



EASTERN SHIRES
PURCHASING
ORGANISATION

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

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

Date: 30 September 2025
My Ref: AS/ESPO
Please ask for: Angie Smith
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To: Members of the ESPO Finance and Audit Subcommittee

Dear Member,

ESPO FINANCE AND AUDIT SUBCOMMITTEE

A meeting of the Finance and Audit Subcommittee will be held at on Wednesday, 8 October 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

Please note: this meeting will be filmed for live or subsequent broadcast via You Tube
<https://tinyurl.com/3a46n3y4>

AGENDA

<u>Item</u>	<u>Report of</u>	<u>Pages</u>
1. Appointment of Chairman.		
2. Minutes of the meeting held on 12 February 2025.		(Pages 3 - 8)



3. Declarations of interest in respect of items on the agenda.
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.
5. Internal Audit Service - Progress Against the 2025-26 Internal Audit Plan. Consortium Treasurer (Pages 9 - 20)
6. Internal Audit Service - Annual Report 2024-25. Consortium Treasurer (Pages 21 - 42)
7. External Audit of the 2024/25 Financial Statements. Chief Officer of ESPO and Consortium Treasurer (Pages 43 - 68)
8. 2025/25 Financial Statements. Chief Officer of ESPO and Consortium Treasurer (Pages 69 - 122)
9. Date of next meeting.

The next meeting of the Subcommittee is scheduled to take place on 11 February 2026 at 10.30am.

10. Any other items which the Chairman has decided to take as urgent.
11. 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).

12. Financial Performance Update - 5 Months to August 2025. Chief Officer of ESPO and Consortium Treasurer (Pages 123 - 130)
13. Risk Review. Chief Officer of ESPO and Consortium Treasurer (Pages 131 - 150)



Minutes of a meeting of the ESPO Finance and Audit Subcommittee held at County Hall, Glenfield, Leicestershire on Wednesday, 12 February 2025.

PRESENT

Mrs. S. Rawlins CC (in the Chair)
Mrs. M. Wright CC – Leicestershire County Council
Cllr. P. Butlin – Warwickshire County Council
Cllr. J. James – Norfolk County Council
Cllr. M. Jamil – Peterborough County Council

Apologies

Cllr. N. Shailer – Cambridgeshire County Council

In Attendance

ESPO

Kristian Smith – Director
Gary Tapp – Commercial Financial Controller

Leicestershire County Council

Simone Hines – Consortium Treasurer
Neil Jones – Head of Internal Audit and Assurance
Matt Davis – Audit Manager
Rosemary Whitelaw – Head of Democratic Services
Angie Smith – Democratic Services Officer

28. Minutes of the previous meeting.

The minutes of the meeting held on 13 November 2024 were taken as read, confirmed and signed.

29. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

30. Urgent items.

There were no urgent items for consideration.

31. Internal Audit Service - Progress Against the 2024-25 Internal Audit Plan.

The Sub-Committee considered a report of the Consortium Treasurer which provided a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LLCIAS) during the period 1 April 2024 to 29 January 2025. A copy of the report marked 'Agenda Item 4' is filed with these minutes.

Members were pleased to note there were no high or legacy recommendations and were reassured in terms of the timing of audits.

The motion was moved by Mrs. Rawlins and seconded by Mrs. Wright.

RESOLVED:

- a) That progress against the 2024-25 Plan be noted.
- b) That there were no high importance recommendations within the Committee's domain to be noted.

32. Annual Internal Audit Plan 2025-26 and Plans for Implementing New Internal Audit Standards.

The Sub-Committee considered a report of the Consortium Treasurer, which sought approval of the ESPO Internal Audit Plan 2025/26, and provided information of the Head of Internal Audit Service's plans for implementing the Global Internal Audit Standards (GIAS) in the UK Public Sector from 1 April 2025. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from discussion, the following points were made:

- i. Officers were confident the plan provided for a wide range of audits, which addressed the three main areas the HoIAS was required to give an opinion on, namely, governance, risk management and internal control, such as, cyber security, the application of the revised procurement regulations, and counter fraud. Included in the plan was a contingency for any emerging issues which provided a degree of flexibility.
- ii. The last external quality assessment took place in the Spring of 2024, and was undertaken by an independent, objective assessor. The outcome of "generally conforms" to the Public Sector Internal Audit Standards was reported to the November 2024 Finance and Audit Sub-Committee meeting. Any actions from the assessment would be fed into the new GIAS, therefore a gap analysis between old and new standards was being undertaken.
- iii. Regarding the CIPFA report at Appendix 2, page 33, officers reassured Members that suggested questions for audit committee members could be answered confidently and positively by officers, with some work required for question five on the committee's role in reviewing its own effectiveness.
- iv. In response to a question, it was noted that internal audit standards were quite stringent, and when the revised internal audit standards were introduced, CIPFA had adopted them and sought to bridge between the two. It was suggested by officers that the Code of Practice for Governance was focused on assuring the strength of audit committees.

The motion was moved by Mrs. Rawlins and seconded by Mrs. Wright.

RESOLVED:

- a) That the ESPO Internal Audit Plan for 2025-26 be approved.
- b) That the Head of Internal Audit Service's plans for implementing the Global Internal Audit Standards in the UK Public Sector from 1 April 2025 be noted.
- c) That the Sub-Committee delegate approval of the internal audit strategy and internal audit charter to the Director of ESPO and the Consortium Treasurer and Secretary, following consultation with the Chairman of the Sub-Committee.

33. Contract Procedure Rules Relating to the Procurement Act 2023.

The Sub-Committee considered a report of the Director which sought approval for the submission of the Contract Procedure Rules (CPRs) relating to the Procurement Act 2023 (the Act). A copy of the report marked 'Agenda Item 6' is filed with these minutes.

The motion was moved by Mrs. Rawlins and seconded by Cllr. James.

RESOLVED:

That the CPRs detailed at Appendix A to the report, which governed procurements under the Act, be approved.

34. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Sub-Committee would be held on 8 October 2025 at 10.30am.

35. Exclusion of the Press and Public.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the remaining item of business on the grounds that it will involve the likely disclosure of exempt information during the consideration of the following items of business as defined in paragraphs 3 and 10 of Schedule 12A of the Act, and, in all circumstances of the case, the public interest of maintaining the exemption outweighs the public interest in disclosing the information.

36. Financial Performance Update - Nine Months to December 2024.

The Sub-Committee considered an exempt joint report of the Director and the Consortium Treasurer which provided an update on the financial performance of ESPO for the nine months to December 2024. A copy of the report marked Agenda Item 10 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).

