



Minutes of a meeting of the ESPO Finance Subcommittee held at County Hall, Glenfield, Leicestershire on Thursday, 14 June 2012.

Cambridgeshire County Council

Cllr. J. Reynolds

Leicestershire County Council

Mr. M.B. Page CC

Lincolnshire County Council

Cllr. S. Rawlins

Peterborough City Council

Cllr. D. Seaton

1. Election of Chairman.

It was moved by Mr M B Page CC, seconded by Cllr D Seaton and carried:-

“That Cllr J Reynolds be elected as Chairman for this meeting.”

**Cllr J Reynolds - in the Chair**

2. Urgent Items.

There were no urgent items for consideration.

3. Declarations of Interest.

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.

4. Finance Subcommittee Proposed Terms of Reference.

The Subcommittee received a report of the Consortium Treasurer outlining suggested terms of reference for the Subcommittee. A copy of the report marked 'A' is filed with these minutes.

Members were advised that, in developing draft terms of reference for the Subcommittee, it had become evident that there was merit in establishing its role as a standing Subcommittee. If members were to consider it appropriate to do so, the Subcommittee might wish to make recommendations to that effect

to the Management Committee.

Arising from discussion the following points were noted:

- (i) With reference to paragraph 3 iii of the report, it was suggested that consideration should be given to how best to ensure that members were sufficiently informed to contribute to the setting of financial performance targets. In order to achieve such understanding the Subcommittee would need to undertake an efficiency and finance function and, as such, this role should be captured in the Subcommittee's terms of reference;
- (ii) There was benefit in having a small Subcommittee consider financial matters in greater detail, because this allowed more in depth discussion. It was not uncommon for many local authorities to operate financial governance arrangements which included a subcommittee;
- (iii) It was suggested that, should the Subcommittee continue to meet, it should receive regular updates on the financial implications of the Business Strategy Review, in addition to information on key financial risks to ESPO;
- (iv) Given that a number of documents including the Medium Term Business Strategy were being developed it would seem to be an appropriate time to establish a standing Subcommittee to consider financial and audit matters.

RESOLVED:

That, subject to any minor further changes arising from the comments now made, the proposed terms of reference for the Subcommittee be noted.

## 5. Overview of Key Financial Processes and Timelines for ESPO

The Subcommittee received a presentation by the Consortium Treasurer providing an overview of key financial processes and timelines for ESPO. A copy of the slides of the presentation is filed with these minutes.

Arising from discussion the following points were raised:

- (i) It was vital to ensure that ESPO continued to provide an effective procurement function by providing greater purchasing power to Member Authorities; and continued to operate efficiently;
- (ii) Business plans and strategies for ESPO would be developed on an ongoing basis; however, the business model review process was time limited;
- (iii) The Subcommittee was advised that all procurement projects, regardless of size, were administered and monitored using the same robust processes. A summary of all projects was considered at Senior Management Team level. Members expressed an interest in revisiting these processes in order to ensure that sufficient controls were in place

to track major projects;

- (iv) The process for reporting Quarterly Management Accounts should be as closely aligned with Management Committee meetings as possible to ensure that reports were sufficiently up to date. It was considered that it might also be beneficial for members of the Finance Subcommittee to receive ESPO's monthly management accounts outside of formal meetings along with a brief summary of the information contained therein;

RESOLVED:

- (a) That the presentation be noted;
- (b) That officers be requested to circulate ESPO's monthly management accounts to members of the Subcommittee together with a brief summary of the information contained therein, subject to a decision by the Management Committee on the establishment of it as a standing Subcommittee.

6. Draft Outturn 2011/12.

The Subcommittee received a joint report of the Interim Director and Consortium Treasurer setting out the draft outturn for 2011/12. A copy of the report marked 'B' is filed with these minutes.

