



EASTERN SHIRES PURCHASING ORGANISATION

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: LAUREN HASLAM,
DIRECTOR OF LAW AND GOVERNANCE,
LEICESTERSHIRE COUNTY COUNCIL

Date: 11 November 2025
My Ref AS/ESPO
Please ask for: Angie Smith
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To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 26 November 2025 at 10.30 am in the Sparkenhoe Committee Room, County Hall, Glenfield.

Members are reminded that a buffet lunch will not be provided after the meeting, although liquid refreshments will be available. Members are welcome to use the canteen at County Hall if they wish.

Yours faithfully,

Angie Smith
for Consortium Secretary

AGENDA

<u>Item</u>	<u>Report by</u>	<u>Page</u>
1. Minutes of the meeting held on 17 September 2025.		(Pages 3 - 10)
2. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.		
3. Declarations of interests in respect of items on this agenda.		
4. Items referred by the Finance and Audit Subcommittee.		

There are no specific items referred.

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|----|--|--|-----------------|
| 5. | 2024/25 Financial Statements and Annual Governance Statement | Chief Officer of ESPO and Consortium Treasurer | (Pages 11 - 64) |
| 6. | Chief Officer's Progress update. | Chief Officer | (Pages 65 - 80) |
| 7. | Date of Next Meeting. | | |

The next meeting of the Committee is scheduled to take place on 25 March 2026 at 10.30am at County Hall, Glenfield.

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| 8. | Any other items which the Chairman has decided to take as urgent. |
| 9. | Exclusion of the Press and Public. |

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

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|-----|---|-------------------------|-------------------|
| 10. | Supplementary Information Informing the Progress Report of the Chief Officer's Progress Update. | Chief Officer | (Pages 81 - 96) |
| 11. | Overview of ESPO's Energy Offering. | ESPO Head of Commercial | (Pages 97 - 102) |
| 12. | ESPO's Digital Marketing and Approach to Search Engine Optimisation (SEO). | ESPO Head of Marketing | (Pages 103 - 110) |



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 17 September 2025.

PRESENT

Cllr. R. Wyatt – Cambridgeshire County Council (in the Chair)

Cambridgeshire County Council
Cllr. D. Green

Norfolk County Council
Cllr J. Bensly
Cllr. J. James

Leicestershire County Council
Ms. H. Butler CC
Mr. D. Harrison CC

Warwickshire County Council
Cllr. N. Garland
Cllr. S. Shaw

Apologies

Apologies were received from Cllr. T. Bridgwood (Lincolnshire County Council) and Cllr. L. Kelly (Lincolnshire County Council)

In attendance

Cllr C. Hogg (Peterborough City Council) - online

ESPO

Kristian Smith – Chief Officer
Gary Ford – Assistant Director (Business Development & Growth)
Gary Tapp – Commercial Financial Controller

Leicestershire County Council

Lauren Haslam – Consortium Secretary
Simone Hines – Consortium Treasurer
Angie Smith – Democratic Services Officer

1. Appointment of Chairman.

RESOLVED:

That Cllr. T. Bridgwood be nominated as Chairman for the Municipal Year ending June 2026.

2. Appointment of Vice-Chairman.

RESOLVED:

That Cllr. R. Wyatt be appointed Vice-Chairman for the Municipal Year ending June 2026.

In the absence of Cllr. Bridgwood, Cllr Wyatt took the Chair.

3. Chairman's Announcements.

The Chairman thanked Cllr. Mohammed Jamil, Peterborough City Council, for his work as Chairman of the ESPO Management Committee for the period June 2024 to May 2025. During his period of office, Cllr. Jamil has overseen the following:

- i) Achieving a trading surplus of £7.4m including ESPO Trading Limited which is £0.3m ahead of the 2024/2025 budget.
- ii) ESPO's procurement services created a rebate income of £13.2m which was a record year.
- iii) The successful opening of the newly constructed 26,000 square feet warehousing extension to the Grove Park.
- iv) Progression of the business development agenda including MySchoolFund partnership growth with Sainsbury's, international trading expansion and significant growth into Scotland via Scotland Excel framework.
- v) Organisational investments fleet, enhancements to our digital agenda and improvements to Grove Park staff facilities.
- vi) Ensuring ESPO's readiness for the new Procurement Act 2023 which went live in February.
- vii) A robust governance framework for Health & Safety, Legal Compliance, flexible working and employee well-being.

Members of the Committee echoed the Chairman's comments and thanks.

4. Minutes of the Previous Meeting.

The minutes of the meeting held on 19 March 2025 were taken as read, confirmed, and signed.

5. Urgent Items.

There were no urgent items for consideration.

6. Declarations of Interests.

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.

7. Items referred by the Finance and Audit Subcommittee.

There were no items referred by the Finance and Audit Subcommittee.

8. Chief Officer's Progress update.

The Management Committee considered a report of the Chief Officer which provided an update of the actions and progress made since the previous ESPO Management Committee held on 19 March 2025. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

Arising from discussion, the following points were made:

- i. As previously reported, shortfall in sales was attributed to the ongoing contraction in the educational supplies market, driven by school funding constraints and inflationary pressures, notably pay and energy costs. Despite market challenges, ESPO has maintained strong performance, particularly in development areas, supported by competitive pricing and targeted growth strategies, helping to offset declines in traditional segments.
- ii. Stock margin percentage was 0.3% above budget and direct margin was 0.4% higher, reflecting a favourable product mix and improved margin management. Gross profit margin stood at £15.2million, slightly below by £0.3million, primarily due to lower stock sales.
- iii. Framework rebate income totalled £4.8million, in line with both budget and prior year. While some frameworks were impacted by central government budget reductions, ESPO had successfully offset this through growth in other frameworks.
- iv. Expenditure was £0.8million below budget. Cost savings had been achieved through operational efficiencies, vacancies and lower than budgeted pay awards.
- v. ETL and Eduzone had delivered a combined surplus of £88k, which was £21k ahead of budget, and £11k above the previous year, despite delays in international orders and financial pressures in the nursery sector.
- vi. ESPO had made a strong start to the financial year, with surplus levels at £0.5million ahead of budget at period 4. Despite risks from continued market contraction, ESPO was on track to deliver a full year surplus £7.5million to £7.7million, exceeding both the budget and the uplifted Medium Term Financial Strategy (MTFS).
- vii. The organisation was currently entering the autumn mini-peak, with further performance insights expected at the November Management Committee update.
- viii. Operationally, ESPO had processed and despatched over 200,000 order lines, valued at £8.387million, and had achieved a pick rate of 36 against a target of 32. It had also maintained excellent stock availability, providing service reliability. Also 10 new large goods vehicles had been acquired, enhancing logistics capacity.
- ix. Customer Services call wait times were an average peak time wait of 1 minute 18 seconds, and a 91% call answer rate and FIFO rating of 98% had been achieved, reflecting high customer satisfaction. ESPO had also been recognised as Supplier of the Year at the 2025 Educational Resource Awards.

- x. For facilities management, all statutory inspections had been completed in July, there had been no reported injuries, and 21 randomised drug and alcohol tests for safety-critical roles had all returned negative.
- xi. The IT helpdesk had achieved a 100% satisfaction rating from customers. A second internet line into Grove Park had been secured to ensure service continuity in the event of a break in service.
- xii. Current sickness averages were just over 8 days, slightly above the 7.5 days target. Initiatives to support staff and to help reduce the sickness rate included a wellbeing programme, on-site flu vaccinations, a monthly HY newsletter for all staff, and a launch of mandatory learning and development training.
- xiii. In response to a question on the impact of shrinkage in the educational supplies market, the Chief Officer explained that there had been an approximate 4-5% contraction. Factors contributing included reduced school budgets, early cessation of orders, and shorter school weeks in some regions. This had led to noticeable decline in disposable income available for educational purchases.
- xiv. In response to questions about mental health support, it was noted that sickness data was monitored, and mental health first aiders were available. Most stress-related absences were found to be non-work-related. Support mechanisms included access to helplines and fostering strong workplace relationships. Hybrid working was acknowledged, but in-person interaction was encouraged for wellbeing.
- xv. Members praised the average call wait time of 1 minute 18 seconds. In response to a question, it was reported that benchmarking was done via the Institute of Customer Service annual survey, comparing performance to private sector standards like John Lewis. Call trends varied seasonally, with common queries including delivery issues, account setup, and billing questions. A weekly trading pack provided detailed breakdowns of call reasons, and the Chief Officer undertook to share the findings with Members.
- xvi. A Member enquired about readiness for the upcoming Employment Rights Bill. It was confirmed that ESPO staff were employed by Leicestershire County Council, and HR-related changes were being managed centrally by the council.

It was moved by Cllr. R. Wyatt and seconded by Mr. Harrison that the update provided by the Chief Officer be noted.

RESOLVED:

- a) That the update provided by the Chief Officer be noted.
- b) That the Chief Officer be requested to circulate a breakdown of call reasons into Customer Services in the form of a pie chart to members.

9. Dates of Future Meetings.

RESOLVED:

That it be noted that the next meeting of the Committee would be held on 26 November 2025 at 10.30am at County Hall, Glenfield and future meetings would be held at the same time on the following dates:

25 March 2026
17 June 2026
16 September 2026
25 November 2026

It was also noted that the meetings of the ESPO Finance and Audit Sub-Committee would be held at 10.30am on the following dates in 2026:

11 February 2026
7 October 2026

10. 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 for the remaining items of business on the grounds that it would involve the disclosure of exempt information as defined in the Act and that in all circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

11. Supplementary Information Informing the Progress Report of the Chief Officer's Progress Update.

The Committee considered an exempt report of the Chief Officer which set out supplementary information relating to the Chief Officer's Progress Update. A copy of the report, marked 'Agenda Item 12', 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).

- i. The Chief Officer responded to questions which related to the following:
 - Collaboration with the Department for Education
 - The Amazon threat to ESPO and similar suppliers
 - ESPO's pricing strategy and market stance
 - ESPO App and MySchoolFund (MSF) expansion and promotion
 - ESPO's energy performance versus budget, and PIA (purchase in advance) method
 - Energy contract terms and exploration of supplier types, including local expertise
 - SME engagement and procurement consultation
 - Search engine optimisation and AI (artificial intelligence).
- ii. The Chief Officer was requested to report back to a future meeting of Committee on more information on ESPOs energy offer including any explorations into generational suppliers, for example, wind farms.

- iii. The Chief Officer was further requested to bring a report to Committee work on ESPOs digital marketing and search engine optimisation work.
- iv. It was moved by Cllr. Wyatt and seconded by Cllr. Shaw that the update provided by the Chief Officer be noted.

RESOLVED:

- a) That the update provided by the Director be noted.
- b) The Chief Officer was requested to report back to a future meeting of Committee more information on ESPOs energy offering and explorations into generational suppliers, for example, wind farms.
- c) The Chief Officer was further requested to bring a report to Committee work on ESPOs digital marketing and search engine optimisation.

12. Business Development Update.

The Committee considered an exempt report of the Assistant Director, Business Development and Growth, which provided an overview of the Business Development Division and an update on ESPO's sales and marketing activity. The report further highlighted a high-level summary of trading activity over the last ten years and provided summary highlights of the Business Development pipeline as information to Members. A copy of the report marked 'Agenda Item 13' 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).

The Assistant Director responded to questions which related to the following:

- ESPOs market share of the Education Sector
- The Business Development future plan, and potential shareholder opportunities in companies.
- Customer expectations towards next-day delivery
- Procurement and managing competitive threats.

It was moved by Cllr. Wyatt and seconded by Mr. Harrison that the update provided by the Assistant Director be noted.

RESOLVED:

That the Business Development Update report be noted.

13. Budget 2025/26.

The Committee considered an exempt joint report of the Chief Officer and the Consortium Treasurer on the 2024/25 financial outturn, and 2025/26 budget. It was noted that the Finance and Audit Sub-Committee had considered the budget for 2025/26 at its meeting on 12 February 2025 and had approved the budget for submitting to the Management Committee in March 2025 for consideration and approval. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

The report was approved at the Management Committee meeting in March 2025 and was brought to the meeting for the benefit of new Members for noting.

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).

RESOLVED:

That the budget report for 2025/26 be noted.

14. ESPO Trading Limited and Eduzone Merger - March 2025

The Committee considered an exempt joint report of the Chief Officer and the Consortium Treasurer on the proposed simplification to the company structure for Eduzone Limited (Eduzone) through a proposed merger between Eduzone Limited and ESPO Trading Limited (ETL).2024/25 financial outturn, and 2025/26 budget. A copy of the report marked 'Agenda Item 15' 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).

The report was approved at the Management Committee meeting in March 2025 and was brought to the meeting for the benefit of new Members for noting.

RESOLVED:

That the ESPO Trading Limited and Eduzone Merger report be noted.

10.30am to 12.14pm
17 September 2025

CHAIRMAN

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ESPO MANAGEMENT COMMITTEE – 26 NOVEMBER 2025
2024/25 FINANCIAL STATEMENTS
JOINT REPORT OF THE CHIEF OFFICER AND CONSORTIUM
TREASURER

Purpose of Report

1. This report sets out the 2024/25 financial statements following external audit review (also referred to as the Statement of Accounts within a Local Government setting) and the 2024/25 Annual Governance Statement (AGS). These items were reviewed by the Finance and Audit Sub Committee at its meeting on 8 October 2025 and recommended for approval.
2. The Management Committee is asked to approve the Annual Governance Statement and the 2024/25 financial statements and the proposed dividend pool of £5.4m payable in December 2025.

Background

3. The ESPO constitution requires statutory statements of accounts ('financial statements') to be prepared for approval by Management Committee. These accounts are attached as Appendix 1. These are draft pending approval by the Committee.
4. The results of the external audit were reviewed and approved by the Finance and Audit Sub Committee at its meeting on 8 October, with the auditor attending and presenting their findings directly to the Subcommittee.
5. 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 2025 submission deadline and will be overseen by the ETL Board of Directors.

Key Points

6. The external audit resulted in a 'clean' audit opinion. The auditors did not identify any significant control weaknesses, nor did they identify any significant accounting differences (whether adjusted or unadjusted).
7. For 2024/25 the trading surplus previously reported to Management Committee (our 'Management Accounts') was a surplus of £7.4m. This was £0.3m higher than budget. As discussed in previous Management Committee meetings, this was a great result for ESPO considering the challenges in the educational supplies market across 24/25.

8. The Financial Statements will be different to the Management Accounts due to statutory adjustments.
9. A dividend of £5.4m 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.
10. ESPOs financial position remains healthy, with net current assets of £19.4m at 31 March 2025. This allows for the dividend mentioned in paragraph 9 to be paid, supports the build-up of reserves for future investments to achieve long term sustainable growth, and supports the working capital needs of the business – both longer term and also for each seasonal summer peak.