Arising from discussion, Members asked questions on the following:

- i. With the contracting market, when officers believed the market would recover.
- ii. The impact of government settlements and requirements to look at tax rates, National Insurance implications, the pressure on local authority costs, minimum wage, inflationary costs, and other expenditure implications.

The motion was moved by Mrs. Wright and seconded by Cllr. James.

RESOLVED:

That the update provided on the financial performance of ESPO for the nine months to December 2024 be noted.

37. Budget 2025/26.

The Sub-Committee considered an exempt joint report of the Director and Consortium Treasurer which presented the budget 2025/26 and sought approval for its submission to the Management Committee for approval. A copy of the report marked 'Agenda Item 11' 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).

Arising from discussion, Members asked questions on the following:

- i. Contracting market pressures on direct sales.
- ii. The separation of different forms of waste.
- iii. The impact of extended procurement responsibility (EPR).
- iv. Organisations' reduction in overheads and its impact on budget projections.
- v. Impact of US markets.
- vi. Closure of private schools.
- vii. Use of electric vehicles.
- viii. The difference between servicing urban and rural customers, with changes to rural grants.

The motion was moved by Cllr. James and seconded by Cllr. Butlin.

RESOLVED:

That the 2025/26 budget submitted to the Management Committee be approved.

38. Risk Review.

The Sub-Committee considered an exempt joint report of the Director and Consortium Treasurer, which provided an overview of ESPO's risk landscape. 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).

Arising from discussion, Members asked questions on the following:

- i. Exposure of both internal and external bought-in services to IT outage.
- ii. The threats and opportunities presented by Artificial Intelligence.

The motion was moved by Cllr. Jamil and seconded by Cllr. James.

RESOLVED:

That the overview of ESPO's risk landscape be noted.

10.30 to 11.50am
12 February 2025

CHAIRMAN

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ESPO FINANCE AND AUDIT SUBCOMMITTEE – 8 OCTOBER 2025

INTERNAL AUDIT SERVICE - PROGRESS AGAINST THE 2025-26

INTERNAL AUDIT PLAN

REPORT OF THE CONSORTIUM TREASURER

Purpose of the Report

1. The purpose of this report is to provide the Finance and Audit Subcommittee (the Subcommittee) with a summary of work undertaken by Leicestershire County Council's Internal Audit Service (LCCIAS) during the period 29 January to 22 September 2025.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs. In accordance with ESPO's Financial Regulations Rule 15, specific responsibility for arranging a continuous internal audit is delegated to the Treasurer. Under its terms of reference, the Subcommittee should receive and approve Internal Audit annual reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating any high importance recommendations and significant governance concerns to the Management Committee for review. The Subcommittee also monitors the adequacy and effectiveness of the internal audit service provided to ESPO. To achieve this, the Subcommittee is provided with periodic progress reports.
3. The audits undertaken are based on the Annual Internal Audit Plan (the Plan). Variations to the Plan can occur but need to be considered with and agreed by the Treasurer and the Director of ESPO.
4. The 2025-26 Plan was approved by the Subcommittee at its meeting on 12 February 2025. The scope of the audits and progress against them is shown in Appendix 1.

5. New internal audit standards apply from 1 April 2025, the Global Internal Audit Standards in the UK Public Sector. A revised Internal Audit Charter will be developed and other changes explained.

Summary of Progress

Audit Opinion:

6. Where audits undertaken are an 'assurance' type i.e., the auditor is able to objectively examine evidence for the purpose of providing an independent assessment, then an engagement 'conclusion' can be given i.e., the level of assurance that material risks are being managed. There are four levels of assurance: full; substantial; partial; and little.
7. On occasions, the audit might require a high importance (HI) recommendation, denoting that (based upon a combination of probability and impact) in our opinion a significant weakness either exists or potentially could arise and therefore the systems objectives are seriously compromised. A report that has a HI recommendation would not normally get a conclusion above partial assurance. Exceptions would be where the controls are sound but there is a high importance efficiency recommendation.
8. The sum of individual engagement conclusions assists the Head of Internal Audit Service (HoIAS) to form an annual conclusion on the overall adequacy of ESPO's control environment, comprised of its governance, risk management and internal control framework

Advisory audits do not result in an opinion but are taken into account in the HoIAS annual opinion.

High Importance (HI) Recommendations

9. To date 2025-26 coverage has not resulted in any high importance recommendations and/or partial assurance reports and there are no legacy high importance recommendations from previous financial years.

2025-26 Progress to date

10. A summary of progress is as follows: -

24/25 work completed in 25/26:

<u>Status</u>	<u>Number</u>	<u>Conclusion</u>	<u>Reference</u>
Advisory Work Completed	5	N/A - Advisory	<i>Reference: 24-25 (E, H, G, M & U).</i>

Work covering two financial years	3	N/A	Reference: 24-25 (K, L & T).
Final Reports	2	2 x Substantial Assurance	Reference: 24-25 (I & J).

Actual 25/26 Year Progress:

<u>Status</u>	<u>Number</u>	<u>Opinion</u>	<u>Reference</u>
Draft Report Issued	3	Conclusion TBC	Annual Governance - Areas for further development (25/26 – B) Cyber Security (25/26 – C) Energy - Customer Billing (25/26 – N)
Consultancy work concluded	1	No instances of fraudulent activity were noted from the work undertaken	Counter Fraud - NFI specific (25/26 – E)
Work In Progress	13	Conclusion TBC	Stock Fraud Risk Assessment Emerging risks General Financial Systems (*) IT general controls (*) Rebates income Procurement Framework Agreements Business Continuity Health & Safety Reporting Loss of/Reduction in

			Business Value for Money Product Benchmarking Contingency (25/26 – D, F, H, I, J, K, L, M, O, P, Q R & S)
Not Started	1	N/A	Counter Fraud Audit (25/26 – F)

11. There are valid reasons for audits that are currently classified as work in progress or not started for example:
- Needing to be undertaken in the final quarter due to sample size requirements.
 - On-going work throughout the financial year.
 - Good progress having already been made, for example, towards the end of testing or draft report being compiled or reviewed.
12. At this period in the financial year, reasonable assurance can be given that the audits are on track to be delivered subject to the usual caveats i.e.
- Actual time required to complete an audit being longer than budgeted.
 - Any work that logically straddles more than one financial year.
 - Unforeseen resourcing issues for either ESPO or Internal Audit.
13. The Appendix provides more detailed progress against the 2025-26 Plan. Audit reference numbers (in the sequence of the agreed internal audit plan) and type (governance, risk management and internal control) have been added to track each audit's progress.

