

Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Monday, 17 February 2014.

## PRESENT

### Cambridgeshire County Council

Cllr. J. Reynolds (in the Chair)

### Leicestershire County Council

Dr. R.K.A. Feltham CC

### Lincolnshire County Council

Cllr. S. Rawlins

### Peterborough City Council

Cllr. D. Seaton

## 26. MINUTES.

The minutes of the meeting held on 3 September 2013, having previously been circulated, were agreed as a correct record and signed.

## 27. 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.

## 28. URGENT ITEMS.

There were no urgent items for consideration.

## 29. CHANGE TO THE ORDER OF BUSINESS.

The Chairman sought and obtained the consent of the Subcommittee to vary the order of business from that set out in the agenda.

## 30. MANAGEMENT ACCOUNTS TO DECEMBER 2013.

The Subcommittee received a joint report of the Director and Consortium Treasurer setting out the results of the first nine months of trading, April to December 2013. A copy of the report, marked '4', is filed with these minutes.

Arising from the discussion the following points were made:

- (i) Store sales growth was strong and was approximately 10.7% after 18 months of the original four year Medium Term Business Strategy, consistent with the four year objective of 20% growth;
- (ii) ESPO's strategy to keep price increases below or at inflation meant that the benefits of its current growth, increased margin and turnover was passed on to the consumer. ESPO's focus on internal efficiencies of the business, meant it was also able to maintain the projected surplus back to Consortium Authorities;
- (iii) The Director reported that a review of transportation arrangements was currently in progress, with a report to be presented to Management Committee in due course on options arising. Savings expected to be yielded from contracting the service out were not as initially projected, so it was likely that a hybrid transport model would be recommended, with ESPO's own fleet supporting its core network, supplemented by contracted vehicles for further afield. Due to this hybrid approach it was likely that a number of new vehicles would need to be purchased to replace an ageing fleet and to balance investment and flexibility;
- (iv) ESPO was not experiencing excessive bad debts and the number of debtors was consistent with volume;
- (v) Appropriate marketing and management of slow-moving lines would make space for more popular and faster-moving stock in an effort to reduce the need for 'to follow' deliveries to customers and the inefficiencies this brought which could be up to 20% of cost of processing the order.

RESOLVED:

That the Director and Consortium Treasurer be thanked for their report.

31. EXCLUSION OF THE PRESS AND 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 Management Accounts to December 2013' 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.

32. SUPPLEMENTARY INFORMATION INFORMING THE MANAGEMENT ACCOUNTS TO DECEMBER 2013.

The Subcommittee received an exempt report from the Director setting out further supplementary information regarding more detailed analysis of ESPO's accounts, supplementing item 4 of the agenda. The report contained details of a commercially

sensitive nature. A copy of the exempt report, marked 'item 8', 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 report be noted.

[The meeting then reconvened into public session]

33. PROGRESS AGAINST INTERNAL AUDIT ANNUAL PLAN.

The Subcommittee received a report of the Consortium Treasurer summarising the Internal Audit Service, highlighting high importance recommendations and updating on the adoption of the Public Service Internal Audit Standards (2013). A copy of the report, marked '5', is filed with these minutes.

Arising from the discussion the following points were noted:

- (i) There were a number of audit jobs awaiting completion or commencement for the current financial year which meant there was a danger of some not being undertaken this year, over and above the 90% completion target;
- (ii) In order to better track progress and aid their understanding, Members suggested that Appendix 2 to the report would benefit from the addition of a column to the schedule of audits to show dates completed/projected completion dates, together with an overall percentage of audits completed against the number planned for the year. The Consortium Treasurer undertook to include this in future reports;

RESOLVED:

That the report be noted.

34. DATE OF NEXT MEETING.

It was noted that the next meeting would be held at 10.30 am on Tuesday 10 June 2014.

35. 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 Management Accounts to December 2013' and 'Forecast Outturn 2013/14 and Draft MTFS 2014/15 – 2017-18' 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.

36. FORECAST OUTTURN 2013/14 AND DRAFT MTFS 2014/15 - 2017/18.

The Subcommittee received an exempt joint report from the Director and Consortium Treasurer, the purpose of which was to give an update on the implications of the Medium Term Financial Strategy (MTFS) document currently in preparation, presenting the draft 2014-15 budget and presenting draft outline budgets for the forthcoming three years. The report contained details of a commercially sensitive nature, a copy of which, marked 'item 9', 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.

Arising from the discussion the following general points were made:

- (i) ESPO had developed its e-ordering capabilities and an improved web interface for customers was in progress, due to go live during the first quarter of the 2014/15 financial year; this, alongside working with suppliers to be able to fulfil 'just in time' deliveries, would create further efficiencies, improve the customer experience and stock accuracy/levels over the course of the MTFS;
- (ii) There remained strong demand from customers for the ESPO catalogue. Whilst this meant fixed 12 month headlining pricing for stores products, members supported the use of marketing initiatives and promotions applied throughout the year to drive sales and manage stock levels;
- (iii) As the new Indigo Warehouse system became fully operation, ESPO's agency manpower costs was expected to fall as a proportion of the previous year's budget;
- (iv) A contractor was currently being employed by the Servicing Authority to assess major spend on energy at Leicestershire County Council buildings. Members felt this could be extended to cover ESPO's Grove Park building, acting as a form of review as to whether elements of its 40 efficiency projects should be altered to gain greater returns.

RESOLVED:

That the contents of the report be noted and the comments now made be presented to the Management Committee meeting of Thursday 6 March 2014.