Key Areas of Judgement

11. 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 2025 was an asset of £0k. 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 13 of the financial statements. Further details are provided in note 17 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 100% funded. Additional contributions will continue as per the central scheme's strategy to a 120% funding level.
 - ii. Value of land and buildings: The Grove Park premises were valued at £24.1m in accordance with professional guidelines by chartered surveyors. The outstanding loan used to purchase the site now stands at £2.75m.
 - 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 2025/26 has been strong with increased margin percentage and we remain on target to deliver the Medium-Term Financial Strategy (MTFS) giving comfort over the use of the going concern assumption.

Dividend

12. 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.

13. 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 wishes to retain £600k to build its property maintenance reserve to ensure sufficient funding is retained for future maintenance and capital requirements.
14. Applying the above model yields a dividend pool for members of £5.4m and if approved we expect to make payment of individual member amounts in December 2025.

Annual Governance Statement

15. 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.
16. 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 – Finance, Commissioning and Transformation (as the Consortium Treasurer)
 - Head of Internal Audit and Assurance Service
 - ESPO
 - Chief Officer of ESPO
 - Commercial Financial Controller
17. The 2024/25 Annual Governance Statement is included in Appendix 2.
18. No areas of significant concern are identified in the AGS.

Governance and Assurance

19. In reviewing the decision to approve the 2024/25 Financial Statements, the Management Committee 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 and also inclusion in the AGS process.
 - iii. ESPO Management, through previous updates to Management Committee and also inclusion in the AGS process.

Recommendation

20. The Management Committee is asked to approve:

- (a) the 2024/25 Annual Governance Statement
- (b) the 2024/25 financial statements
- (c) the dividend pool of £5.4m to be paid in December 2025

Equal Opportunities Implications

21. None.

Officer to Contact

Kristian Smith, Chief Officer

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Simone Hines, Consortium Treasurer

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Appendices

Appendix 1 – 2024/25 ESPO Financial Statements

Appendix 2 – 2024/25 Annual Governance Statement

DRAFT

**Eastern Shires Purchasing Organisation
Annual report and financial statements
for the year ended 31 March 2025**

Eastern Shires Purchasing Organisation

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Eastern Shires Purchasing Organisation

Statement from the Chair

Throughout 2024/25, ESPO remained aware of the pressures facing schools, early years settings and public sectors customers were experiencing due to ongoing funding constraints, inflation, and cost of living pressures.

Despite these challenges, ESPO worked diligently to limit price increases through effective procurement and cost management, ensuring ESPO continued to offer excellent value for money.

I would once again like to extend my sincere thanks to our committed staff, whose hard work enabled us to navigate a competitive trading environment and deliver impressive performance throughout the year.

ESPO's financial results for 2024/25 reflect this success. Through an ambitious business development agenda and continuous process improvements, we achieved a surplus of £8.9 million. This surplus is a profit with a purpose—allowing us to return £5.4 million to our member authorities to support local services and communities, while also reinvesting in customer pricing and ESPO's future growth. ESPO continues to maintain a strong balance sheet with a healthy, independent cash position.

Looking ahead, we anticipate continued challenges facing school budgets and more stable product cost inflation. We remain confident in our ability to continue offering low prices to customers and delivering exceptional value. Our long-standing commitment to great service, competitive pricing, and high stock availability positions ESPO for sustainable success in the years to come.



Cllr Mohammed Jamil

Chair of ESPO Management Committee 2024/25

Date: [date]

Eastern Shires Purchasing Organisation

Annual Report

ESPO

Eastern Shires Purchasing Organisation ('ESPO') is a public sector owned professional buying organisation (PBO), specialising in providing a wide range of goods and services to the public sector for nearly 45 years. We offer a comprehensive, one-stop shop solution to UK schools of over 28,000 products, over 100 frameworks and bespoke procurement services, all with free support and advice available from our expert teams. This is serviced to customers through our website www.espo.org and our popular annual catalogue.

Mission

To work in partnership with our stakeholders to drive value-for-money for the public sector, through comprehensive procurement solutions.

Values

Our values guide everything we do here at ESPO, helping us to provide the best possible service to our customers and operate in a way that's in line with our public sector ethos.

- Working together
- Positivity
- Trust and Respect
- Customer focused
- Openness and transparency

Status and ownership

ESPO is a joint committee set up under Section 102 of the 1972 Local Government Act. The member authorities of the joint committee, known as the 'Management Committee' are Cambridgeshire, Leicestershire, Lincolnshire, Norfolk and Warwickshire County Councils together with Peterborough City Council.

Strategic report

The strategic report on Eastern Shires Purchasing Organisation (ESPO) for the year ended 31 March 2025 is presented below.

Review of the business

2024/25 saw significant budgetary pressures placed on schools from inflationary pressures with notable increases in energy and pay impacting their educational supplies budgets. ESPO experienced further increases in costs in product costs, energy and pay and needed to pass some of these cost increases onto consumers but through implementing various cost efficiencies still managed to provide exceptional value for money. ESPO continued to see challenges in the global supply chain linked to global issues such as the war in Ukraine and disruption to shipping in the Red Sea region. Maintaining high levels of stock availability is always important to us and through the last year this was an area of significant focus of us to ensure we could meet the needs of our customers. Through the great work of the ESPO team, and expansion of the warehouse we were able to offer good levels of stock availability, improving on the previous year.

2024/25 saw continued high levels of inflation in the UK. We were careful to manage pricing and limit the extent that increases from suppliers were passed on to customers as much as we could, knowing how tight school budgets are and wanting to make sure that ESPO was able to offer great value for money every day.

Financially, it was a successful year for ESPO and a profit of £8.9m has been created.

Overall revenues decreased from £130.9m last year to £119.1m mainly reflecting the reduced gas revenues associated with the lower cost of gas supplies and the impact of the overall contraction of the educational supplies market although ESPO managed to increase its educational supplies market share of the contracted market. Through our catalogue business, we delivered or administered £75.7m of goods to customers reflecting the overall market contraction and the winning of new business in development areas.

Gas revenue decreased from £41.3m to £29.7m, reflecting decreases in market gas prices although these remain at elevated levels stemming from the war in Ukraine and sanctions applied to Russia. At ESPO we act as a procurement

Eastern Shires Purchasing Organisation

agent for our customers, charging a fixed daily fee and so didn't benefit from this market volatility. Our expert Energy team support customers by buying energy to help secure good prices for them, and to help them manage risk. This service remains hugely popular with customers benefitting from our approach to buying.

Rebate income from ESPO frameworks continued to grow and reached a record £13.2m, with ESPO continuing to offer a broad range of frameworks for our public sector customers to support their procurement needs.

Costs remained tightly controlled to ensure ESPO can continue to best provide value to our customers and our member authorities.

Auditor

The auditor, Williamson & Croft Audit Ltd, were appointed in the year and will be proposed for reappointment at an upcoming general meeting."

Statement of disclosure to auditor

So far as each person who was a member of the management committee at the date of approving this report is aware, there is no relevant audit information of which the entity's auditor is unaware. Additionally, the members of the management committee individually have taken all the necessary steps that they ought to have taken in order to make themselves aware of all relevant audit information and to establish that the auditor is aware of that information.

Carbon Report

Greenhouse gas emissions, energy consumption and energy efficiency action

The Streamlined Energy and Carbon Reporting (SECR) figures will present a benchmark for future activity.

ESPO's greenhouse gas emissions and energy consumption are as follows:

	2025
Energy consumption used to calculate emissions (kWh)	4,434,717
Energy consumption break down (kWh)	
Gas	1,130,147
Electricity	777,121
Vehicle fuel	2,527,449
Scope 1 emissions (in tonnes of CO2 equivalent)	
Gas consumption	207
Vehicle fleet	604
Total scope 1	<u>811</u>
Scope 2 emissions (in tonnes of CO2 equivalent)	
Purchased electricity	161
Total gross emissions (in tonnes of CO2 equivalent)	<u>972</u>
Intensity ratio – kg of CO2e per £1 of stores revenue	0.02

Quantification and reporting methodology

We have followed the 2019 HM Government Environment Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2024 UK Government Conversion Factors for the Company Reporting.

Eastern Shires Purchasing Organisation

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in kg of CO₂e per £ of stores revenue, a recommended ratio for the sector.

Measures taken to improve energy efficiency

We have a policy of recording and reviewing energy use and investigating unexplained anomalies. Our energy is recorded using smart meters and consumption checked to ensure it follows expected patterns.

Across our fleet we are trialling the use of two electric delivery vehicles to understand how the technology might be applied in a cost-efficient way to our business in the future.

ESPO's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. ESPO does not use derivative financial instruments for speculative purposes.

Credit risk

ESPO's financial assets are bank balances and cash, trade and other receivables.

The credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, ESPO uses a mixture of long-term and short-term debt finance. It also maintains high levels of cash at any given time.

Political risk

ESPO's customers include a wide number of UK public sector organisations, with schools forming a significant grouping. Any significant changes in Government or Education policy which affect public sector or school spending levels could lead to a reduction in market size and/or a reduction in customer spending with ESPO. We maintain a close watch of policy, and a close relationship with our customers to understand and react to upcoming challenges. ESPO also maintains a diverse portfolio of products and services, and supports a broad range of customer so as to limit any possible impact.

Supply Chain

ESPO's ability to operate is contingent on being able to source products for customers at the right time and at the right price. This was complicated initially as a result of Brexit and the Covid-19 pandemic which caused disruption to global supply chains, and more recently by the war in Ukraine and disruptions to shipping in the Red Sea region. These global events resulted in increased cost, time and administration in sourcing product. In managing this we maintain a broad supplier base, factored longer lead times into our planning cycle, and continually monitor product availability to respond to needs as they arise. In 24/25 ESPO benefitted from a substantial increase in capacity at the Leicester warehouse and removed the need for offsite storage improving resilience, availability and product offering.

Price risk and inflation

ESPO is exposed to risk from changing product prices which increases in times of high inflation. Not being a manufacturer, our ability to manage our exposure to this risk comes from agreeing and negotiating contracts with suppliers and also benchmarking selling prices to ensure we remain competitive. Purchases are made significantly in GBP, with key suppliers known to operate hedging arrangements, which limits exposure to fluctuating exchange rates.

People risk

ESPO depends on our highly skilled team and failing to recruit in a competitive marketplace could impact on our ability to serve our customers and deliver positive outcomes for our many stakeholders. We review our employee offer, monitor staff engagement, offer a range of learning and development opportunities, and actively support a health and safety, and wellbeing programme in the business.

Cyber risk

ESPO views cyber related risks as one of the greatest general threats facing any organisation and has a variety of measures in place to pro-actively prevent and detect issues. We are continually improving the awareness and resilience within the organisation to these threats.

Eastern Shires Purchasing Organisation

Going Concern

The senior officers have reviewed the going concern status of ESPO and have a reasonable expectation that ESPO has adequate resources to continue in operational existence for the foreseeable future. A Medium -Term Plan covering four years is presented to the Management Committee and reviewed and approved on an annual basis. Also, a revised forecast for the current trading year is carried out at least every six months to reflect any changes that may materially impact the year end position.

At year end ESPO has net current assets of £19.4m, a strong cash position and continues to trade well with high levels of customer demand. ESPO continues to monitor and respond to circumstances as they arise to minimise their impact on the organisation.

Financial performance is closely monitored and a number of different scenarios evaluated to ensure that even in the rapidly changing and uncertain external environment ESPO can continue to ensure its long-term sustainability.

In considering all of the above, ESPO continue to adopt the going concern basis in preparing the financial statements.

Management Committee Responsibilities Statement

The Management Committee are responsible for ensuring the proper administration of ESPO's financial affairs, its compliance with all laws and regulations, and for approving the annual report and financial statements.

The Management Committee have elected to prepare financial statements which give a true and fair view of the state of affairs and profit or loss of ESPO for that period in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). In preparing these financial statements, the Management Committee have ensured that:

suitable accounting policies have been selected and applied consistently;
 judgements and accounting estimates made are reasonable and prudent;
 they state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
 the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the organisation will continue in business;

The Management Committee are responsible for ensuring that adequate accounting records are maintained that are sufficient to show and explain ESPO's transactions and disclose with reasonable accuracy at any time the financial position of ESPO and enable them to ensure that the financial statements comply with United Kingdom Generally Accepted Accounting Practice. They are responsible for managing ESPO's affairs to secure economic, efficient and effective use of resources and also safeguard its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee are responsible for ensuring the maintenance and integrity of the corporate and financial information included on the organisation's website at www.espo.org. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To ensure the proper administration of its financial affairs the Management Committee secure that one of its officers has the responsibility for the administration of those affairs; for the consortium that officer is the Director of Finance of Leicestershire County Council who is the 'Consortium Treasurer'.

These accounts were approved at a meeting of the Management Committee on [date].



Cllr. Mohammed Jamil

Chair, ESPO Management Committee 2024/25



S Hines

Eastern Shires Purchasing Organisation

Assistant Director Finance, Commissioning & Transformation of Leicestershire County Council (Consortium Treasurer of ESPO)

Report of the Independent Auditors to the Joint Committee of Eastern Shires Purchasing Organisation

Opinion

We have audited the non-statutory financial statements (the 'financial statements') of Eastern Shires Purchasing Organisation (the 'Joint Committee') for the year ended 31 March 2025, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cashflows, the Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Joint Committee's affairs as at 31 March 2025 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Joint Committee in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Joint Committee's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect to going to concern are described in the relevant sections of this report.

Other information

The Management Committee are responsible for the other information. The other information comprises the information included in the Statement from the Chair and Annual Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Eastern Shires Purchasing Organisation

Responsibilities of Management Committee for the financial statements

As explained more fully in the Statement of Management Committees' responsibilities set out on page 7, the Management Committee are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the Joint Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Joint Committee or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we have given consideration to the control environment (including management's own process for identifying and assessing risks) as well as the nature of the entity, the industry in which it operates and the underlying performance. Consideration was also given to the attitudes and incentives of management to commit fraud. We determined that the greatest potential for fraud existed in the following areas: timing of recognition of income; and posting of unusual journals and complex transaction. In line with all audits performed under International Standards on Auditing (UK), we planned and performed specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the applicable laws and regulations that the Joint Committee has to abide by, through discussions with management and those charged with governance, as well as commercial knowledge of the sector and statutory legislation. We paid particular focus to those laws and regulations that had the potential to materially impact the amounts and disclosures within the financial statements. The key laws and regulations we identified were health and safety legislation, tax legislation, employment law, pensions legislation and public sector procurement rules.