Recommendation

14. That the Committee notes:
- a. the progress against the 2025-26 Plan
 - b. that there are no high importance recommendations within the Committee's domain

Equal Opportunities Implications

15. There are no discernible equal opportunities implications resulting from the audits listed.

Background Papers

Report to ESPO Finance & Audit Sub Committee 12 February 2025 – Annual Internal Audit Plan 2025-26

Covering Report:

<https://democracy.leics.gov.uk/documents/s188301/Annual%20Internal%20Audit%20Plan%20202526%20-%20Plans%20for%20Implementing%20New%20Internal%20Audit%20Standards%20Report.pdf>

Actual 25/26 Plan:

<https://democracy.leics.gov.uk/documents/s188296/Appendix%201%20-%20ESPO%20Internal%20Audit%20Plan%202025-26.pdf>

Officers to Contact

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Appendix

Appendix 1 Summary progress against 2025-26 audits as at 22 September 2025

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Summary progress against 2025-26 audits as at 22 September 2025

Audits 'completed' to at least draft issued stage and/or on-going advisory work/Prior year jobs

<u>Ref</u>	<u>Type²</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 22 September 2025</u>
25/26 - A	Various	Continuation of work commenced in 2024-25	Any outstanding audits that overlap the financial year are promptly completed	5 x Advice concluded <ul style="list-style-type: none"> • Counter Fraud - NFI specific (24/25 – E) • Emerging Risks (24/25 – H) • Enterprise Resource Planning Migration (24/25 – G) • Safe Systems of Working - Warehouse Expansion (24/25 – M) • Contingency for ad-hoc advisory (24/25 – U) 3 x Work Covering Two Financial Years: <ul style="list-style-type: none"> • Rebates Income (24/25 – K) • Procurement (24/25 – L) • Value for Money Product Benchmarking (24/25 – T)

				2 x Final Report – Substantial Assurance <ul style="list-style-type: none"> • General Financial Systems (24/25 – I) • IT General Controls (24/25 – J)
25/26 - B	Governance	Annual Governance - Areas for further development	Areas of the 2023/24 Annual Governance Statement highlighted for further development have been addressed.	Draft report issued
25/26 - C	Governance	Cyber Security	Adequate Cyber Security arrangements are in place in accordance with nationally issued good practice guidance and associated self-assessment - focus will be on the 11 actions that remained WiP from our 24/25 coverage	Draft report issued
25/26 - E	Risk Management	Counter Fraud - NFI specific	Results (output reports) are correctly interpreted and investigated on a risk-assessed basis and have due regard for a segregation of duties. Note: This is Part 2 of the audit. Part one was in the previous financial year and involved ensuring the requisite data was extracted at 30 September, subsequently uploaded in October and resultant output reports were distributed in Jan/Feb.	Advisory work complete. No instances of fraudulent activity were noted from the work undertaken
25/26 - N	Internal control	Energy - Customer Billing	Fully managed gas service is correctly invoiced to customers.	Draft report issued.

			<p>Note: This audit was expanded slightly to incorporate the following revised objective:</p> <p>To provide assurance to management that (i) the fully managed gas service is correctly invoiced to customers and (ii) there is prompt and accurate collection of rebate from suppliers on energy framework agreements (electricity, gas and liquid fuels).</p>	
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Audits in progress

<u>Ref</u>	<u>Type²</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 22 September 2025</u>
25/26 - D	Internal Control	Stock	Controls and procedures in place mitigate the risk of any discrepancies (including frequency of stock take) are operating correctly	Good progress with testing nearing completion.
25/26 - F	Risk Management	Fraud Risk Assessment	There is a full assessment of fraud risks to the organisation in line with the principles set out within the CIPFA Code of Practice - Managing the Risk of Fraud and Corruption.	The Financial Controller has undertaken preliminary work on the Fraud Risk Assessment 2025. The outcome will be subject to scrutiny by the Leadership Team prior to finalisation.
25/26 - H	Risk Management	Emerging risks	ESPO identification and preparedness for any emerging risks e.g. Legislative changes, material changes to the 5-Year business strategy and other 'in year' matters requiring urgent attention	On-going advisory work until end of Quarter 4

25/26 - I	Internal control	General Financial Systems (*)	To discuss with the External Auditor and the ESPO Financial Controller/Consortium Treasurer, but typical coverage includes reconciliations; receivables; payables; payroll and stock	Terms of Engagement signed off Not due for completion until Quarter 4
25/26 - J	Internal control	IT general controls (*)	The range of Information Technology General Controls (ITGC) expected by the External Auditor are well designed and consistently applied.	Terms of Engagement signed off Not due for completion until Quarter 4
25/26 - K	Internal control	Rebates income	Annual audit coverage to evaluate whether rebates received conform to estimates of supplier business generated - focus will be on concluding site visit related work commenced in 24/25	Draft report currently being reviewed
25/26 - L	Governance	Procurement	Regulations and the associated policies and procedures have been correctly applied in accordance with the tender date (focus to be on notice requirement & the assessment summary)	Draft report currently being reviewed. Further testing is likely to take place in late in Quarter 4 of 25/26 or Quarter 1 of 26/27.

25/26 -M	Risk Management	Framework Agreements	Up to date Framework agreements are in place for all suppliers.	Work is continuing on scoping any internal audit coverage. This will be incorporating any risks identified from the audit findings from the previous external auditor in respect of the year ended 31 March 2024 and the new external auditor in respect of the year ended 31 March 2025. Until the draft findings for 2024 - 2025 have been finalised it would not be prudent to completing any work.
25/26 - O	Risk Management	Business Continuity	That the risk of business inoperability is minimised and appropriate risk mitigating actions are taken (incorporating simulation exercises completed)	Draft report currently being compiled
25/26 - P	Governance	Health & Safety Reporting	Incidents and Near Misses are promptly and accurately recorded and communicated to enable prompt and appropriate mitigating actions to be put in place	Draft report currently being reviewed
25/26 - Q	Risk Management	Loss of/Reduction in Business	Specific Mitigating Controls within the Risk Register are accurate, operating as intended and reduce the risk accordingly	Testing Stage
25/26 - R	Governance	Value for Money Product Benchmarking	Policies and procedures to ensure ESPO continuously benchmark key product ranges against competitors and make timely adjustments where appropriate/economical to do so	Testing Stage

