ESPO's insurance was renewed annually and competitive quotes were sought. Consideration would be given to the suggestion now made about some element of self-insurance by having a higher insurance excess ;
- iii) The proposed investment in the new website was seen as critical in developing ESPO's online presence and improving the customer shopping experience. A full business case was being prepared and would be submitted to the Management Committee for approval. The cost of developing the website and the other proposed developments will be met from reserves.

RESOLVED:

- a) That the draft four year medium term financial strategy, be noted;
- b) That the forecast outturn and draft budgets for 2018/19 - 2021/22, be noted;
- c) That the forecast outturn and draft Medium Term Financial Strategy be recommended for approval at the Management Committee on 28 February 2018.

**11.30am - 11.55am
7th February 2018**

CHAIRMAN