Arising from discussion the following points were made:

- (i) Through the Department for Education's Phonics initiative, ESPO's profile had grown and as a result the Organisation had developed new customer relationships;
- (ii) With reference to paragraph 29 of the report the amount set aside for the Indigo warehouse project comprised a number of different work streams. This included changes from a paper based to an electronic picking system and also changes to the order picking process to accommodate the new system e.g. multiple orders would be picked at a time and, in packaging orders, an inventory would be retained by ESPO and sent to the customer. The new system was designed to increase efficiency whilst reducing the chances of human error. In addition an element of the allocation went towards identifying further efficiency savings;
- (iii) The majority of the Indigo warehouse project allocation had been spent. The project was an invest to save scheme expected to generate efficiency savings of £1m over 2 years; these savings were on schedule;
- (iv) Volume impact had reduced as expected, however this reduction was offset by price inflation. The advent of academies had also resulted in some unpredictable market conditions. Once current volume targets had been met it was intended for ESPO to carry out a review of its logistical arrangements to ensure these operated efficiently;

- (v) ESPO sought to maintain product pricing levels on an annual basis; this included a review mechanism;
- (vi) It was important for risk to be managed by ESPO on an ongoing basis; there were no known contingent liabilities at present;
- (vii) There was general support for plans to set aside resources for the maintenance of ESPO's buildings. Members were advised that an Asset Management Plan was under development, this would be supported by a Maintenance Plan;
- (viii) It was noted that ESPO employee pensions were administered through Leicestershire County Council;
- (ix) It would generally be the case that any dividends payable to Member Authorities would take place following the September Management Committee meeting.

RESOLVED:

- (a) That the report be noted;
- (b) That the Subcommittee notes that the Management Committee will be asked to:-
  - (i) note the draft outturn for 2011/12.
  - (ii) approve an allocation of the surplus for 2011/12 including the reserve of £0.4 million for the Building Capital Provision and agree to annually review the level of capital provision required.
  - (iii) approve an increase in the maximum level of the general fund to 5%.
  - (iv) approve the payment of dividends for 2009/10, 2010/11 and 2011/12 to partner authorities totalling £3.5m.

7. Meetings Schedule for discussion.

The Subcommittee received an oral report of the Consortium Treasurer seeking its views on recommending the Management Committee its establishment as a standing body which would meet on an ongoing basis; this followed discussion on the Subcommittee's proposed terms of reference (Minute 4 refers).

Subject to the views of the Subcommittee it was intended for a report containing such recommendations to be presented to the Management Committee meeting scheduled for 27 September 2012.

There was general support for the outlined proposals.

RESOLVED:

That the Management Committee be recommended to establish the Subcommittee as a standing 'Finance and Audit' Subcommittee and the Consortium Secretary and Treasurer be requested to present revised draft terms of reference and a draft annual workplan, further to the comments now made, to the Management Committee at its meeting in September.

8. 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 Draft Outturn 2011/12 (Paper 'C') as defined in paragraphs 3 and 10 of Schedule 12A of the Act; and

'Development of a Four Year Medium Term Financial Strategy (MTFS) 2012 – 2016' (Paper 'D') 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.

9. Supplementary Information Informing the Draft Outturn 2011/12.

The Subcommittee considered a joint exempt report of the Consortium Treasurer and Interim Director which set out information regarding ESPO's Draft Outturn which contained details of a commercially sensitive nature. A copy of the exempt report, marked 'C', is filed with these minutes.

The exempt report was not for publication by virtue of paragraphs 3 and 10 of Section 12A of the Local Government Act 1972.

RESOLVED:

That the information contained within the report be noted.

10. Development of a Four Year Medium Term Financial Strategy (MTFS) 2012 - 2016.

The Subcommittee considered a joint exempt report of the Consortium Treasurer and Interim Director which outlined the financial implications of the four year strategy document which contained details of a commercially sensitive nature. A copy of the exempt report, marked 'D', is filed with these minutes.

The exempt report was not for publication by virtue of paragraphs 3 and 10 of Section 12A of the Local Government Act 1972.

By way of introduction to the MTFS the Interim Director provided a brief summary of progress with regard to the development of ESPO's Medium Term Business Strategy, explaining that, following discussions with Member Authorities the Business Strategy would be considered by the Management Committee at its next meeting.

RESOLVED:

- (a) That the information contained within the report, and progress with regard to the development of a Medium Term Business Strategy, be noted.
- (b) That officers be thanked for their work and the development of a Medium Term Financial Strategy and Medium Term Business Strategy for ESPO be welcomed.

11.00 am - 12.30 pm  
14 June 2012

CHAIRMAN