25/26 - S	Internal control	Contingency	Unforeseen events brought to the attention of the Head of Internal Audit Service by either ESPO Leadership Team or the Consortium Officers - examples may include: Risk of business failure by debtors, legislative issues, staff retention and absence, failure of banking and/or investment partner, health & safety issue, stores/trading & brand issue, product Safety Issue, supply chain issue etc	On-going ad-hoc advisory. Time used to date mainly relates to investigating an unfounded anonymous whistleblowing complaint.
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Audits not started

<u>Ref</u>	<u>Type²</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position @ 22 September 2025</u>
25/26 - G	Internal Control	Counter Fraud Audit	Potential fraud vulnerabilities in a specific area are correctly identified and adequately mitigated against (<i>Note: Auditable area will be informed by the results of the Fraud Risk Assessment</i>)	Not Started – Awaiting results of Fraud Risk Assessment Audit (Ref 25/26 - F) to help inform coverage

Deferred/cancelled audits

None to date

¹unique reference numbers based on the financial year in question (i.e. '25/26-A' relates to the first entry on the approved 2025/26 audit plan)

² the three elements of the control environment (governance, risk management and internal control)

³ traditionally audits where the external auditor has placed reliance on the work of internal audit



ESPO FINANCE & AUDIT SUBCOMMITTEE – 8 OCTOBER 2025

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2024-25

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

1. The purpose of this report is to: -
 - a. Provide the Finance and Audit Subcommittee (the Subcommittee) with an annual report on internal audit work conducted during 2024-25.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS) to provide internal audit for ESPO.
3. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provide at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards in place for 2024-25 were the United Kingdom Public Sector Internal Audit Standards (PSIAS). The PSIAS required that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter. The Internal Audit Charter for ESPO (re-approved by the Subcommittee at its meeting on 14 February 2024) defined the Finance and Audit Subcommittee as 'the Board'. The PSIAS required the HoIAS to provide an annual report to 'the Board' timed to support the production of either the draft Annual Governance Statement or a different governance related report supporting the financial statements.
5. The PSIAS required the HoIAS' annual report to include:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's control environment – see Annex 1

- b. a summary of the audit work from which the opinion is derived – Annex 2
 - c. a comparison of the work undertaken with the work that was planned, including a summary of the performance of the internal audit function – table 1 Appendix
 - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) – Appendix
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement – Appendix
6. From 1 April 2025, the relevant internal audit standards are the Global Internal Audits Standards in the UK Public Sector. Revised governance documents will be reported to a future Subcommittee.

Internal Audit Service Annual Report 2024-25

7. The annual report for 2024-25 is attached at the Appendix.
8. Headlines from the report are: -
- a. Overall, positive opinions were given in all three components of the 'control environment' i.e. the framework of governance, risk management and control (Annex 1)
 - b. An overall substantial assurance rating is given that the control environment remains adequate and effective.
 - c. The majority of planned work was achieved
 - d. LCCIAS conforms to internal audit standards (the PSIAS)
 - e. The HoIAS was not aware of any significant governance issues that should have been reported in the AGS.

Resources Implications

9. The budget for the provision of the internal audit service is contained within ESPO' Medium Term Financial Strategy under charges by the Servicing Authority.
10. Slightly more than the planned 150 days were provided and the total charge to ESPO was £63,137.

Recommendations

11. That the Finance and Audit Subcommittee approves the Internal Audit Service annual report for 2024-25.

Equal Opportunities Implications

12. There are no specific equal opportunities implications contained within the annual summary of work undertaken.

Background Papers

Constitution of the ESPO Management Committee

Accounts and Audit Regulations (Amendment) 2015

<https://www.legislation.gov.uk/uksi/2015/234/contents/made>

The Public Sector Internal Audit Standards (revised from April 2017)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/641252/PSAIS_1_April_2017.pdf

Annual Internal Audit Plan 2024-25

<https://democracy.leics.gov.uk/documents/s181294/Appendix%201%20-%20ESPO%20Internal%20Audit%20Plan%202024-25.pdf>

Officer to Contact

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Appendices

Appendix	Internal Audit Service Annual Report 2024-25
Annex 1	The HoIAS Annual Opinion on the overall adequacy and effectiveness of ESPO's control environment
Annex 2	Summary of Internal Audit Service work between 1 April 2024 and 31 March 2025 from which the overall opinion is derived

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ESPO

Leicestershire County Council Internal Audit Service Annual Audit Report 2024-25

**Neil Jones CPFA, Head of Internal Audit Service,
Leicestershire County Council**

22 September 2025

ESPO
LEICESTERSHIRE COUNTY COUNCIL INTERNAL AUDIT SERVICE
ANNUAL REPORT 2024-25

Background

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised in April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
 - i. The Mission of Internal Audit
 - ii. Definition of Internal Auditing
 - iii. Core Principles for the Professional Practice of Internal Auditing
 - iv. Code of Ethics
 - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities (Joint Committees included) must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
 - a. define the nature of internal auditing within the UK public sector
 - b. set principles for carrying out internal audit in the UK public sector
 - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
 - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (the Finance & Audit Subcommittee) timed to support the Annual Governance Statement (AGS).
5. The PSIAS state that the annual report must include:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's governance, risk and control framework (i.e. the control environment) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
 - b. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope
 - c. a comparison of the work actually undertaken with the work that was planned, including a summary of the performance of the internal audit function

- d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment
 - e. any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement.
6. From 1 April 2025, the PSIAS are replaced by the Global Internal Audit Standards in the UK Public Sector

The Annual Internal Audit Opinion on the Adequacy and Effectiveness of ESPO's Control Environment

7. Annex 1 provides detail on how the annual internal audit opinion was formed, defines the types of audits undertaken, assurance ratings, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
8. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, the following overall opinion has been reached: -

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

A summary of the audit work from which the opinion is derived

9. Annex 2 lists the audits undertaken during the year in the respective control environment components (governance, risk management and internal control). The list also contains the individual audit opinion or outcome. Summary outcomes and recommendations are reported to the Subcommittee at its meetings in February and October in the HoIAS' reports on progress against the annual internal audit plan.
10. Those 2023-24 audits that were at draft report stage were closed with no changes to opinions
11. There were no new high importance (HI) recommendations.
12. Ten 'assurance' audits that were undertaken, and they each returned a 'substantial assurance' rating, meaning the internal controls in place to reduce exposure to risks currently material to the system's objectives were adequate and were being managed effectively. Although recommendation(s) to bring about improvements were made, they were not significant.
13. Six audits returning 'no opinion' were 'consulting/advisory' type audits.
14. The rebates income, procurement and product benchmarking audits spanned two years and will be completed in 2025-26.