After our initial risk assessment, we performed the following procedures to detect material misstatements in respect of irregularities arising due to fraud or error:

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing financial statement disclosures and testing these against supporting documentation to assess compliance with applicable laws and regulations;
- Assessing key accounting estimates within the financial statements in order to assess their reasonableness and determine whether there were any indications of management bias in the estimates;
- Reviewing minutes of meetings of those charged with governance; and
- Making enquiries of management as to whether they are aware of any alleged, suspected or actual fraud during the year.

We also performed procedures to satisfy ourselves regarding compliance with applicable laws and regulations, including:

- Making enquiries of management and those charged with governance if there were any actual and potential litigation and claims;

Eastern Shires Purchasing Organisation

- Reviewing legal and professional fees incurred in the year for indicators of any litigation or claims against the Joint Committee;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing correspondence with relevant legal authorities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the Joint Committee, as a body, in accordance with our letter of engagement dated 14 May 2025. Our audit work has been undertaken so that we might state to the Joint Committee those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Joint Committee, as a body, for our audit work, for this report, or for the opinions we have formed.

Tor Stringfellow FCA (Senior Statutory Auditor)

For and on behalf of Williamson & Croft Audit Ltd, Statutory Auditor

York House
20 York Street
Manchester
M2 3BB

Date:.....

Eastern Shires Purchasing Organisation

Income Statement

For the year ended 31 March 2025

		2025 £'000	2024 £'000
	Note		
Turnover	5	119,104	130,838
Cost of sales		(84,445)	(97,126)
Gross profit		34,659	33,712
Distribution costs		(3,005)	(2,848)
Administrative expenses		(23,250)	(22,200)
Operating profit	8	8,404	8,664
Interest receivable	9	599	705
Interest payable	10	(132)	(169)
Profit for the financial year		8,871	9,200

Eastern Shires Purchasing Organisation

Statement of Comprehensive Income

For the year ended 31 March 2025

		2025 £'000	2024 £'000
	Note		
Profit for the financial year		8,871	9,200
Losses arising on revaluation of tangible fixed assets		(1,566)	682
Remeasurement of net defined benefit liability	17	(1,045)	(761)
Total comprehensive income		<u>6,260</u>	<u>9,121</u>

Eastern Shires Purchasing Organisation

Balance sheet

As at 31 March 2025

		2025 £'000	2024 £'000
	Note		
Fixed assets			
Intangible assets	11	82	73
Tangible assets	12	25,316	24,088
		<u>25,398</u>	<u>24,161</u>
Current assets			
Stocks	13	9,828	9,477
Debtors: amounts falling due within one year	14	13,640	16,772
Cash at bank and in hand		11,990	15,463
		<u>(16,022)</u>	<u>(20,677)</u>
Creditors: Amounts falling due within one year	15		
Net current assets		<u>19,436</u>	<u>21,035</u>
Total assets less current liabilities		<u>44,834</u>	<u>45,196</u>
Creditors: Amounts falling due after more than one year	16	(2,250)	(2,750)
Post Employment Benefits	17	-	-
Net assets		<u>42,584</u>	<u>42,446</u>
Capital and reserves			
General Reserve		37,441	35,738
Pension Reserve		-	-
Revaluation Reserve		5,143	6,708
Total Reserves		<u>42,584</u>	<u>42,446</u>

The financial statements of Eastern Shires Purchasing Organisation were approved by the members and authorised for issue on [date]. They were signed on its behalf by:



S Hines

Assistant Director Finance, Commissioning & Transformation of Leicestershire County Council (Consortium Treasurer of ESPO)

Eastern Shires Purchasing Organisation

Statement of Cash Flows

For the year ended 31 March 2025

		2025 £'000	2024 £'000
	Note		
Net cash from operating activities	21	5,907	11,751
Cash flows from investing activities			
Purchase of fixed assets	12	(3,157)	(3,988)
Purchase of intangible assets	11	(41)	-
Interest received	9	574	705
Net cash from investing activities		(2,624)	(3,283)
Cash flows from financing activities			
Interest paid	10	(133)	(151)
Repayment of borrowings		(500)	(500)
Dividends paid		(6,123)	(4,367)
Net cash used in financing activities		(6,756)	(5,017)
Net increase/(decrease) in cash and cash equivalents		(3,473)	3,451
Cash and cash equivalents at the beginning of the year		15,463	12,012
Cash and cash equivalents at the end of the year		11,990	15,463

Eastern Shires Purchasing Organisation

Statement of Changes in Equity For the year ended 31 March 2025

	P&L Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
At 31 March 2023	31,659	3	6,027	37,689
Profit for the financial year	9,200	-	-	9,200
Remeasurement of net defined benefit liability	-	(761)	-	(761)
Surplus on revaluation of land and buildings	4	-	682	686
Total comprehensive income	40,863	(758)	6,709	46,814
Timing transfer of retirement benefit costs	(758)	758	-	-
Dividend paid	(4,367)	-	-	(4,367)
At 31 March 2024	35,738	-	6,709	42,447
Profit for the financial year	8,871	-	-	8,871
Remeasurement of net defined benefit liability	-	(1,045)	-	(1,045)
Surplus on revaluation of land and buildings	-	-	(1,566)	(1,566)
Total comprehensive income	44,609	(1,045)	5,143	48,707
Timing transfer of retirement benefit costs	(1,045)	1,045	-	-
Dividend paid	(6,123)	-	-	(6,123)
At 31 March 2025	37,441	-	5,143	42,584

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

1. General Information

Eastern Shires Purchasing Organisation ('ESPO') provide professional, comprehensive, value for money purchasing, contracting and supplies service for member authorities and other public bodies.

ESPO is a joint committee set up under Section 102 of the 1972 Local Government Act. The member authorities are Cambridgeshire, Leicestershire, Lincolnshire, Norfolk and Warwickshire County Councils together with Peterborough City Council.

2. Statement of Compliance

The financial statements of Eastern Shires Purchasing Organisation ('ESPO') have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102').

3. Summary of Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. Basis of preparation

These financial statements are prepared on a going concern basis.

FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the organisation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The functional currency of ESPO is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates.

b. Going concern

The Consortium has reviewed the going concern status of ESPO by its ability to meet its day to day working capital requirements and the updating of its medium-term financial plan. The current economic conditions continue to create uncertainty over the level of demand for ESPO's products but the Consortium's latest financial plan considers the possible impact of changes in trading performance, and shows that ESPO should be able to continue to operate for the foreseeable future.

In considering the above, management have a reasonable expectation that the organisation has adequate resources to continue in operational existence for a period of at least 12 months from approval of the financial statements.

ESPO therefore continues to adopt the going concern basis in preparing its financial statements.

c. Turnover

The organisation's trading activity is accounted for in the year that it takes place and not when cash payments are made or received. In particular:

Revenue from the sales of goods is recognised when ESPO satisfies the performance obligation to its customers on delivery and it is likely that economic benefits associated with the transaction will flow to ESPO. ESPO has standard payment terms agreed with its customers.

Revenue from the provision of services is recognised when ESPO can measure reliably the percentage of completion of the transaction and it is probable that economic benefits associated with the transaction will flow to ESPO. Revenue associated with our procurement agency role in the sale of gas was recognised 1 month in arrears given the nature of our role in validating bills and supporting our customers to manage risk. A change in accounting policy has taken place whereby the revenue and costs for the gas revenue stream is accounted for in relation to the month in which it has been transacted. A prior year adjustment has been processed to account for this.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

3. Summary of Accounting policies (continued)

Rebates are recognised where they can be reliably measured and agreed with the supplier and are retrospective. Cash is accounted for in the period it is received.

Government grants, which are related to performance and specific deliverables, are recognised in the Income Statement when the organisation earns the right to the consideration by its performance.

d. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Income Statement or in the note to the accounts, depending on how significant the items are to an understanding of ESPO's financial performance.

e. Employee Benefits

Benefits Payable during Employment:

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid annual sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the organisation.

The Local Government Pension Scheme:

In accordance with the FRS 102, ESPO is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for ESPO. The Local Government Scheme is accounted for as a defined benefits scheme and is administered by our Servicing Authority, Leicestershire County Council. The liabilities of the scheme attributable to ESPO are included in the Balance Sheet on an actuarial basis using the 'projected unit method'. This is based on an assessment of future payments that will be made in relation to retirement benefits earned to date by employees and assumptions about mortality rates, employee turnover and projected earning for current employees.

Liabilities are discounted to their value at current prices using a discount rate shown within the assumptions used in the pension fund.

The assets of the fund attributable to the Authority are included in the Balance Sheet at fair value:

Quoted securities – current bid price	Unquoted securities – professional estimate
Unitised securities – current bid price	Property – market value

The change in the net pensions asset/liability is analysed into the following components:

Current service cost: The increase in liabilities as a result of years of service earned this year – allocated in the Income Statement to employees.

Past service cost: The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Income Statement.

Net interest on the net defined benefit asset/liability

The return on plan assets: Excluding amounts included in net interest on the net defined benefit asset/liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses: Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Pension Fund: Cash paid as employer's contributions to the Pension Fund in settlement of liabilities.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

3. Summary of Accounting policies (continued)

Discretionary Awards

ESPO also has restricted powers to make discretionary awards of retirement benefits in the events of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

f. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by ESPO as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the organisation.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by ESPO can be determined by reference to an active market. In practice no intangible assets held by ESPO meet this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis and charged to the Income Statement as follows:

IT Software – 3 to 5 years

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the Income Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is charged to the Income Statement, in the year of the disposal.

g. Tangible Assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, on a straight-line basis over its expected useful life as follows:

Land and Buildings – 70 years

Vehicles, Plant and Equipment – 3 to 25 years

Land is not depreciated however, the property is subject to an annual revaluation to ensure its carrying value reflects fair market value. Assets under construction not depreciated until they are brought into use.

h. Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment is identified, they are accounted for by:

- Where there is a balance of revaluation gains for assets in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) and recognised in the Statement of Comprehensive Income.

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount is written down and the cost charged to the Income Statement.

i. Leased Assets

Finance leases are recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Lease payments are apportioned between; a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability, and a finance charge.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

3. Summary of Accounting policies (continued)

j. Inventory

Inventories are included in the Balance Sheet at the lower of cost or estimated selling price less costs to complete and sell. Where the inventory is deemed to be obsolete the item is then written off. The cost of inventories is assigned using the weighted average costing formula.

k. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

l. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

m. Financial Instruments

Financial liabilities are recognised on the balance sheet when ESPO becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Income Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that ESPO has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Income Statement is the amount payable for the year according to the loan agreement.

ESPO possesses only one type of financial asset - loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. Loans and receivables are recognised on the Balance Sheet when ESPO becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently measured at amortised cost. Annual credits to the Income Statement for interest received are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the loans that ESPO has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest); and interest credited to the Income Statement is the amount receivable for the year in the loan agreement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income Statement. The impairment is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original interest rate. Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Income Statement.

n. Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. Capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

o. Taxation

ESPO is a joint committee set up under Section 102 of the 1972 Local Government Act and is entitled to certain exemptions from Corporation Tax on any surplus or profit it generates.

p. Dividends

Distributions to ESPO's joint committee member authorities, i.e. dividends, are recognised in the Statement of Changes in Equity when they are paid.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the organisation's accounting policies, which are described in note 3, judgements are required (in addition to estimations made) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The items in ESPO's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

The warehouse and office premises at Grove Park are included at existing use value and are revalued regularly to ensure that the carrying amount is not materially different from their existing use value at the year end. Chartered Surveyors in the Property Services Division of Leicestershire County Council carry out the valuation. The current property value used in the 2024/25 accounts is based on a certificate issued by the Council's Principal Valuer as at 31 March 2025.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

The current economic climate could present uncertainty as to whether the Consortium will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The carrying value of Property, Plant and Equipment, excluding assets under construction at 31 March 2025 is £25.32m.

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries is engaged to provide the Consortium with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Consortium.

The carrying value of the Pension Liability as at 31 March 2025 is £nil (2024: £nil)

Debtors

At 31 March 2025 ESPO had a balance of sales ledger debtors of £9.5m. A review of overdue debts has identified that impairment for doubtful debts of £0.2m was appropriate. However, there remains uncertainty over that estimate.

If an additional 1% of customers become insolvent, the amount of the impairment for doubtful debts would require an additional £0.1m to be set aside as an allowance.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Stock

Stocks of catalogue products are held in anticipation of sales to customers and at 31 March 2025 gross stock of £11.1m was held. The catalogue is re-issued annually and products may be added or deleted creating a risk where stock in excess of 1-year worth of normal sales are held. In addition, there is a risk that products may become obsolete, perish or otherwise need to be discounted or on rare occasions disposed of. At 31 March 2025 the provision for the possible impairment of stock amounted to £1.2m.

If an additional 1% of the stock holding was identified to be obsolete or otherwise need to be written off, then the resulting reduction in stock and write down would be £0.1m.

Critical judgements in applying the accounting policies

Management have not identified any critical judgements in applying the organisation's accounting policies.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

5. Turnover and revenue

An analysis of turnover by class of business is set out below.

