

**FINANCE AND AUDIT SUBCOMMITTEE – 13 NOVEMBER 2024****2023/24 FINANCIAL STATEMENTS AND ANNUAL GOVERNANCE STATEMENT****JOINT REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER****Purpose of Report**

1. The purpose of this report is to set out the final statement of accounts following the external audit review. It sets out the 2023/24 financial statements (also referred to as the Statement of Accounts within a Local Government setting) and the 2023/24 Annual Governance Statement.
2. The Subcommittee is asked to recommend to Management Committee the approval of the 2023/24 financial statements and Annual Governance Statement (AGS) and the proposed dividend pool of £6.1m.

**Background**

3. The ESPO constitution requires statutory statements of accounts ('financial statements') to be prepared for approval by Management Committee. This version, attached as Appendix 1, is draft pending approval by the Committee and a 'glossy' version for publication will then be prepared.
4. Given the small size of both ESPO Trading Limited (ETL) and Eduzone, they don't require an external audit. Their accounts are in the process of being prepared to coincide with the 31 December 2024 submission deadline and will be overseen by the ETL Board of Directors.

**Key Points**

5. For 2023/24 the trading surplus previously reported to Management Committee (our 'Management Accounts') was a surplus of £8.3m. This was £2.2m higher than budget and £2.4m higher than 2022/23. As discussed in previous Management Committee meetings, this was a great result for ESPO.
6. The Financial Statements will be different to the Management Accounts due to statutory adjustments.
7. A dividend of £6.1m is proposed which is based on the management accounts. The statutory adjustments, including the large movements in the pension scheme, do not impact the value of the dividend paid.

8. ESPOs financial position remains healthy, with net current assets of £21.1m at 31 March 2024. This allows for the dividend mentioned in paragraph 9 to be paid, supports the build-up of reserves for future investments, and supports the working capital needs of the business – both longer term and also for each seasonal summer peak.

### **Key Areas of Judgement**

9. There are a number of areas of judgement in the Financial Statements, which require estimates to be made and/or assumptions used. These could have a very significant impact on the Financial Statements and are:
- i. Value of pension: The closing position as at 31 March 2024 was an asset of £0k (prior year an asset of £3k). This is in alignment with ensuring ESPO complies with Financial Reporting Standard 102. This is shown as 'Post Employment Benefits' on the balance sheet on page 12 of the financial statements. Further details are provided in note 18 to the accounts and the valuation is based on a third-party valuation by the actuaries Hymans Robertson. All assumptions applied are consistent with Leicestershire County Council and the pension scheme is now 100% funded. Additional contributions will continue as per the central scheme's strategy to get to a 120% funding level.
  - ii. Value of land and buildings: The Grove Park premises were valued at £18.9m (prior year £18.2m) in accordance with professional guidelines by chartered surveyors. The outstanding loan used to purchase the site now stands at £3.25m.
  - iii. Going Concern: A key assumption in preparing the financial statements is that ESPO will continue trading for the foreseeable future, considered to be at least 12 months from the date of signing the financial statements. The latest financial performance, considered elsewhere on the agenda, gives a current trading update, but trading in 2024/25 has been strong with increased volumes and we remain on target to deliver the Medium Term Financial Strategy (MTFS) giving comfort over the use of the going concern assumption.
  - iv. Gas Sales & Costs Recognition: During the 23/24 audit it was identified that although Gas sales recognition was previously performed on a 12-month basis, it should be for the Period April to March consumption rather than what has been billed within that period. In the 23/24 accounts an adjustment has been made to ensure the accounts includes both costs from Total and invoice revenues for the March 24 period.

### **24/25 Dividend**

10. Each year ESPO pays a distribution back to members from the surplus it has generated. This provides a valuable contribution towards public services, in

addition to the day-to-day value for money and compliance that EPSO affords its customers.

11. The Management Committee agreed in 2015 a method for calculating the dividend, which considers ESPOs overall surplus and the member usage of ESPO. In addition, like previous years, ESPO also wishes to retain an additional £400k to build its property maintenance reserve to ensure sufficient funding is retained for future maintenance and capital requirements.
12. Applying the above model yields a dividend pool for members of £6.1m and if approved we expect to make payment of individual member amounts in December 2024.

### **Annual Governance Statement**

13. Similar to the external audit, and unlike local authority members, ESPO is not required to publish an Annual Governance Statement. It is however a useful tool to review the effectiveness of our governance arrangements and to demonstrate good governance to our stakeholders. The Annual Governance Statement is attached as Appendix 2 to this report.

14. The AGS has been reviewed by a senior management group consisting of:

Leicestershire County Council (The Servicing Authority)

- Director of Law and Governance (on behalf of the ESPO Secretary)
- Assistant Director - Strategic Finance and Property (on behalf of the Consortium Treasurer)
- Head of Internal Audit and Assurance Service

ESPO

- Director of ESPO
- Commercial Financial Controller

### **Governance and Assurance**

15. In reviewing the decision to recommend that Management Committee approve the 2023/24 Financial Statements, the Subcommittee can gain assurance over the quality of the governance arrangements within ESPO from:
  - i. The external auditors, through their audit opinion and audit findings report.
  - ii. Internal audit, through previous updates to Management Committee and the Subcommittee.
  - iii. ESPO Management, through previous updates to Management Committee.

### **Recommendation**

16. The Subcommittee is asked to recommend that the Management Committee approves the 2023/24 financial statements, the Annual Governance Statement 2023/24 and the proposed dividend pool of £6.1m to be paid in December 2024.

**Equal Opportunities Implications**

17. None.

**Officer to Contact**

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**Appendices**

Appendix 1 – Annual Report and Financial Statements for the year ended 31 March 2024

Appendix 2 – 2023/24 Annual Governance Statement