15. Other than the External Auditor, there was no reliance placed on other assurance providers during the year.

A comparison of work undertaken with work planned including a summary of the performance of the internal audit function

16. The table below shows planned against actual performance in terms of number of audits (completed to draft issued stage)

Table 1: Overall performance against 2024-25 internal audit plan

	<u>Audits</u>	<u>Complete</u>	<u>Incomplete</u>	<u>Deferred/ Other</u>
Conclude 23-24	8	8	-	-
Planned	19	16	3	-
Unplanned	-	-	-	-
Client management	1	1	-	-
Total	28	25	3	-

17. Just under 155 days were provided, slightly over the 150 planned.

A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)

18. Leicestershire County Council Internal Audit Service received its 5 yearly independent external quality assessment final report in May 2024. It stated: -

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

19. (*) 'Generally Conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are 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 continues to be implemented.

Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)

20. As ESPO is not a Local Authority it 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, an AGS is prepared and presented with the financial statements.
21. A 'governance group' comprising the Director of ESPO, Commercial Financial Controller (ESPO); the Consortium Treasurer, the Consortium Secretary and the HoIAS review the draft AGS (or any alternative

governance report) before it is presented to Management Committee. The HoIAS was not aware of any significant governance issues that should have been reported in the AGS.

Neil Jones CPFA
Head of Internal Audit Service, LCCIAS
22 September 2025

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**The Head of Internal Audit Service's Annual Opinion
on the overall adequacy and effectiveness
of ESPO's control environment
2024-25**

**Neil Jones CPFA, Head of Internal Audit Service,
Leicestershire County Council**

22 September 2025

Background

During the financial year 2024-25, Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit activity to the Eastern Shires Purchasing Organisation (ESPO). LCCIAS conformed to the Public Sector Internal Audit Standards (the PSIAS). The PSIAS required the Head of Internal Audit Service (HoIAS) to give an annual opinion on the overall adequacy and effectiveness of ESPO's control environment i.e. its framework of governance, risk management and control. The PSIAS definitions of the types of audits undertaken and of the control environment are to be found at the end of this document, along with further explanation from the Institute of Internal Auditors about what an effective system of internal control facilitates.

From 1 April 2025, LCCIAS will be required to conform to the Global Internal Audit Standards in the UK Public Sector.

The HoIAS annual opinion is **macro-assurance** over a defined period (financial year 2024-25) and combines:

- An objective assessment based on the results of individual audits undertaken and actions taken by management thereafter. Individual internal audit opinions on what level of assurance can be given as to whether risk is being identified and adequately managed are formed by applying systematic grading to remove any elements of subjectivity. **Annex 2** lists the audits and other work undertaken during the year and where appropriate the individual audit opinion. Individual audit engagements provide targeted **micro-assurance**.
- Professional judgement of the HoIAS based on his knowledge, experience and evaluation of other related activities. This provides a holistic, strategic insight into ESPO's control environment.

The results of the above, when combined, form the basis for the opinion on ESPO's control environment. However, the caveat at the very end of this document explains what internal control cannot do. i.e., no system of internal control can provide absolute assurance against material misstatement or loss, nor can LCCIAS give absolute assurance, especially given its limited resource. The work of LCCIAS is intended only to provide reasonable assurance on the adequacy of the control environment based on the work undertaken and known facts.

Governance related internal audit work

A governance themed audit of the dividend calculation returned substantial assurance. A further follow up audit of cyber security arrangements showed more recommendations had been implemented. Two governance themed audits on procurement and product benchmarking are work in progress. There was no new HI recommendations raised.

Advice was provided on the compilation of the Annual Governance Statement for 2023-24. Good governance principles were found to have been applied in the compilation. The HoIAS is part of a group comprising the ESPO Director, the Commercial Financial Controller, the Consortium Treasurer, and Consortium Secretary which review the content of the draft Annual Governance Statement.

The HoIAS and the Audit Manager attend the Finance and Audit Subcommittee and to present audit plans and reports, which enables them to gauge ESPO Member governance at first hand. Management Committee reports and minutes are reviewed for auditable areas.

The HoIAS and the Audit Manager have regular discussions with the ESPO Director and the Leadership Team, the Consortium Treasurer, and where required the Consortium Secretary, on governance issues and related aspects of audits.

Risk management related internal audit work

The majority of audits planned and conducted were 'risk based' i.e. ensuring that ESPO management identifies, evaluates and manages risk to achieving its objectives i.e. ensuring controls are in place to reduce risk exposure.

Audits of IT Developments and Warehouse expansion (ways of working) returned substantial assurance. Advice was given in respect of the warehouse project, with the Audit Manager being a critical friend of the project board.

An assessment of any matches identified in the National Fraud Initiative results was completed and no material issues found.

The HoIAS monitors members engagement with ESPO's risk registers through Committee meetings.

Financial (and ICT) Controls related internal audit work

Audits of the general financial systems, IT General Controls, temporary staff onboarding, cash flow, fuel cards and p-cards all returned substantial assurance.

The annual audit of rebates income remains at draft report stage.

HolAS Opinion 2023-24

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

Definitions

The revised 2017 Public Sector Internal Audit Standards (the PSIAS) define the following: -

Assurance audit

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Consulting audit

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: -

- Integrity and ethical values
- Management's philosophy and operating style
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

The Institute of Internal Auditors further explains that the control environment is the foundation on which an effective system of internal control is built and operated in an organisation that strives to achieve its strategic objectives, provide reliable financial reporting to internal and external stakeholders, operate its business efficiently and effectively, comply with all applicable laws and regulations, and safeguard its assets.

Continued.....

Caveat

The Financial Reporting Council in an Auditing Practices Board briefing paper, 'Providing Assurance on the Effectiveness of Internal Control' explains what internal control cannot do, namely: -

'A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees or others, management overriding controls and the occurrence of unforeseen circumstances. A sound system of internal control therefore provides reasonable, but not absolute assurance that an organisation will not be hindered in achieving its objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against an organisation failing to meet its objectives, or all material errors, losses, fraud or breaches of laws and regulations'.