	2025 £'000	2024 £'000
Turnover:		
Stock Orders	56,940	57,047
Direct Orders	18,717	19,657
Gas	29,680	41,206
Rebate Income	13,211	12,229
Catalogue Advertising	556	699
	<u>119,104</u>	<u>130,838</u>

6. Senior Officers' remuneration and transactions

	2025 £'000	2024 £'000
<i>Senior Officers' remuneration</i>		
Aggregate Emoluments	544	530
Pensions Contributions	120	127
	<u>664</u>	<u>657</u>
	Number	Number
The number of senior officers who:		
Are members of a defined benefit pension scheme	<u>5</u>	<u>5</u>

7. Staff numbers and costs

The average monthly number of employees (including senior officers) was:

	2025 Number	2024 Number
Operations	223	220
Purchasing	72	67
Administration	51	51
	<u>346</u>	<u>338</u>

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

7. Staff numbers and costs (Continued)

Their aggregate remuneration comprised:

	2025 £'000	2024 £'000
Wages and salaries	11,622	10,890
Social security costs	1,159	1,067
Defined benefit pension scheme costs (see note 17)	1,850	1,941
	<u>14,631</u>	<u>13,898</u>

8. Operating Profit

Operating profit is stated after charging/(crediting):

	2025 £'000	2024 £'000
Staff costs (excluding Agency costs)	15,650	14,674
Audit fees payable to the organisation's auditors	34	32
(Profit)/loss on disposal of tangible fixed assets	21	(3)
	<u>15,705</u>	<u>14,733</u>

9. Interest Receivable

	2025 £'000	2024 £'000
Bank interest	574	705
Pension interest cost and expected return on pension assets	25	-
	<u>599</u>	<u>705</u>

10. Interest Payable

	2025 £'000	2024 £'000
Interest payable on long term loan	(132)	(151)
Pension interest cost and expected return on pension assets	-	(18)
	<u>(132)</u>	<u>(169)</u>

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

11. Intangible assets

	IT Software £000
Cost	
At 1 April 2024	1,345
Additions	41
Disposals	-
Transfers	-
At 31 March 2025	1,386
Amortisation	
At 1 April 2024	1,272
Charge for the year	32
Disposals	-
At 31 March 2025	1,304
Net book value	
At 31 March 2024	73
At 31 March 2025	82

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

12. Tangible fixed assets

	Land & Buildings £000	Assets Under Construction £000	Vehicles, Plant & Equipment £000	Total £000
Cost				
At 1 April 2024	18,960	4,154	4,325	27,438
Additions	6,732	-	578	7,310
Disposals	-	(4,154)	(281)	(4,435)
Revaluation	(1,566)	-	-	(1,566)
At 31 March 2025	24,126	-	4,622	28,748
Depreciation				
At 1 April 2024	-	-	3,350	3,350
Charge for the year	-	-	342	342
Disposals	-	-	(260)	(260)
Revaluation	-	-	-	-
At 31 March 2025	-	-	3,432	3,432
Net book value				
At 31 March 2024	18,960	4,154	975	24,088
At 31 March 2025	24,126	-	1,190	25,316

Assets Under Construction relates to costs for the construction of a warehouse extension at our Grove Park site which was completed in October 2024.

The historical cost of revalued land and buildings are £18,980,000 (2024: £12,248,000).

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

13. Stocks

	2025 £'000	2024 £'000
Goods for resale	9,828	9,477
	<u>9,828</u>	<u>9,477</u>

14. Debtors

	2025 £'000	2024 £'000
Amounts falling due within one year:		
Trade debtors	9,280	9,317
Prepayments and accrued income	4,148	6,336
Other debtors	1	561
Amounts due from related parties	211	558
	<u>13,640</u>	<u>16,772</u>

15. Creditors – amounts falling due within one year

	2025 £'000	2024 £'000
Trade creditors	8,906	11,634
Other taxation and social security	273	257
Accruals and deferred income	5,343	7,427
VAT payable	683	493
Other creditors	318	366
Loans repayable within one year	500	500
	<u>16,023</u>	<u>20,677</u>

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

16. Creditors – amounts falling due after more than one year

	2025 £'000	2024 £'000
Long Term Loan	2,250	2,750
	<u>2,250</u>	<u>2,750</u>

The long-term loan is an agreement with Leicestershire County Council and relates to a loan for the Grove Park Land and Buildings, with the agreement to repay a capital amount of £500,000 each financial year as well as interest. Interest is charged at a fixed rate of 4.54%. Leicestershire County Council took out the loan with the Public Works and Loans Board on behalf of ESPO in 2005 and recharge all interest and repayment costs to ESPO. The loan will be fully repaid in 2030.

17. Employee Benefits

As part of the terms and conditions of employment of its employees, the organisation makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the organisation has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The organisation participates in the Local Government pension scheme for employees, administered locally by the Servicing Authority, Leicestershire County Council. This is a funded defined benefit final salary scheme, meaning that the organisation and its employees pay contribution into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The pension scheme is operated under regulatory framework for the LGPS and the governance of the scheme is the responsibility of the pension fund management board Leicestershire County Council. The policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the board.

The principle risks to the organisation of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute.

The latest full actuarial valuation as at 31 March 2025 identified that the funds assets were sufficient to meet approximately 100% of the liabilities accrued up to that date. The pension costs that are charged to ESPO's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme. In addition, ESPO has made arrangements for the payment of added-years pensions to certain retired employees outside the provisions of the scheme, on an unfunded basis. In 2024/25, ESPO paid an employer's contribution of £2,901k (2023/24: £2,699k), into the Pension Fund. In addition, ESPO is responsible for all pension payments relating to added-years benefits it has awarded, together with the related increases. In 2024/25 these amounted to £nil (2023/24 - £nil).

The FRS102 balance sheet position as at 31 March 2025 is £nil (31 March 2024 – £nil).

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

17. Employee Benefits (continued)

Amounts recognised in the Income Statement in respect of these defined benefit schemes are as follows:

	2025 £'000	2024 £'000
Current service cost	1,850	1,941
Past service cost	-	-
Net interest cost	(25)	-
	<u>1,825</u>	<u>1,941</u>

Recognised in Other Comprehensive Income:

	2025 £'000	2024 £'000
Changes in financial assumptions	8,494	3,168
Changes in demographic assumptions	78	254
Other experience	385	(1,288)
Return on assets excluding amounts included in net interest	597	2,147
Application of asset ceiling	(10,599)	(5,042)
	<u>(1,045)</u>	<u>(761)</u>

Total remeasurements recognised in Other Comprehensive Income

The amount included in the Balance Sheet arising from the organisation's obligations in respect of its defined benefit schemes is as follows:

	2025 £'000	2024 £'000
Present value of defined benefit obligations	(38,913)	(44,034)
Fair value of scheme assets	54,848	49,094
Application of asset ceiling	(15,935)	(5,060)
	<u>-</u>	<u>-</u>

Net liability recognised in the balance sheet

The latest actuary report from Hyman Robertson state the pension value at a net asset of £15,935,000. However, committee members feel there is insufficient long term market certainty that the asset will be recovered through a pension surplus in the future. Therefore, the decision has been made not to recognise the asset, which as permitted in accordance with FRS102.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

17. Employee Benefits (continued)

Movements in the present value of defined benefit obligations were as follows:

	2025 £'000	2024 £'000
At 1 April	44,034	42,436
Service cost	1,850	1,941
Interest cost	2,174	2,055
Contributions from scheme participants	676	634
Benefits paid	(864)	(898)
Changes in financial assumptions	(8,494)	(3,168)
Changes in demographic assumptions	(78)	(254)
Other experience	(385)	1,288
At 31 March	38,913	44,034

Movements in the fair value of scheme assets were as follows:

	2025 £'000	2024 £'000
At 1 April	49,094	42,439
Interest income on plan assets	2,444	2,073
Contributions from the employer	2,901	2,699
Contributions from scheme participants	676	634
Benefits paid	(864)	(898)
Return on assets (excluding amounts included in net interest)	597	2,147
Other experience	-	-
At 31 March	54,848	49,094

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

17. Employee Benefits (continued)

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The Local Government Pension Scheme assets comprised:

	2025		2024	
	£'000	% of total	£'000	% of total
Equity Securities				
Consumer	51	0%	15	0%
Manufacturing	48	0%	-	0%
Energy and Utilities	49	0%	31	0%
Financial Institutions	58	0%	35	0%
Health and Care	72	0%	48	0%
Information technology	1	0%	-	0%
Other	78	0%	29	0%
Debt Securities				
UK Government	2,013	4%	2,163	4%
Other	282	1%	198	0%
Private Equity	3,182	6%	3,004	6%
Real Estate				
UK Property	3,754	7%	3,184	6%
Investment Funds and Unit Trusts				
Equities	23,334	43%	20,966	43%
Bonds	-	0%	-	0%
Hedge Funds	-	0%	-	0%
Commodities	1,104	2%	1,137	2%
Infrastructure	5,060	9%	4,215	9%
Other	10,656	19%	10,147	21%
Derivatives				
Foreign Exchange	(274)	0%	3	0%
Cash and Cash Equivalents	5,380	10%	3,919	8%
Total	54,848	100%	49,094	100%

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The organisation's pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The principle assumptions used by the actuary have been:

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

17. Employee Benefits (continued)

	2025	2024
Key assumptions used:		
Discount rate	5.8%	4.8%
Pension Increase Rate (CPI)	2.7%	2.7%
Salary Increase Rate	3.2%	3.2%

Mortality assumptions:

Life expectancy is based on the Fund's VitaCurves in line with the CMI 2022 model. The figures below show the average future life expectancies at age 65, based on these assumptions.

For future pensioners, figures assume members aged 45 as at the last formal valuation.

	2025 years	2024 years
Current Pensioners:		
Males	21.1	21.1
Females	24.2	24.2
Future Pensioners:		
Males	21.8	21.9
Females	25.4	25.4

The estimation of the defined benefit obligation is sensitive to actual assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumption occurring at the year end of the reporting period and assumes for each change that the assumption analysed changes while all other assumption remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, on an actuarial basis, using the projected credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous years.

Sensitivities regarding the principle assumptions used to measure the scheme liabilities as at 31 March 2025 are:

	Approximate increase in Employer Liability	Approximate Monetary Amount £'000
0.1% decrease in Real Discount Rate	2%	834
1 year increase in member life expectancy	4%	1,557
0.1% increase in Salary Increases Rate	0%	51
0.1% increase in the Pension Increase Rate	2%	806

The impact of a change, either from increase to decrease or vice versa, would be as above but with the values being reversed.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

17. Employee benefits (continued)

Pension Fund Risk Management Strategy

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of the investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the Fund's required cash flows. These investment risks are managed as part of the overall Pension Fund Risk Management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board and is monitored annually or more frequently if required.

Impact on the organisation's Cash Flows

The objectives of the scheme are to keep employer's contributions at a constant rate as possible. The organisation has agreed a strategy with the scheme's actuary to achieve a funding of 120% over the next 15 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2022. Increases in employer's contribution rate that are required within the valuation will be phased in over a three year period commencing 1 April 2023. The contributions payable by ESPO under this valuation are:

2023/24	23.9% of pensionable pay + £403k
2024/25	23.9% of pensionable pay + £417k
2025/26	23.9% of pensionable pay + £432k

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013, The Local Government Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for the other main existing public service pension schemes in England and Wales). The act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The organisation anticipates to pay £5.0m of employer contributions to the scheme in 2025/26 and the weighted average duration of the defined benefit obligation for scheme members is 25 years.

18. Subsequent Events

The consortium has concluded that there are no subsequent events which require any adjustment to the financial statements for the year ended 31st March 2025.

19. Capital Commitments

At 31 March 2025, the organisation had the following capital commitments:

	2025	2024
	£'000	£'000
Contracts for future capital expenditure not provided in the financial statements	-	2,534

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

The above is in relation to the warehouse extension project at Grove Park which was completed in November 2024.

20. Related party transactions

Members

Members of the Management Committee have a direct control over the ESPO financial and operating policies. No payments are made by ESPO to any members of the Management Committee. During 2024/25 no members had an interest in any work or services commissioned by ESPO. Contracts were entered into in full compliance with the organisation's standing orders.

Officers

During 2024/25 no officers declared a pecuniary interest in any contractual or financial transactions.

ESPO consortium members

Sales

ESPO provides goods and services to all consortium member authorities, including LEA schools. All transactions are at market value and in the normal course of trading. In 2024/25 these sales totalled £39,202k (2023/24: £46,221k). The breakdown by consortium member authority is as follows:

	2025 £'000	2024 £'000
Cambridgeshire County Council	6,727	7,909
Leicestershire County Council	6,691	7,610
Lincolnshire County Council	7,816	9,089
Norfolk County Council	8,727	10,607
Peterborough City Council	2,128	2,476
Warwickshire County Council	7,113	8,530
Total	39,202	46,221

Purchases

Leicestershire County Council is the consortium member whom acts as the 'servicing authority' and as such provides services to ESPO in the form of various corporate services. All transactions occur at cost and are in the normal course of trading. During 2024/25 transactions with Leicestershire County Council were:

	2025 £'000	2024 £'000
Loan repayment (see note 16)	500	500
Loan interest	132	151
Services	1,474	817
Total	2,106	1,468

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

20. Related party transactions (continued)

The following distributions were made in relation in the year 31 March 2025:

	2025 £'000
Cambridgeshire County Council	926
Leicestershire County Council	1,108
Lincolnshire County Council	1,232
Norfolk County Council	1,319
Peterborough City Council	464
Warwickshire County Council	1,074
Total	6,123

Debtors and creditors

	Debtors		Creditors	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Cambridgeshire County Council	447	618	6	6
Leicestershire County Council	354	367	-	-
Lincolnshire County Council	724	637	-	-
Norfolk County Council	590	861	-	-
Peterborough City Council	93	124	-	-
Warwickshire County Council	454	561	-	-
Total	2,662	3,167	6	6

During the financial year 2024/2025, ESPO paid a dividend of £6.1m to its members. This dividend was declared and approved by the Board on 13th November 2024 reflecting ESPO's continued commitment to delivering value to its stakeholders. The dividend payment was made in accordance with the ESPO's dividend policy and in compliance with all relevant legal and regulatory requirements.

ESPO Trading Limited

ESPO Trading Limited (ETL), and its subsidiary Eduzone Limited, are companies registered in England and Wales which are under common control – ETL is owned by the same consortium members as ESPO which are referred to above. ESPO sells goods and services to ETL and Eduzone at cost. These are summarised below:

	2025 £'000	2024 £'000
ESPO Trading Limited		
Sales	848	418
Creditors	(188)	56
Loan	310	310

Interest on the loan from ESPO to ESPO Trading Limited accrued at 5% above LIBOR until 31 December 2021, changing to 5% above SONIA from 1 January 2022. The loan is unsecured and is repayable on demand.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2025

20. Related party transactions (continued)

	2025 £'000	2024 £'000
Eduzone Limited		
Sales	374	370
Debtors	89	192

21. Reconciliation of net movements in funds to net cash inflow from operating activities

	2025 £'000	2024 £'000
Operating profit for the financial year	8,404	8,664
Adjustments for:		
Depreciation of property, plant and equipment	342	365
Amortisation of intangible assets	32	289
(Profit)/loss on disposal of property, plant and equipment	21	(3)
Remeasurement of net defined benefit liability	(1,020)	(776)
Decrease/(increase) in trade and other receivables	3,132	(4,697)
Decrease/(increase) in inventories	(351)	784
Increase/(decrease) in trade and other payables	(4,654)	7,125
Net cash from operating activities	5,907	11,751

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Annual Governance Statement 2024/25

1. INTRODUCTION

The Consortium Treasurer is responsible for the preparation of the Consortium's Statement of Accounts in accordance with proper accounting practices. ESPO, on its own, is not a Local Authority and therefore has no requirement to account under the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice. This gives ESPO a degree of flexibility and ESPO has previously decided to prepare financial statements under the Financial Reporting Standard applicable in the UK (FRS102) using the UK GAAP Framework

As ESPO is not a Local Authority it also has no requirement to prepare an Annual Governance Statement (AGS) following the CIPFA/LASAAC Code of Practice in Local Authority Accounting. However, recognising that such a document is a useful tool in demonstrating good corporate governance to its stakeholders, and the Management Committee, the AGS has been prepared for this year.

ESPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Note that ESPO isn't in receipt of public money for the purpose of providing statutory services in the same way as a Local Authority, rather, ESPO generates its own funds from trading activity. The Consortium members (and through them ESPO) also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, ESPO is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The AGS encompasses the governance system that applied in both ESPO and any significant group entities (e.g. ESPO Trading Limited (ETL), Eduzone) during the financial year being reported.

ESPO has approved and adopted a code of corporate governance as best practice, which is consistent with the principles of "Delivering Good Governance in Local Government Framework" (CIPFA/Solace, 2016). This statement explains how ESPO has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6 (1a and 1b) which requires all relevant bodies (defined as the constituent members) to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement.

2. WHAT IS CORPORATE GOVERNANCE?

Corporate Governance is defined as how organisations ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. ESPO's governance framework comprises the systems and processes, cultures and values by which ESPO is directed and controlled. It enables ESPO to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (the Framework)', sets the standard for local authority governance in the UK.

The Framework helps local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach.

The overall aim is to ensure that:

- a. resources are directed in accordance with agreed policy and according to priorities
- b. there is sound and inclusive decision making
- c. there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3. WHAT THE AGS TELLS YOU

The AGS provides a summarised account of how ESPO's management arrangements are set up to meet the principles of good governance and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any developments required. The main aim of the AGS is to provide the reader with confidence that ESPO has an effective system of internal control that manages risks to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Framework requires ESPO to review arrangements against its Local Code of Corporate Governance to ensure it is consistent with the seven core principles of the Framework.

The principles contained in the Framework have been applied to the preparation of the AGS for the financial year. The AGS has been constructed by undertaking:

- a. A review of the effectiveness of the system of internal control
- b. Reviewing other forms of assurance

CIPFA introduced an addendum in 2025 covering the annual review of governance and the annual governance statement. This applies to annual governance statements for 2025/26 onwards and ESPO will make the requisite changes in the 2025/26 year.

4. REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

Under ESPOs constitution it is required to have a sound system of internal control which: -

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.
- (b) ensures that the financial and operational management of the organisation is effective; and
- (c) includes effective arrangements for the management of risk.

ESPO must (each financial year): -

- (a) conduct a review of the effectiveness of the system of internal control, and,
- (b) ESPO has also elected to prepare an annual governance statement.

ESPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers and Leadership Team within ESPO who have responsibility for the development and maintenance of the governance environment.

To ensure the AGS presents an accurate picture of governance arrangements for the whole organisation, each Assistant Director and the Director was required to complete a 'self-assessment, which provided details of the measures in place within their Service /Division to ensure conformance (or otherwise) with the seven core principles of the Framework.

The self-assessments contained a set of conformance statements under each core principle, which required a corresponding score of 1, 2 or 3 to be recorded (1=Good, 2= Some weaknesses/areas for improvement, 3= Key weaknesses/many areas for improvement), based on the criteria – Refer to the Appendix.

Under this self-assessment, no significant governance concerns and no key weaknesses were identified. Areas where smaller improvements were identified have been added to an Action Plan to support the monitoring of progress.

5. OTHER FORMS OF ASSURANCE

Local Code of Corporate Governance

The Director has a duty to monitor and review the operation of the Code of Corporate Governance and as part of this process the Director ensures an annual assessment of the Organisation's compliance with the Code of Corporate Governance is undertaken. The local code was last reviewed in 2023.

Internal Audit Service

During the financial year Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit service to ESPO and conducted its work in accordance with the Public Sector Internal Audit Standards (the PSIAS)¹. The requirements of the PSIAS are contained in the Internal Audit Charter for ESPO (the Charter) mandating the purpose, authority and responsibility of the internal audit activity. The Charter was last reported to the Finance and Audit Subcommittee (the Subcommittee) at its meeting 14 February 2024.

The PSIAS required an external quality assessment (EQA) of the Internal Audit function every five years. At its meeting on 30 October 2024 as part of the Internal Audit Service - Annual Report 2023-24, the Subcommittee was informed that LCCIAS had received its 5 -yearly independent external quality assessment. The assessor had produced their final report in early May. It stated that: -

The Leicestershire County Council internal audit service is delivering to a standard that generally conforms () with the Public Sector Internal Audit Standards*

(*) 'Generally Conforms' is the top rating and meant that the internal audit service had a charter, policies and processes that were judged to be in conformance to the Standards. The assessor considered LCCIAS compared very favourably in benchmarking against other Local Authorities. Six areas of good practice were reported and (as was expected) four areas for further improvement. There were no significant deviations from the PSIAS. An action plan is being developed.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of ESPO's control environment i.e. its framework of governance, risk management and control, the HoIAS constructs an annual risk-based plan of audits. Given the high standard of risk management at ESPO, the plan is primarily based on the contents of the Corporate Risk Register, the medium-term Strategy and the AGS, to ensure that current and emerging risks are adequately covered. Parts of the plan relate to audits of the key financial and ICT systems, and a contingency is retained for unforeseen risks, special projects and investigations.

Internal audit reports often contain recommendations for improvements to the area being audited. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks are unlikely to arise. The combined sum of individual audit opinions and other assurances gained throughout the year (e.g. attendance at Committees and project groups, evaluations of the work of other assurance providers, meetings with the Consortium Secretary and Consortium Treasurer), facilitate the HoIAS in forming the annual internal audit opinion on the overall control environment.

The HoIAS presents a detailed annual report to the Finance & Audit Subcommittee in October. The annual report incorporates the annual internal audit opinion; a summary of the work that supports the opinion; performance against the plan, a statement on conformance with the PSIAS, a review of the Quality Assurance and Improvement Programme and any matters to be raised in the AGS.

HolIAS opinion

For 2024-25 based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HolIAS in evaluating other related activities, the HolIAS concluded: -

No significant governance, risk management or internal control failings have come to the HolIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective.

¹ From 1 April 2025, the PSIAS were replaced by the Global Internal Audit Standards in the UK Public Sector. New governance documents including a revised Internal Audit Charter will be implemented.

Risk management arrangements

Governance of Risk

ESPO's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. In order for risk management to be most effective and become an enabling tool, ESPO must ensure a robust, consistent, communicated and formalised process is established. The Risk Management Policy and Strategy (RMP&S) is reviewed regularly and approved by the Management Committee. The RMP&S was last reviewed by the Finance & Audit Subcommittee in February 2023 and will be presented for review in 2026 due to the changing risk landscape and changes in sub-committee membership. Risk management processes have been further entrenched into the management of the organisation with each member of the management team being responsible for reviewing changes in risk on a quarterly basis within their area of responsibility.

External Audit

The previous auditors TC Group undertook the external audit for 2023/24 and no significant concerns over governance or internal control were identified. Following a tender exercise in early 2025, ESPO's external auditor was changed to Williamson & Croft Audit. Williamson & Croft will present their findings on the 2024/25 audit to those charged with governance through:

A report to those charged with Governance:

Under International Auditing Standards, external auditors are required to report to those charged with governance on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The 2024/25 report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control.

Audit opinion for the Statement of Accounts / Financial Statements:

The audit involves obtaining evidence about the amounts and disclosures in the Statement of Accounts sufficient to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or error. For 2024/25, ESPO's Statement of Accounts presented a true and fair view, in accordance with the relevant codes and regulation. The auditors also issued an 'unqualified' opinion for 2024/25.

ESPO's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Organisation which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

Organisational Governance and Performance Framework

Management Committee receives frequent (at least quarterly) financial and operational reports, which includes information relating to:

- Financial Information.
- Information issues.
- Procurement.
- Employee related information.

This is supplemented by further reporting to the Chief Officers Group and the Subcommittee. The Leadership team receive information on a more frequently basis, with structured weekly and monthly performance reporting.

The Role of the Chief Financial Officer (CFO) at ESPO, this is the Consortium Treasurer

CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (revised 2016) sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The CFO (Consortium Treasurer) is able to bring influence to bear on all material business decisions, ensuring that immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management at ESPO.

The Role of the Head of Internal Audit

CIPFA's Statement on the Role of the Head of Internal Audit in Public Service Organisations (revised April 2019)¹ sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. The Head of the Internal Audit Service for ESPO is also the Head of the Internal Audit Service for LCC.

ESPO's internal audit arrangements during 2024-25 conformed to the governance requirements of the CIPFA Statement. The HoIAS works with the Consortium Treasurer and Consortium Secretary, the Director of ESPO and other members of the Leadership Team to give advice and promote good governance throughout the organisation. The HoIAS (or the Audit Manager) attends the Subcommittee and the Management Committee as and when required. The HoIAS also leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Organisation and external stakeholders, escalating any concerns and giving assurance on ESPO's control environment.

¹ From 1 April 2025, the governance aspects within the CIPFA Statement on the Role of the Head of Internal Audit Service in Public Service Organisations (April 2019) are replaced by the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit.

The Role of the Consortium Secretary

The Consortium Secretary has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful.
- ensuring that decisions taken are in accordance with ESPO's budget and its Policy Framework
- providing advice on the scope of powers and authority to take decisions

Where in the opinion of the Consortium Secretary any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Management Committee accordingly in discharging this role the Consortium Secretary is supported by officers within the County Council's Legal and Democratic Services Teams.

The role, purpose, governance and scrutiny arrangements for ESPO, ESPO Trading Limited and Eduzone, was reported to Leicestershire County Council's Corporate Governance Committee on 21 November 2022.

Commercial Arrangements

ESPO Trading Ltd: ESPO's power to trade is restricted to a limited number of public bodies and this market is shrinking. The establishment of a trading company allows ESPO (Trading) to trade with other organisations not described in the 1970 Act and associated regulations – e.g. Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

The ESPO Management Committee receives regular financial and business information to allow its oversight of ESPO Trading Limited's contribution to ESPO's wider business objectives. This includes its international trading, services to those outside of local government including the private sector, Early Years providers, and strategic relationship with Sainsbury's.

ESPO Trading Limited has its own Board of Directors who oversee the running of the company on behalf of the member shareholders, in addition to the reporting provided to Management Committee. The Board currently comprises of 2 ESPO officers, an officer representative from Leicestershire County Council (in capacity as servicing authority of the Consortium), an officer representative from the remaining members, and an independent non-executive director.

Eduzone was a private limited company that supplied Early Years educational products and Early Years furniture to schools, nurseries and child minders. ESPO acquired the company following the necessary due diligence in 2018. Governance for Eduzone has now been incorporated into ESPO Trading Limited.

7.GOVERNANCE ISSUES

A senior Management Group reviewed the draft AGS and determined if there were any areas for improvement. No significant governance issues were identified during 2024/25. The group comprised of the following officers:

Leicestershire County Council (The Servicing Authority)

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

ESPO

- Director of ESPO
- Commercial Financial Controller

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that ESPO's overall financial management and corporate governance arrangements during 2024/25 were sound.

Whilst the review of effectiveness concluded ESPO's overall financial management and corporate governance arrangements during 2024/25 are sound, the assurance gathering process identified key minor corporate areas of improvement, please see Appendix. Implementing actions to address these will ensure that identified weaknesses within ESPO's current control environment will be strengthened, and further enhance our overall governance arrangements.

8. FUTURE CHALLENGES

ESPO continues to face significant challenges. All such significant risks are detailed within the Corporate Risk Register, which is regularly reviewed by the Leadership Team and presented to the Management Committee. Managing these risks adequately will be an integral part of both the strategic and operational planning for ESPO.

As ESPO continues to trade and grow in complex and competitive market places there are a number of future governance challenges to consider:

- Worsening national finances, inflation, and increases in the cost of living, are having a negative impact on public and school spending resulting in a reduced demand for ESPO's products from its core customers.
- Penetration into the Educational supplies market by large distributors such as Amazon and Lyreco with UK wide warehousing and distribution centres.
- Future challenges affecting ESPOs global supply chain network, with issues such as the war in Ukraine, instability across the Middle East and disruption to shipping having a direct and indirect impact on suppliers' ability to produce and transport goods around the world.
- The introduction of tariffs and counter tariffs can lead to increased costs for consumers and businesses. Tariffs, which are taxes on imported goods, can result in higher prices for items like stationery, and other essential supplies, impacting both individuals and schools.
- Future challenges around cost inflation, with issues like government policy, global supply chain problems, UK inflation, and UK cost of living increases directly affecting ESPOs cost base.
- Future challenges around ESPOs ability to recruit and retain staff in an increasingly competitive post-Covid employment market.
- Future challenges from changing customer product buying patterns. For example, some schools moving to "electronic classrooms" where paper exercise books are replaced with electronic devices.
- Further changes to public sector procurement legislation will impact on the public sector approach to procurement, and the compliance support provided by ESPO.
- ESPO will continue to consider its workforce and the ability to ensure recruitment and retention is well managed and supports the need of a growing organisation without compromising its standards. This includes the ongoing review of hybrid working which is being done using guidelines and best practice from Leicestershire County Council.
- Cyber Risks. This is covered under the IT section of the Corporate Risk Register with ESPO continually monitoring and improving its defences.

- Uncertainty about the potential governance and financial impacts of LGR

ESPO is satisfied the existing governance arrangements are sufficiently equipped to allow suitable responses to these challenges.

9. CERTIFICATION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that ESPO has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

K. Smith
Director of ESPO

Cllr. M Jamil
Chair, ESPO Management Committee

APPENDIX A – RESULTS OF 24/25 SELF ASSESSMENT QUESTIONNAIRES

The AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016), which required a corresponding score of 1, 2 or 3 to be recorded.

The self-assessment survey was generally positive about ESPOs overall financial management and corporate governance arrangements.

The SAQ asked LT to consider governance across 7 key themes, with a total of 86 questions. Scores are based on 1,2,3 or blank where no score given. 1 = good, 2 = Some weaknesses/areas for improvement, 3 = Key weaknesses/many areas for improvement. For all 7 principles, the average score was 1.1 = good. No individual question scored a '3' (=key weaknesses) and no significant governance concerns were raised. Details below:

Sub-principles and behaviours and actions that demonstrate good governance in practice	Average score	Significant governance concern raised?
Principle A. Behaving with integrity, demonstrating strong commitment to ethical values with all our stakeholders, and respecting the rule of law	1.1	None
Principle B. Ensuring openness and comprehensive stakeholder engagement	1.2	None
Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	1.2	None
Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes	1.1	None
Principle E. Developing ESPO's capacity including the capability of its Leadership Team and all staff members.	1.1	None
Principle F. Managing risks and performance through robust internal control and strong public financial management	1.1	None
Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability to all our stakeholders.	1.1	None

APPENDIX B - AREAS FOR FURTHER DEVELOPMENT CARRIED FORWARD

The outstanding actions associated with the previous self-assessments is summarised in the table below:

ESPO AGS Action Plan – Remaining Actions

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)						
Core Principles of the Framework	Old/New	Owner	Action to Develop Areas Further	Update – September 25	Deadline	Completed?
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Old	MC	Review the operation of the code of conduct/ethical standards for suppliers.	LCC and ESPO undertook a review of the Supplier Code of Conduct in 2024. Our contribution was the introduction of a requirement for suppliers to adopt responsible and ethical practices in relation to their use of Artificial Intelligence. Other additions made to the Code of Conduct as a result of the review were: a requirement that any goods supplied to the Council, its customers or service users are safe and an expectation that suppliers deal with information shared by the Council (particularly personal information) responsibly. New processes are regularly embedded to ensure that ESPO remains compliant with changes in the legislation. ESPO will also review its approach in the context of changing Procurement Regulations. The Supplier Code of Conduct is present throughout ESPO's suite of tendering documentation and is also available via our website. It works in tandem with ESPOs Whistleblowing Policy which is identical to that of LCC. ESPO is developing and will maintain an ongoing programme of consultation and audit (assisted by LCC Audit Services) to ensure that our major	Spring 26	In Progress

			suppliers are working in accordance with our Supplier Code of Conduct. Suppliers of products to ESPO for resale to customers and suppliers of products and services to ESPO for its own operational requirements will be subject to a high level of scrutiny. Suppliers will be visited and audited to probe how their working practices: ensure compliance with UK laws and regulations; maintain prescribed ethical, employment and welfare standards; support sustainability, environment and social responsibility; supply high quality, safe products; responsibly manage information/data; use artificial intelligence ethically. Suppliers will also be expected to demonstrate how they apply similar controls and standards through their own supply chains and also how they monitor compliance.		
	Old	GT	Develop register to monitor the key areas where laws/regulations compliance is required, levels of risk and areas where action is required. The Corporate Risk Register records all risks associated with ESPO's compliance with laws and regulations particularly applying to its overall operation. Examples include Procurement Regulations (particularly with the new requirements coming out of the Procurement Act 2023), Health and Safety law, HR law, regulations applying to fleet operators and data management. The Corporate Risk Register is reviewed by Leadership Team on a quarterly basis, updated to reflect any changes in risk profile and an action plan is put in place to mitigate risks to an acceptable level. A sub-risk register focussed on legal and regulation risks is under development providing more detailed analysis and control information on these risks.	Spring 26	In Progress

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ESPO MANAGEMENT COMMITTEE – 26 NOVEMBER 2025

PROGRESS UPDATE

REPORT OF THE CHIEF OFFICER

Purpose of the Report

1. The purpose of this report is to inform the Management Committee of the actions and progress made since the last update provided to Members.

Financial Performance update

Summary

Year to September 2025 – Period 6				
£m	Actual	B/(w) than Forecast	B/(w) than Budget	B/(w) than LY
Stores Sales	35.3	(1.3) (3.5%)	(2.5) (6.6%)	(0.1) (0.4%)
Direct Sales	9.9		(0.2) (2.2%)	(0.3) (2.9%)
Rebate income	7.0		(0.0) (0.0%)	0.2 2.8%
Total Sales (Exc Gas)	52.3	(0.2) (0.4%)	(2.7) (4.9%)	(0.3) (0.5%)
Stores Margin %	32.9%	(0.4%)	0.4%	4.1%
Directs Margin %	17.6%	0.5%	0.5%	(1.7%)
Total Gross Margin	21.3	-0.5	-0.6 (2.6%)	1.4 7.1%
Total Expenditure	14.5	1.1	1.1 8.2%	(0.3) (1.9%)
Trading Surplus	6.8	0.6	0.5	1.1
Trading Surplus %	13.1%	1.5%	1.6%	2.2%

2. After 6 months, a surplus of £6.8m has been made which is £0.5m better than budget and £1.1m better than last year.
3. Rebate income from frameworks continues to perform well benefitting from organic growth and inflation. Rebate income is now in line with budgeted levels following an improvement in billing activity during September. A further £0.1m unbilled deferred income exists that is unrecognised in September.
4. In the Catalogue business the educational supplies market has contracted further in the Autumn period and the market remains fiercely competitive. Competitors are discounting heavily in the autumn back to school period to attract sales volumes but ESPOs price offer across the Top 500 products is well placed and continues to offer good value to customers. Back-to-school sales have been low compared to previous years but this appears to be driven by constrained school budgets rather than sales losses to competitors.
5. The contraction of the educational supplies market continues with ongoing pressures on school finances, BESA, the British Educational Suppliers

Association, have indicated a 3% educational supplies market contraction from January 2025 to September 2025. At the end of September ESPO's sales volumes are down 3% versus last year in line with the overall market movement. Margin in the first half of the year has been positive, delivered by improvements in ESPO's margin management and price setting activities. There has been growth into competitor areas and increased volumes from the competitive price offering enabling ESPO to continue gaining market share. ESPO continues to offer high availability, competitive pricing, and exceptional levels of customer service.

6. Costs continue to be tightly controlled with expenditure of £14.5m better than budget by £1.1m. Savings have been driven by operational staffing efficiencies, procurement and finance vacancies, and reduction in variable overhead costs through cost control. In addition, the confirmed pay award is slightly lower than the budget assumption and provides a £60k budget saving across the year.
7. For the full year, the budget is a surplus of £7.3m, and as of September ESPO is well positioned, ahead of the YTD budget to achieve the full year budget target. ESPO has now passed the pre-school holiday peak trading period, the second half of the year is quieter – December is a particularly quiet month due to holidays. Demand in the second half of the year is expected to be low as feedback from schools and BESA indicate an ongoing market contraction and reduced spend on non-essentials will likely continue.
8. **Latest guidance for the full year is a trading surplus of £7.5m-£7.7m, up to £0.4m better than budget.**

Sales and Margin

Sales and Margin								
£m	Actual		B/(w) than Forecast		B/(w) than Budget		B/(w) than LY	
Stores Sales	35.3		(1.3)	(3.5%)	(2.5)	(6.6%)	(0.1)	(0.4%)
Direct Sales	9.9				(0.2)	(2.2%)	(0.3)	(2.9%)
Rebate income	7.0				(0.0)	(0.0%)	0.2	2.8%
Total Sales	52.3				(2.7)		(0.3)	
Stores Margin	11.6	32.9%	(0.6)	(0.4%)	(0.7)	0.4%	1.4	4.1%
Directs Margin	1.7	17.6%			0.0	0.5%	(0.2)	(1.7%)
Rebate income	7.0				(0.0)	(0.0%)	0.2	2.8%
Gas Margin	0.2	4.0%			(0.0)	2.7%	(0.1)	2.0%
Catalogue Advertising	0.6				0.1		0.2	
Misc	0.2				(0.0)		(0.1)	
Total Gross Margin	21.3	40.8%			(0.6)	1.0%	1.4	2.9%

Gas								
£m	Actual				B/(w) than Budget		B/(w) than LY	
Gas Sales	4.6				(9.8)	(68.1%)	(7.5)	(62.0%)
Gas Margin	0.2	4.0%			(0.0)	2.7%	(0.1)	2.0%

9. Total sales to September 2025 were £52.3m, £2.7m lower than budget and £0.3m below last year. Rebate income is performing well and remains close to budget.

10. **Stores sales were £35.3m and £1.3m behind reforecast, £2.5m behind budget.** The significant contraction in the educational supplies market affecting sales continues to worsen in 2025. The contraction in the market reflects the ongoing funding pressures within schools along with school cost pressures including inflation, pay, and energy.
11. ESPO has managed to offset a significant element of this contraction through targeted sales growth campaigns into development area; however, Member area school stores catalogue spend is down 8% year to date against last year offset by growth in sales across development areas.
12. Trading conditions remains highly competitive and ESPO customers continue to utilise the loyalty-based promotions to secure the best value for money.
13. **Gross profit margin percentage for Stores at 32.9% is largely in line with budget and reforecast levels.** Last year margin was affected by a carry forward of higher priced exercise book stocks purchased in 2023/24. Margin is expected to continue at these positive levels through the remainder of the year. During the autumn mini peak trading period ESPO will take the opportunity to review pricing to manage volume and margin.
14. **Directs sales were £9.9m and are £0.2m lower than budget.** The budget assumed a similar volume to last year. The contraction in the market, mainly affecting non-essential purchases, has particularly affected school purchases of directs products such as classroom furniture and equipment replacement, which can be deferred by schools. A good level of furniture and equipment installations occurred during the school holiday period.
15. **Gross profit margin percentage for Directs at 17.6% is +0.5% ahead of budget.** This is partly due to the mix of product sold but also due to improved margin pricing and margin management activities.
16. **Rebate income of £7.0m is £0.2m better than last year and** down £0.2m and in line with budget. It continues to perform well, benefitting from inflation and with a good pipeline in place of contracts secured for the future. YTD income improved in September as billing activity increased.
17. Other income is in line with budget, benefitting from higher than budgeted interest rates on ESPOs cash deposits.
18. **Overall gross profit margin at £21.3m is 0.6m behind budget, and £1.4m ahead of last year.**

Expenditure

19.

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	8.5	1.0	(0.7)
Agency/Contract	1.5	(0.5)	0.0
Total	10.0	0.6	(0.7)
Overhead Expenses			
Transport	1.7	0.2	0.1
Warehouse	0.3	0.1	0.2
Procurement	0.1	0.1	0.0
Sales & Marketing	0.3	0.1	0.0
Finance	1.0	0.0	0.1
IT	0.8	(0.0)	(0.1)
Directorate	0.3	0.1	0.1
Total	4.5	0.5	0.4
Total Expenditure	14.5	1.1	(0.3)
As % of Total Sales Excluding Gas	27.8%	0.0%	(0.7%)

20. **Total expenditure of £14.5m is £1.1m better than budget.** This relates to operational staffing efficiencies, vacancies across procurement and finance and a reduction in variable overhead costs as ESPO applies strong cost controls across all areas.
21. **Expenditure as a percentage of sales** is a KPI which allows us to measure cost control in relation to sales. This key performance indicator (KPI) was 27.8% and is in line with budget demonstrating costs are being controlled in relation to sales activity and inflationary growth.

ETL/Eduzone

22. ETL and Eduzone are ESPOs limited companies which service the private sector.

ETL and Eduzone - Year to September 2025			
£k	Actual	B/(w) than Budget	B/(w) than LY
Eduzone Sales	345	50	76
ETL Sales	618	(100)	(153)
Total Sales	962	(50)	(77)
Eduzone Gross Margin	119	16	24
Eduzone Gross Margin %	34.5%	(0.6%)	(0.7%)
ETL Gross Margin	188	4	(12)
ETL Gross Margin %	30.4%	4.8%	4.5%
Total Gross Margin	307	20	12
Eduzone Expenditure	(124)	12	4
ETL Expenditure	(86)	(1)	(19)
Total Expenditure	(211)	11	(14)
Trading Surplus	96	31	(2)
Trading Surplus %	10.0%	3.5%	0.6%

23. Total sales of £962k are £50k behind budget.

24. ETL, serving international and private sector customers, has started reasonably well in the international sales period, however suppliers have indicated the pattern of purchases has changed this year and some schools are buying directly from suppliers. ETL has benefitted from growth strategies, developing relationships with international distributors in the international market, and increased recognition of the ESPO brand overseas.
25. Eduzone sales, focusing on early years in the UK, is £50k better than budget, and £76k better than last year. Eduzone is performing well in 2025/26 due to onboarding additional nursery groups and improvements in sales with existing nursery group customers. The nursery market faces similar financial pressures to schools but lacks some of the additional funding that was announced for schools in Autumn 2022. Independent nurseries are particularly struggling with minimum wage and employers National Insurance increases, staff leaving the sector and high energy costs.
26. Margin and expenditure is largely in line with budget and costs are being controlled.
27. Overall, a combined £96k surplus has been generated, this is £31k ahead of budget.

Full Year Expectation

28. For the full year, the budget is a surplus of £7.3m. Looking ahead there are several risks and opportunities:
- Rebate income is performing well, however ESPO is aware of the impact central Government policy is having on funding of ESPO's customers and constrained council budgets.
 - British Educational Suppliers Association (BESA) and school feedback indicates a further contraction of the market (c.3% in 2025) and continued low confidence, poor consumer demand being expected across the rest of the year.

- c. ESPO's competitive price offering remains strong and regular benchmarking shows ESPO is well positioned to attract volumes across the remainder of the year.
 - d. Catalogue margin percentages have been strong across the first half of the year. Product mix and cost price increases may affect the second half of the year.
 - e. Directs sales are expected to remain behind budget for the rest of the year as schools continue to focus on essentials and defer spending on furniture items.
 - f. The December and March periods usually generate a loss given in December there is the Christmas closure (for ESPO and schools) and in March ESPO incurs its catalogue printing and distribution costs. Both months are usually also slow months for rebate collection. This is budgeted for and included within the forecast outturn.
 - g. VAT is now also being charged on Private school fees along with the removal of relief on private school business rates, so far since the introduction of the changes over 50 private schools have closed.
29. Considering all of this, **the latest guidance for the full year is a trading surplus of £7.5m-£7.7m, up to £0.4m better than budget.** As the autumn 'back to school' period is concluded the forecast will be updated as more confidence is gained over customer demand, providing no material risks emerge.

Operational Progress

30. In September, ESPO's distribution centre picked and despatched 172,222 order lines valued at £5.671m, and the transport fleet with couriers made 25,133 deliveries with a combined weight of 0.946m kilograms/ 946T. Warehouse picking was performed at a rate of 33 lines per hour against our target of 32. The average order value for stock orders in September was £284.97 compared to £269.84 from September 2024, confirming larger order sizes. Operational and Information Technology costs year to September 2025 were £8.136m against a budget of £8.633m. Stock availability averaged 98.8% in September; the stock value was £11.559m with a stock turn of 4.89.
31. The warehouse extension is being utilised for bulk storage previously held externally and provides much needed storage capacity. A 'slotting' project is underway in the warehouse to locate faster moving products closer to the packing and assembly hall. This will reduce walk times and enhance forklift truck replenishments. Approval was given to purchasing four new 3.5T vans which includes two Electric Renault Master vans & two diesel Renault Master vans. The transport team had first been trialling the Renault electric vehicle to evaluate its range and load capacity for suitability for local deliveries. Annual driver CPC training has now finished all drivers in both Leicester and Wales receiving their training.