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Summary of Internal Audit Service work between 1 April 2024 and 31 March 2025 from which the overall opinion is derived

<u>Ref</u>	<u>Type²</u>	<u>Audit title</u>	<u>Assurance objective</u>	<u>Position/Assurance</u>
24/25 - A	Various	Continuation of work commenced in 2023-24	To complete any outstanding audits that overlap the financial year As reported to the October 2024 meeting – all 8 pieces of work were completed	5 x Advice concluded 3 x Final Report – Substantial Assurance
24/25 - B	Governance	Annual Governance - Areas for further development	Areas of the Annual Governance Statement highlighted for further development have been addressed (covering supplier code of conduct/ethical standards, legislative compliance, carbon strategy/targets, cyber security)	Final report issued – Substantial Assurance
24/25 - C	Governance	Cyber Security	Adequate Cyber Security arrangements are in place in accordance with nationally issued good practice guidance and associated self-assessment - focus will be on the 18 actions that remained either outstanding or WiP during our 23/24 coverage	Final Report Issued – Advisory (Follow Up of Recommendations) Of the remaining 18 recommendations in the original report: <ul style="list-style-type: none"> • 7 had been fully implemented • 11 are in the process of being actioned (none of which are deemed high risk) • No recommendations remain outstanding/ yet to be

				progressed (the last audit highlighted 3 such instances).
24/25 - D	Risk Management	Warehouse Expansion Project Board	Robust Governance and Management of Risk in the delivery in respect of the additional warehouse capacity at Grove Park (Critical friend project board role)	On-going advisory work as part of Project Board now complete post go live
24/25 - E	Risk management	Counter Fraud - NFI specific	Ensure relevant data is extracted at 30 September 2024, uploaded in October 2024 and assessment of output reports commenced in Feb 2025 with the overall objective of results being correctly interpreted and investigated on a risk-assessed basis and have due regard for a segregation of duties (report of resultant findings in Q1/2 of 25/26)	N/A – Advisory. No instances of fraudulent activity were noted from the work undertaken
24/25 - F	Risk Management	IT Developments	Work to be conducted in accordance with ESPO IT Key Deliverables 23/24	Final report issued – Substantial Assurance
24/25 - G	Risk management	Warehouse Expansion - Risk Mitigation Temporary Revised Ways of Working	Assessment of Temporary Health & Safety, Business Continuity & Security Risk Mitigation Procedures in place	Final Report Issued – Substantial Assurance
24/25 - H	Risk Management	Emerging risks	ESPO identification and preparedness for any emerging risks e.g. Legislative changes, continued adjustments as a result of legislative requirements, material changes to the 5-Year business strategy and other 'in year' matters requiring urgent attention	On-going ad-hoc advisory work - complete

24/25 - I	Internal control	General Financial Systems (*)	To discuss with the External Auditor and the ESPO Financial Controller/Consortium Treasurer, but typical coverage includes reconciliations; receivables; payables; payroll and stock	Final Report Substantial Assurance
24/25 - J	Internal control	IT general controls (*)	The range of Information Technology General Controls (ITGC) expected by the External Auditor are well designed and consistently applied.	Final Report Substantial Assurance
24/25 - K	Internal control	Rebates income	Annual audit to evaluate whether rebates received conform to estimates of supplier business generated - focus will be on site visits	Work straddles two financial years
24/25 - L	Governance	Procurement	Policies and procedures in place have due regard for legislative requirements and timeliness and appropriateness of decision making (Key focus being Transforming Public Procurement requirements and associated governance and training)	Work straddles two financial years
24/25 -M	Risk Management	Enterprise Resource Planning Migration	Migration of ESPO's Enterprise Resource Planning (ERP) System to externally hosted software as a service offering	Advisory work complete – highlight report issued prior to go live (note: No material issues post go live)
24/25 -N	Internal Control	Temporary staff - pre-employment & onboarding processes	All necessary pre-employment and onboarding requirements have been undertaken	Final Report Issued – Substantial Assurance
24/25 - O	Risk Management	Safe Systems on Working - Warehouse Expansion	Revised safe systems of working are in place and staff are adequately trained prior to go live with revised warehouse layout	On-going advisory now complete
24/25 - P	Internal Control	Cashflow	Provide assurance that cashflow calculations are timely and accurately inform business decision making.	Final Report Issued – Substantial Assurance

24/25 - Q	Governance	Dividend Calculation	The dividend calculation is robust and accurate and has appropriate oversight and approval	Final Report Issued – Substantial Assurance
24/25 - R	Internal Control	Counter Fraud - Fuel Cards	Fuel card spend is for authorised business purposes and aligns to policy	Final Report Issued – Substantial Assurance
24/25 - S	Internal Control	Counter Fraud - Purchase Cards	Purchase card spend is appropriate and aligns to corporate policy	Final Report Issued – Substantial Assurance
24/25 - T	Governance	Value for Money Product Benchmarking	Policies and procedures to ensure ESPO continuously benchmark key product ranges against competitors and make timely adjustments where appropriate/economical to do so	Work straddles two financial years
24/25 - U	Various	Contingency	Unforeseen events brought to the attention of the Head of Internal Audit Service by either ESPO Leadership Team or the Consortium Officers - examples may include loss of customers/business, MTFS targets not being met, Failure to retain staff, staff sickness, energy related risks, major health & safety/legislative issue, warehouse issues, supply chain issues, adverse reputational issue, climate change, risks associated with ways of working	On-going ad-hoc advisory

Audits not started

None

Deferred/cancelled audits

None to date

¹unique reference numbers based on the financial year in question (i.e. '24-A' relates to the first entry on the approved 2024/25 audit plan)

² the three elements of the control environment (governance, risk management and internal control)

³ traditionally audits where the external auditor has utilised the work of internal audit in their risk assessment/planning before their audit.

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FINANCE AND AUDIT SUB COMMITTEE – 8 OCTOBER 2025**EXTERNAL AUDIT OF THE 2024/25 FINANCIAL STATEMENTS****JOINT REPORT OF THE CHIEF OFFICER AND CONSORTIUM
TREASURER****Purpose of Report**

1. To report the key findings from the external audit of the 2024/25 financial statements, the Subcommittee will be asked to note the report.