32. The Customer Services Team handled 5,605 calls across the three customer service channels in the busy back-to-school period. Average wait times across all teams was 34 seconds with 94% of all calls answered. The team processed 30,528 customer orders valued at £4.937m. Online and electronic converted orders were at 90% of the total orders processed. Direct orders currently valued at £1.218m are being managed from suppliers to customers. Late suppliers are being expedited by the Customer Services Team and customers are kept informed of the estimated delivery date. 6,648 responses to email enquiries were recorded using the e-ticketing system. ESPO received five service ratings from FEEFO and our customer rating was 96%. Customers are now able to provide product reviews via the FEEFO app and this is gaining good traction from customers with 66 product reviews received in August and September. The annual Institute of Customer Service benchmarking survey is due to be launched in November which invites customer to score ESPO across a range of performance standards. The results are then compared to other participant companies to provide a benchmark of performance.
33. Facilities Management in September ensured that all statutory inspections and repair and maintenance services took place on their relevant due date. As part of ESPO's environmental controls the delivery yard channel drain was cleaned with further exploration into current oil interceptor pits planned. A series of videos featuring ESPO's sustainability programme have been uploaded to the ESPO web site. Work on refurbishing the on-site heating and ventilation system is planned for October and November.
34. In terms of health and safety there were two incidents. A night shift housekeeper sustained a cut to the forearm whilst using a box cutting knife. A safety alert was issued reminding staff of the safe system of work with respect to the use of knives in the warehouse. A member of the Office staff tripped whilst descending the office stairs which resulted in a broken ankle. The contributory factor appeared to be becoming distracted whilst carrying a lap-top. A message was placed on the weekly communications bulletin reminding staff of the need to be careful carrying items. A fire evacuation drill was completed on 16th September. The total time to evacuate was 3 minutes 20 seconds with no reportable issues identified.
35. The Information Technology (IT) helpdesk handled 816 ticket enquiries with a 100% satisfaction rating from internal customers. An accessibility issue for on-site users was encountered on 29 September, which was traced to a cloud-based firewall server. The provider switched to another server to resolve the problem. In terms of cyber security ESPO's Microsoft overall risk improved to 85% and completion rates for the USecure staff cyber training module improved to 96.9%. The project to replace Windows 10 with Windows 11 devices is expected to be completed by 14 October. The annual 'penetration testing' on ESPO's system will be carried out week commencing 3 November.

Staffing

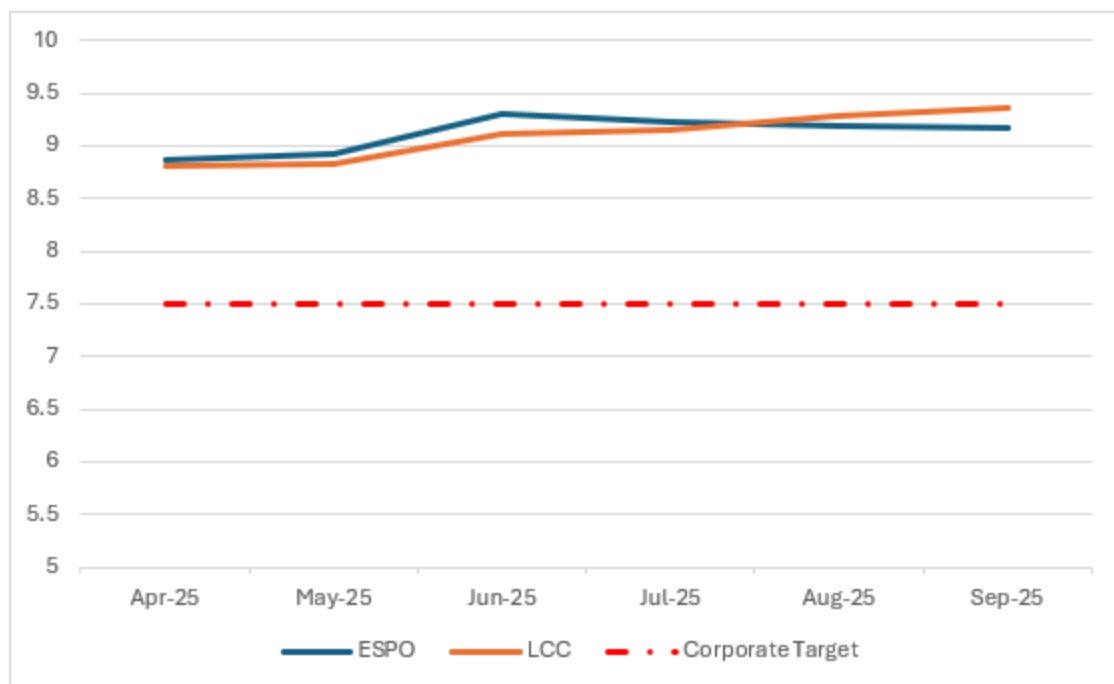
36. The three primary causes of sickness absence during Q2 of 2025/26 were:

Stress, Mental Health & Depression- 29.94%

Other Musculo-Skeletal Problems- 15.02%

Cancer- All Forms- 10.47%

37. The second quarter of the year has seen a change in the top three health reasons. Cancer has entered the top three for the first time. This related to four employees.
38. Q2 has seen a general decline in the number of absences relating to Other Musculoskeletal, Back and Neck problems and seasonal, namely cough, cold and flu. July did see a peak of absences relating to Stress, Mental Health and Depression but this started to decline throughout the quarter.
39. Leicestershire County Council has a challenging target of 7.5 days sickness per FTE. Whilst ESPO is a predominantly manual/front line in terms of the workforce, and have seen a steady rise in absences, they have seen a visible reduction in the average FTE absence lower than that of LCC.



40. The Wellbeing Programme in 2024/25 saw 39% of the workforce undertaking Health MOTs and 11% taking advantage of onsite Flu vaccinations. This programme is being repeated in 2025/26 and so far 15% of the total workforce have taken advantage of onsite Flu vaccinations and 14.3% so far are booked for a Health MOT in Q3.

41. There has been the development of a mandatory learning and development programme for all employees and people managers. The first pilot for Leadership and Management Programme specifically designed for ESPO managers concludes in October with feedback being extremely positive and another cohort being planned for the new calendar year.

Resources Implications

There are no resources implications arising from the recommendations within this report.

Recommendation

It is recommended that the Management Committee note the update provided on the actions and progress made since the last update provided.

Equality and Human Rights Implications

There are no equality and human rights implications arising from the recommendations within this report.

Background Papers

None.

Appendices

Appendix A – Balanced scorecard
Appendix B – Risk Review Extract

Officer(s) to Contact

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Management Summary Sep 25

Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£5,624,254	£6,745,399	↓ -16.6%	£35,336,318	↓ -6.6%
Direct Sales	£2,738,941	£2,803,040	↓ -2.3%	£9,937,737	↓ -2.2%
Rebate plus fee income (£k)	£847,482	£692,768	↑ 22.3%	£7,008,291	↓ -0.0%
Total Sales (Exc Gas)	£9,252,870	£10,282,874	↓ -10.0%	£53,053,368	↓ -4.7%
Stores Margin %	33.0%	32.5%	↑ 0.51%	32.9%	↑ 0.4%
Directs Margin %	18.1%	17.1%	↑ 0.98%	17.6%	↑ 0.50%
Total Gross Margin inc Consumables Cost	£3,270,568	£3,435,374	↓ -4.8%	£21,338,542	↓ -2.6%
Total Expenditure	£2,394,934	£2,553,029	↓ -6.2%	£14,501,788	↓ -7.1%
Surplus	£875,634	£882,345	↓ -£6,711	£6,836,754	↑ £529,328
Net Profit Margin %	9.5%	8.6%	↑ 0.9%	12.9%	↑ 1.6%

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Eduzone Sales	£53,039	£50,000	↑ 6.1%	£346,166	↑ 17.7%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£284.97	£269.84	↑ £15.13
Prop of orders over £15	97.8%	97.7%	↑ 0.10pp

Operations Balanced Scorecard Sep 25

Financial

	Actual	Budget /LY	Var	YTD Actual	YTD Var
AOV (From Customers Orders)	£183.90	£182.37	↑ £1.53	£284.97	↑ £15.13
Proportion of Orders below £15	2.36%	2.62%	↑ 0.26%	2.19%	↑ 0.10%
Stock Turnover	4.89	5.38	↓ -0.49		

Operational

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Warehouse Processing Cost per Order (inc Select, Goods In and Goods Out)				£18.88	↓ (£4.06)
*Transport Cost per Drop				£25.50	↓ (£1.36)
Lines picked per hour	33	32	↑ 1.3	33	↑ 0.9

Customer

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Calls - Average Wait Time (Secs)	00:34	00:30	↓ 4.6	00:38	↓ 9.1
FeeFo Feedback	94%	90%	↑ 4%	95%	↑ 5%

Employees

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Accidents	2	2	↓ 0.0	10	↓ 2.0

* Transport costs include Carrier, Drivers Pay, Agency, Fuel, Repair & Maintenance, Licences, Tyres, Hire & Insurance and excludes Depreciation

Commercial Balanced Scorecard Sep 25

Framework

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Rebate plus fee income (£k)	£847	£693	↑ 22.3%	£7,008	↓ -0.0%
% of Frameworks Renewed on time	90%	0%			

	Target/LY	Q1	Q2	Q3	Q4
Number of contracts awarded to SMEs as a % of no of contracts awarded		76.6%	83.7%	0.0%	0.0%

Number of current live contracts	140
Estimated annual value of current live contracts	£2,316,349,583
Total Number of procurements in progress	40
Number of procurements in progress - internal (ESPO)	13
Number of procurements in progress - National	25
Number of procurements in progress - Client Specific	2
Total Estimated annual value of procurements in progress	£386,260,109
Estimated annual value of procurements in progress - internal (ESPO)	£13,033,500
Estimated annual value of procurements in progress - National	£370,048,024

Finance Balanced Scorecard Sep 25

Efficiency

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Proportion of E Orders*	92%	91%	↑ 0.93%	92%	↑ 1.35%
Web Sales	£1,836,630	£1,857,851	↓ -1.1%	£13,127,555	↓ -43.5%

Market Share

	Actual	Budget /LY	Var	YTD Actual	YTD Var
BESA Market Share %	17%	19%	↓ (1.56%)	20%	↓ (0.20%)

* E Orders are anything other than order capture including Adobe PDF conversion

Appendix 1

ESPO																		
Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Inherent Risk Score			Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Residual Risk			Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	
					Impact	Likelihood	Score				Impact	Likelihood	Score					
25	Stores Trading and Brand	Increased competition	1. Possible implications on business volume, reputation, new business and on trading results in the Catalogue business. 2. Through collaboration with CCS and YPO; CCS is dominating the management of such FWs (Technology, MFDs) including the management of the rebates; ensuring security of the income stream is becoming a threat to ESPO's business model. 3. Amazon: moving deliberately into the public sector space, and focussing on education as a key area, Amazon have expressed interest widely within the market place at becoming more than an ad hoc supplier to schools of all levels, expressing their intention to partner with, or secure suppliers who have tailored offering for the sector.	AD Business Development	5	4	20	Treat	1. Working with suppliers and customers to improve the 'offering', facilitating this relationship through capturing and using business intelligence and managing this 'knowledge'. 2. Continue seeking efficiencies through international sourcing and developing partnerships. 3. Amazon: Continue to market our 'not for private profit' credentials and continue to craft our ranges to offer the very best solution to all tiers of education from our stock and directs position. 4. Website Development roadmap. 5. Use of BESA benchmarking and insight for ongoing market share data. 6. Continue to make frameworks easier to access. 7. Further develop ETL SS offering for diversity of customer base. 8. Work with DfE to recommend and promote our offer. Proposals shared with DfE showing savings on key categories or products, value added by MATs package and MSF. 9. BESA continues to provide challenge to DfE for their proposals to work with Amazon.	1. Changes to key customers' buying (as highlighted at Weekly Trading). 2. Fluctuations in rebate income (as highlighted at Weekly Trading). 3. E-commerce uptake. 4. Amazon: Reduction in traditional stationery and direct electrical item sales at category level. 5. Termly customer research and feedback. 6. Competitive mapping for frameworks, including new threats and CCS expansion. 7. Staff migration to competitors. 8. Market insight data from BESA, C3 and EdCo. 9. Customer ordering patterns, average order value, next day delivery etc.	4	4	16	Treat	1. Review loyalty schemes including MATs Package and development of new corporate package – increased requirement on income streams. 2. Robust sales and marketing strategy developed to reflect the heightened competition in this sector and to support the revised MTFS. 3. Review termly research. 4. Keep a close eye on developments in the market. 5.Continue to look out for member authority frameworks that duplicate ESPO's offering. 6. Keep abreast of speculative frameworks that could take business from ESPO frameworks. 7. Continue to explore and maximise exporting opportunities. 8. Review approach to recruitment and retention of key procurement/commercial staff. 9. Consider bidding for the CCS tail spend tender next time issued. 10. Continue to work with DfE on our offer and proposals to show savings to schools on specific products. 11. Continue to focus on price competitiveness.	AD Business Development	Ongoing	07.08.25 Reviewed - Controls/actions and risk indicators updated. - DfE appear to be launching a new proposition to create or use a framework for tailspend, educational supplies. BESA and ESPO making representations to DfE separately. - DfE continue to promote of ESPO, comms/webinars to show ESPO's competitiveness, Procurement Act etc. - The team continue to regularly benchmark key products. - Technology project underway to offer products on espo.org
66	Stores Trading and Brand	Amazon (with or without YPO solution)	1. Amazon access to Public Sector via YPO agreement. 2. Amazon access to Public Sector/YPO customers. 3. Amazon range. 4. Corporate threat. 5. Ease of Amazon digital platform to use. 6. Threat to volume and catalogue rebate.	AD Business Development	5	4	20	Treat	1. ESPO BAU account management. 2. Digital/Web roadmap. 3. Procurement and compliance advice. 4. ESPO market intelligence. 5. Use of Tussel insight tool. 6. Regular meetings with DfE to feedback on proposals. 7. Working with BESA distributor group to counter threat.	1. Termly customer research. 2. Account manager feedback. 3. Online exposure. 4. BESA data on market share.	4	4	16	Treat	1. Digital platform and development roadmap. 2. NAM Account management of key customer accounts. 3. Brand diversification (Eduzone). 4. ETL broader appeal/reach. 5. Enhanced marketing. 6. Continue to engage with DfE to counter threat. 7. Review service levels and ensure fit for customer needs.	AD Business Development	Ongoing	07.08.25 Reviewed - Controls/actions and risk indicators updated. - DfE creating new proposition to offer all schools access to a framework for tailspend educational supplies. We continue to engage with DfE and BESA. - DfE have conducted some promotion of ESPO, comms/webinars to show ESPO's competitiveness, Procurement Act etc. - Continue to work with BESA to challenge DfE proposal. The team continue to regularly benchmark key products. - Discussions underway with CCS regarding ESPO featuring on their Tailspend solution. - Technology project underway to offer products on espo.org
70	Operations and H&S	Driving or operating over the alcohol or drug limit	1. Impaired judgement leading to accident 2. Possible injury or death to other road users and pedestrians. 3. ESPO reputational damage	AD Operations & IT	5	3	15	Treat	With Cause' tests can be made at any time. Driver signs daily report to confirm he is fit to drive. Agreed a local policy with Trade Unions on 11/8/2021 where there is suspicion of excess alcohol being consumed by any employee. A breath test kit will be used to determine alcohol content. ESPO have a zero tolerance for any alcohol. 20.10.2021 new Random D&A deployed using Hampton Knight to detect alcohol and drugs.	Road Traffic Accidents Injuries to customers or drivers Contact from the police	4	4	16	Treat	26/11/2020 24.11.20 LCC proposed random D&A testing policy under review 28.5.2021 New drug & alcohol testing regime being introduced via LCC from Sept 2021. Feb 2023 Increased probability to 4 in the light of recent test results. Increased probability to 3. Feb 2024: New testing agents in place via LCC contract - DNA Workplace. Random testing of ESPO staff continues quarterly across all 3 shifts - delivery drivers tested each time, minimum 4 times per year. Random testing conducted in Feb 2024 returned 1x non-negative result for cocaine (warehouse operative) - Substance misuse policy implemented, 4 week support plan put in place with regular assurance testing agreed. H&S suspension in place for duration of this plan in line with LCC policy.	AD Operations & IT	Implement testing regime within 1 month of LCC announcing new testing protocol	Aug 2025 - D&A testing conducted 28.07.25. 21 donors tested in total covering night shift, early shift and delivery drivers. 2x FLT drivers on each shift tested as agreed. All results returned as negative. On-site breathalser remains available as indicative check if required. Supervisors aware of signs and symptoms and 'with cause' process. Random testing of ESPO staff continues quarterly across all 3 shifts - delivery drivers tested each time, minimum 4 times per year. 'With cause testing' remains in place. New testing company procured via LCC (AttoSure). Results of drug testing now received instantaneously, If results are non-negative these are automatically sent to a laboratory for assessment via a Medical Review Officer (MRO), on behalf of the supplier, who support with the risk assessment process and if the employee is safe to work. Small risk of unnecessary suspension whilst MRO undertakes assessment and confirms if results are consistent with any declaration of taking prescribed / over the counter medication that could result in cross reactivity or non-negative result. Key managers and supervisors frequently reminded on substance misuse policy and procedures and remain aware of signs and symptoms of drug or alcohol misuse and action to take. Quarterly stakeholder meetings continue with LCC to inform and review policy and practical application 1x 'with cause' test initiated with member of business development team (April 2025) due to suspicion of alcohol consumption - Test returned positive for alcohol over legal driving limit. Support plan put into in place, employee prohibited from driving on behalf of ESPO. Last random tests conducted March 2025 - 1x non-negative return for Tramadol (disclosed at the time of test) - risk assessment conducted and employee deemed fit to work.
78	Supply chain	Supply chain risk – notably linked to geo-political events and conflict in The Middle East and Ukraine	1. Stock supply shortages for products or components that are made in Far East. With consequential effects in UK manufacturers production capability. 2. Staff shortages in all ESPO functional areas due to high sickness rates. 3.School closures to reduce infection spread. 4. Overall economic impact on ESPO's business activities due to sluggish restoration of international supply chain. 5. Buying price risk due to increased freight xosts may mean a reduced margin. 6. Driver shortage in the market could affect deliveries to ESPO and our ability to deliver to our customers on time. • Staff complacency and not adhering to controls in place. • All risks as identified previously coming to fruition due to further restrictions introduced. • Supply chain disruption in the event of further lockdowns both in UK and Worldwide. • On-going school closures / partial closures.	Director	4	4	16	Treat	1. 'Set up an internal team tasked with managing ESPO's activities and communications in response to the health crisis. 2. 'Monitor updates and advice from WHO and UK government'. 3. 'Maintain regular communications with customers, staff and stakeholders. 4. ESPO continue to promote good handwashing and hygiene practices and have increased the availability of antibacterial wipes and cleaning equipment. Contracted cleaning contractors disinfect door handles and hand rails as part of our contract. 5.Should a member of staff contract coronavirus EPSP will liaise with PHE directly at County Hall and follow any recommendations. 6. Should isolation be required our Smarter Working Policy provides guidance on staff working from home and where necessary individual risk assessments will be completed. In the event there is a requirement for an extended number of staff to work from home all available lap-tops provide to staff across the business will be recalled and distributed accordingly.. 7. Assess suppliers shortages through daily phone contact by Stock Optimisation team. 8. Work closely with staff agency partners to source staff across the logistics, procurement and financial sectors. 9. Continue to manage supply chain risk through Supply Chain Panel, PAG and CMG. 10. CMG and Contracts Panel will be made aware of price increases and impacts assessed by Finance 11. Aim to resist price increase 'within year' 12. Mitigate increases through competition, re-sourcing, extensions	1. Weekly stock availability reports with supplier shortages and failed customer orders. 2. Weekly staff sickness records attributable to the coronavirus. 3. Weekly trading analysis • Continued enforcement of existing controls by managers • Continued staff briefings and reminders. • On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC.	4	4	16	Tolerate	1. Align staff policies to LCC guidelines. 2. Assess trading impact on financial forecasts. 3. Understanding of alternative sources of catalogue products. 4. Regular meetings of the internal team 5. Ongoing communications with all relevant parties through web site, weekly comms and formal reports. 04.03.2020 ESPO update on Coronavirus Report discussed at Mgmt. Committee. 06.03.2020 Teleconference with LCC. • All risk assessments and guidance fully aligned with LCC. • Internal meetings took place regularly during height of pandemic. Frequency reduced due to new 'BAU'. Would resume if required. • Comms on-going • Forthcoming work on building modifications and a new people strategy to support new ways of working.	Director	Ongoing	14.5.25. Risk description updated to remove links to Brexit and Covid were are largely diminished now

ESPO																		
Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Impact	Likelihood	Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Impact	Likelihood	Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	
79	IT	IT Cyber Security. Range of cyber security threats (Note - separate IT specific risk register maintained and overseen by internal ITDG committee)	Failure to adequately protect ESPO networks, systems and data from malicious attack could lead to a range of potential consequences, including; financial; reputational; operational; legal impacts or other losses.	AD Operations & IT	5	4	20	Treat	Range of protections/controls in place, including (but not limited to): 1) Firewalls (outer defences, controlling the border of ESPO network) 2) Automated Threat Protection system (assesses various incoming data (e.g. emails) for potential threats) 3) Antivirus software (Prevents known viruses from executing on ESPO devices) 4) Authentication systems (Controls who can access ESPO systems and data) 5) Staff education (Reduces risk of successful phishing attack) 6) Anti-Ransomware backup solution (prevents hackers from encrypting our backups) 7) External security controls Audit (Highlights areas of concern in ESPO security systems) 8) Penetration testing (probes the ESPO network for vulnerabilities)	1) Firewall logs (contain details on network traffic, including hostile attacks on the ESPO network) 2) Firewall Reports (Daily, weekly, monthly reports on network traffic) 3) External security support partner monitoring (Various support partners issue regular threat alerts) 4) various event logging - systems that monitor and alert on potential concerns (this is a weak area for ESPO and will be reviewed) (Needs further expansion)	4	4	16	Treat	IT action plan created and enhanced following the cyber audit by LCC. This includes controls in place, and enhancements, including: - Creation of cyber security roadmap, specific risk register and incident response processes - New remote working policy including multi-factor authentication, revised password policy and technical measures for device authentication. - Penetration Testing - Disaster recovery policy, testing and third party support - Staff training and to improve awareness, competence and enhance the positive culture of reporting of issues/mistakes - Contracts with specialist 3rd parties to provide regular technical and emergency support - Working towards 'CyberEssentials+' accreditation - Maintenance and development of internal security procedures (e.g. the 2022 version upgrade of our ERP system) Sept 2022 Cyber Insurance policy extended for 1 year. Oct 2022 LT approved Incident Response Policy. 08.02.24 Various Job Descriptions have been amended to reflect the increased importance of CyberSecurity and establish responsibilities in this area. DR Testing in December 2023 and Sept 2024 demonstrates that current process is robust and effective. Staff Awareness training is now embedded across ESPO, and signs suggest this is having a positive effect. All user security measures (antivirus, antimlware etc) have been migrated to MS Defender, additionally Defender drives our software patching process, alerting us immediately when anything requires update. ESPO's Microsoft Secure Secure increased slightly to 78%, well above the average for similar organisations (42%). Work continues towards CyberEssentials+ accreditation.	AD Operations & IT	Q1 2021/ongoing	August 2025 - Following Firewall upgrade our CyberSecurity stance got even stronger. Microsoft Secure score has gone up to 84%. Additional security rules, monitoring and system access control guarantees stronger security. IT is continuing to remove old and unsupported software which in return puts us closer to CyberEssentials+ accreditation. 14.08.24 Forthcoming publication of the new IT Policy will tick a significant box regarding CyberEssentials+ accreditation. Penetration Testing for 2024 is currently in procurement and should be completed in the Autumn. The Annual Disaster Recovery testing was undertaken in September. ESPO's cybersecurity stance remains strong. Progress has been made with the migration of other systems still residing on Windows 2012R2 servers, and these should be completed by end of 2024. Disaster Recovery Testing was successfully completed in Sept 24. Microsoft Secure Score remains at 78%, which is very high (meaning we are reasonably secure, and aligned with best practice). Our Security Incident and Event Monitoring Service was put on a sound contractual footing with a new compliant contract put in place via G-Cloud. May 2025: Cybersecurity posture remains strong. ESPO Microsoft Secure Score now raised to 83%, which is very high, following ongoing response to Microsoft Security guidelines. New firewalls to go live end of May 2025 bring enhanced defensive capabilities and improved visibility, so will further improve our position.
80	Procurement - Compliance	The Procurement Bill contains areas of potential risk for ESPO.	Customers may choose to undertake their own procurements and not use frameworks - fall in rebate income. Risk of court challenge if new procedures used incorrectly. Current procurement structure may need reassessment to ensure compliance with transparency rules. Risk of being sued for inappropriate transparency or for not being transparent enough.	AD Procurement & Commercial	5	3	15		Monitoring contracts finder/ find a tender and closer monitoring of customer procurement pipelines Better engagement through CRM'S Continued engagement with legal advisors to gauge customer tendencies Canvass opinion from member authorities to understand what it means to them/what their intentions are. Manage customer messages to intensify the 'safe framework' message. ESPO stick with Open Procedure until new flexible procedures are clarified and tested. Ensure procurement team is adequately resourced to ensure transparency compliance. Create a Transparency/Governance unit within procurement. Update processes & procedures to reflect new requirements.	Fall down in number of customers using our frameworks. Insufficient resource to manage increased administration required.	5	3	15	Treat	1. Develop ESPO's procurement strategy to take account of the newly released National Procurement Policy Statement 2.Work closely with LCC and other PBOs to develop joint approach. 3.Through chairmanship of the PBO forum ensure that representatives from the Cabinet Office attend to provide regular updates on policy in relation to the Procurement Bill developmental 4. Ensure that ESPO has representation on the planned Cabinet Office training advisory body for new procurement rules - push for central funding. 5. Put in place an ESPO procurement steering group to support the transition to new ways of working 6. Ensure adequate legal resource is in place from LCC to support the transition to new procurement rules. 7.Ensure new processes and governance procedres remain under review and in-step with changes to the new Regulations. 8. Continue to invest in staff training and developemnt.	AD Procurement & Commercial		14/02/24 Bill now confirmed for October 24 implementation. Procurement Steering Group having completed a read through of the new Act. Training sessions identified for all procurement staff to take place March - June 24. 15/8/24 All Procurement Staff have completed the online training provided by Cabinet Office. Also 2 sessions covering 3 days with legal Partner are in progress. 13/11/24 update - Act implementation delayed to Feb25. Work on updated processes and documentation to reflect the new Act is nearing completion. This will be assessed by Internal Audi and independent legal partner. 18/02/25 update. Staff training complete. Legal partner assessment of documents and processes underway and expected to be completed by go live date for new regs. 13/05/25 update. All actions above complete except for final sign off of ITT and Framework Agreement by Legal partner. This is however imminent. 12/08/25 update. All actions completed
103	Stores Trading and Brand	DfE development of a 'tailspend' Educational Supplies Framework and attempting to restrict the market to one supplier	1. DfE encouraging / restricting schools purchases of educational supplies with selected supplier(s). 2. Potential impact on educational supplies market that could reduce competition and reduce school spend with ESPO. 3. Corporate threat. 4. Threat to catalogue sales volume and catalogue rebate and ESPO's ability to meet MTFS. 5. A reduction in education catalogue volume could lead to higher buying prices across the range.	AD Business Development	5	5	25	Treat	1. ESPO account management with individual schools and academies. 2. Developed a historical positive relationship with DfE and hold regular meetings with DfE senior staff to feedback on proposals. 3. Relationship, representation and engagement with BESA industry body and distributor group to counter threat. 4. Submission of ESPO offering into DfEs framework proposal - Tender for the opportunity. 5. Potential to report anti-competitive behaviour to regulatory bodies (CMA). 6. DfE is unable to mandate the offer to schools - only signpost.	1. Information obtained from DfE meetings. 2. Monitoring of DfE and DfE procurement activity. 3. BESA engagement and information and distributor group information. 4. Feedback from schools and MATs. 5. Sales volume and value reorts and management information.	4	4	16	Treat	1. Continue to engage with DfE and BESA to counter threat. 2. Ensure that ESPO continues to engage directly with schools and MATs. 3 Ensure that ESPO continues to add value to schools/MATs through relationships, added value/training/insight/CPD.	AD Business Development	Ongoing	07.08.25 - New risk added in light of market engagement notice 1/8/25

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