Background

2. Most local government and private companies (or a certain size) are required by law to have an annual audit by external chartered accountants. The auditors will normally confirm that the information in the financial statements give a 'true and fair' view and are not materially wrong, and/or they may draw attention to anything in the financial statements that they are required to.
3. ESPO, as a joint committee set up under Section 102 of the 1972 Local Government Act, is not legally required to have an audit. However, there are significant benefits to undertaking one as it gives a level of independent assurance to various stakeholders (the public, Management Committee, HMRC, banks, staff etc) over our financial statements and it supports our wider governance arrangements.
4. Following a successful tender exercise at the start of 2025 which was overseen by the Chief Officers Group, Williamson Croft was appointed as auditors from March 2025.
5. Williamson Croft have concluded their audit and, in exercising good governance, are given the opportunity to report their findings directly to members. Following the decision by the Management Committee in March 2023 to revise the Finance and Audit Subcommittee's Terms of Reference, the remit to review and approve the external audit findings now is the responsibility of the Subcommittee.
6. A copy of the auditor's report is provided and the audit director from Williamson Croft will attend the Subcommittee meeting to provide an overview and receive any questions.
7. Williamson Croft have issued an 'unqualified' audit opinion for 2024/25, which is the desired outcome of the audit. No material weaknesses in internal control have

been identified and no significant governance or compliance concerns have been raised.

8. The 2024/25 financial statements are presented to the Subcommittee elsewhere on the agenda for this meeting.

Recommendation

9. The Committee is asked to note the external audit of the financial statements 2024/25.

Equal Opportunities Implications

10. None.

Officer to Contact

Kristian Smith, Chief Officer
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Simone Hines, Consortium Treasurer
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0116 305 7831



Audit Findings Report for Eastern Shires Purchasing Organisation

Year ended 31st March 2025

Issued 19th September 2025

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WILLIAMSON & CROFT AUDIT
| STATUTORY AUDITOR |

Transmittal Letter

The Board of Directors
Eastern Shires Purchasing Organisation
Barnsdale Way
Grove Park, Enderby
Leicester
LE19 1ES

11th September 2025

Dear Sirs/Madam

Audit Findings for Eastern Shires Purchasing Organisation for the year ending 31st March 2025

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the Financial Statements that have been prepared by management with the oversight of those charged with governance.

The audit of the Financial Statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



Transmittal Letter (Continued)

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Tor Stringfellow FCA
Audit Partner

Williamson & Croft Audit Limited
York House
20 York Street
Manchester
M2 3BB



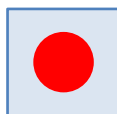
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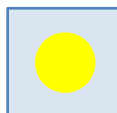
Audit Status

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.



Likely to result in a material adjustment or significant change to disclosures within the financial statements:

- **There are no outstanding matters within this category**



Potential to result in material adjustments or significant change to disclosures within the financial statements:

- **There are no outstanding matters within this category**



Not considered likely to result in material adjustment, change in the net surplus/deficit or change to disclosures within the financial statements:

- **Discussions on going concern at completion**

Our anticipated audit report will be unmodified



Detailed Audit Findings

Trade debtors

When reviewing JBA Debtors we found that for the sample of customers picked for testing there were some that related to multiple individual schools within a trust and would, therefore, have multiple different lines of invoices. Whilst this made it difficult to trace the remittances post year-end to the individual lines of invoices, we were able to confirm receipts post year-end to the outstanding invoices at the year end with remaining unmatched amounts of £46k of sampled balances of £783k.

The total extrapolated error based on these unmatched amounts was calculated at £339,730 which was immaterial and so no further work was undertaken. We note that the unmatched amounts are not necessarily unpaid but that this is a worst-case variance based on the work we completed.

Trade creditors

On review of the trade creditors, we found one supplier (Total Gas & Power – balance £4,676k) for whom invoices are issued by the supplier once a month in EDI files which would get posted in S21 but there could be a delay in when the payment would actually be made. Therefore, when looking at the payments made post year end, we found 3 payments totaling £4,659k (which covers the balance) but only £4,412k of the payments were matched to invoices that related to pre-March 2025. This leaves an amount of £264k and an extrapolated potential variance of £391,144 which is immaterial with no further work required. Again, we note that this does not necessarily indicate the amounts are unpaid or invalid but is a worst-case calculation based on our work.

Stock

On review of the Stock valuation testing we picked the sheet to floor sample carried out at the stock take at year-end. We obtained the last purchase invoice in the year to calculate the unit cost for those goods. ESPO have 2 ways in which they buy stock – one is by case price, and the other is by individual unit price, this depends on how ESPO sell the stock, whether this is by unit or as a pack. Factoring this into the recalculation of the unit cost of stock left us with only minor variances of £4k on our sampled stock lines of £788k, resulting in an immaterial extrapolated error of £55,692.



Detailed Audit Findings (Continued)

Accruals

The only potential adjustment noted in respect of accruals relates to our audit fee (£35k + vat) which should be included in the current period (to which it relates) – we have included this as an actual adjustment to be made in the accounts.

Depreciation

When reviewing depreciation calculations, we noted that two items tested had been depreciated over 8 months rather than 7. The total misstatement was £1.5k and when extrapolated the potential variance is only £19,269.

Sales Cut off

When reviewing post year end cut off, we found 4 invoices that related to March 2025 but had been posted in April 2025. Therefore, we should expect this to be included in the Gas adjustments accrual as all gas invoices are invoiced in arrears. This creates a potential adjustment of £313k

Financial statements

See review of the Financial statements document for amendments that should be made in the financial statements based upon our review of the disclosures – these have been factored into the most recent version of the accounts and we are satisfied that the accounts disclosures are compliant with the relevant accounting standards.



Detailed Audit Findings (Continued)

Review of control environment

Whilst our audit work is not designed to identify all the weaknesses in controls, we highlight any potential improvements noted during the course of our work herein:

	Control risks	Recommendations
1	Physical Documentation around payroll During our payroll testing we noted that contracts were not signed by the employee or the employers. Whilst we understand pay bandings are in place, however any changes to salaries or contracts terms should be reflected in writing and signed by both parties.	Recommendation We would recommend that upon onboarding a process of contract signing is put in place to ensure all contracts are signed by both parties. Alongside this any amendments to contract terms should be signed by both parties also. Client response and implementation responsibility <ul style="list-style-type: none">ESPO will be resetting the service level agreement (SLA) with our partner East Midlands Shared Services in 25/26. The original service level agreement is dated and does not adequately cover contract services required, and document management of contracts. The new SLA will incorporate these elements and set KPIs to ensure performance against these services. ESPO will also look to review and update the onboarding process to ensure tighter controls are in place for returning contracts.Implementation Responsibility – Commercial Financial Controller

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Detailed Audit Findings (Continued)

Review of control environment

Whilst our audit work is not designed to identify all the weaknesses in controls, we highlight any potential improvements noted during the course of our work herein:

	Control risks	Recommendations
2	Credit note Approvals During our purchase cut off testing we found a potential prepayment that should have been made, however when querying this with the client we found that 2 credit notes had been issued as this invoice was incorrect. When reviewing these credit notes we saw that these hadn't been physically or by email been approved, this invoice was of £500k which is a large amount.	Recommendation We would recommend that the 2 step approvals are tight, no approvals should be done verbally as this leaves no audit trail. If staff are unsure, they should ask the appropriate personal for clarity. Client response and implementation responsibility <ul style="list-style-type: none">• ESPO will review, test, redesign and implement the credit note adjustment process. ESPO is engaging its ERP system partner to review key finance system procedures in 25/26 ensuring they are robust, best practice and implemented as intended.• Implementation Responsibility – Commercial Financial Controller

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Detailed Audit Findings (Continued)

Review of control environment

Whilst our audit work is not designed to identify all the weaknesses in controls, we highlight any potential improvements noted during the course of our work herein:

	Control risks	Recommendations
3	<p>Rebate Testing</p> <p>From our review of the Rebate testing, we found that the basis on the rebate income recognition is based on honesty provided by the supplier to ESPO. We understand that contractually the supplier has an obligation to truthfully pass forward the owed income to ESPO however with this there is a risk to manage income leakages.</p> <p>It was noted that ESPO has implemented the use of a data specialist, <i>Tussell</i>, to gain visibility of captured public sector spend. This tool allows ESPO to cross-reference published spend data with management information reports provided by suppliers. In 2022/23, this initiative identified discrepancies that led to an additional rebate income of £130k.</p>	<p>Recommendation</p> <p>While the implementation of <i>Tussell</i> has already yielded positive financial results, the process is reliant on the accuracy and timeliness of both supplier reports and external spend data. Any delay or inaccuracy in supplier data submissions could lead to missed opportunities for further rebate recovery or risk of non-compliance with financial monitoring expectations.</p> <p>We recommend that ESPO further strengthen the existing process by:</p> <ul style="list-style-type: none">• Formalising a protocol for regular reconciliation of supplier data with Tussell insights, including clearly defined timelines and escalation procedures.• Enhancing supplier engagement through regular communication and training on data submission expectations and the importance of timely, accurate reporting.• Conducting periodic reviews of the Tussell integration process to identify any limitations or opportunities for automation and efficiency improvements.• Documenting discrepancy resolutions for audit trail purposes and to support future negotiations or disputes. <p>Client response and implementation responsibility on next page</p>



Detailed Audit Findings (Continued)

Review of control environment

Whilst our audit work is not designed to identify all the weaknesses in controls, we highlight any potential improvements noted during the course of our work herein:

	Control risks	Recommendations
3	<p>Rebate Testing</p> <p>From our review of the Rebate testing, we found that the basis on the rebate income recognition is based on honesty provided by the supplier to ESPO. We understand that contractually the supplier has an obligation to truthfully pass forward the owed income to ESPO however with this there is a risk to manage income leakages.</p> <p>It was noted that ESPO has implemented the use of a data specialist, <i>Tussell</i>, to gain visibility of captured public sector spend. This tool allows ESPO to cross-reference published spend data with management information reports provided by suppliers. In 2022/23, this initiative identified discrepancies that led to an additional rebate income of £130k.</p>	<p>Client response and implementation responsibility</p> <ul style="list-style-type: none">• ESPO will ensure that regular reconciliation of supplier data with Tussell is included within its processes for reviewing supplier MI submissions. This will complement existing practices such as monitoring customer activity via the ESPO website and reviewing reports submitted by customers to ESPO.• Suppliers will be reminded of their contractual obligations to provide timely and accurate MI during both the onboarding process when joining a framework and through ongoing supplier relationship management meetings• ESPO is also working towards the deployment of an online portal for suppliers to submit their MI. It is anticipated that this will improve the accuracy and timeliness of submissions, while making data analysis and interpretation easier for staff.• Implementation Responsibility – Head of Commercial

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Significant Risks Responses

	Risks identified in our audit plan	Audit Findings
1	Revenue recognition Under ISA240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Auditor commentary We undertook the following audit procedures in line with our audit plan: <ul style="list-style-type: none">• Reviewed revenue recognition policies to ensure compliance with accounting standards;• Tested for completeness (understatement) of income by tracing sales requisitions and remittances to sales invoices and the income nominals• Tested revenue cut-off to ensure recognised in the correct period as detailed above under accrued and deferred income Conclusion From our review of the Framework Revenue, we found that the basis of the rebate income recognition is based on honesty provided by the supplier to ESPO. We understand that contractually the supplier has an obligation to truthfully pass forward the owed income to ESPO however with this there is a risk to manage income leakages.
2	Management override of controls Under ISA240 (UK) there is a presumed risk that the risk of management override of controls is present in all entities. Certain balances with the financial statements require significant management judgement and estimation, and as such presented heightened audit risk.	Auditor commentary We undertook the following audit procedures in line with our audit plan: <ul style="list-style-type: none">• Review of accounting estimates, judgements and decisions made by management;• Testing of journal entries; and• Review of unusual significant transactions. Conclusion No issues have been identified.



Significant Risks Responses (Continued)

	Risks identified in our audit plan	Audit Findings
3	Accrued Expenses We note that there are material accruals balances within creditors these are potentially subject to judgement and estimation due to the nature of the balances.	Auditor commentary We undertook the following audit procedures in line with our audit plan: <ul style="list-style-type: none">• Obtain listing of accruals and review calculations, confirming a sample to source documents• Analytical review to compare to prior year and ensure reasonable and consistent• Review for completeness by reference to post year-end transactions• Discuss any estimates or judgmental balances with management Conclusion From our review, the accruals balances are not materially misstated within the financial statements following adjustment to include the audit fee accrual for the year.
4	Related Parties – Transactions with Consortium Members	Auditor commentary We undertook the following audit procedures in line with our audit plan: <ul style="list-style-type: none">• Potential direct confirmation from consortium members of transactions / balances• Discussion with management to confirm no other related party relationships• Review transactions for completeness – i.e. any additional transactions misclassified• Confirmation of transactions / balances on letter of representation Conclusion Following our review, we have reviewed the disclosures in the financial statements to ensure disclosures are accurate, complete and compliant with FRS 102, no issues were identified in relation to this.



Significant Risks Responses (Continued)

	Risks identified in our audit plan	Audit Findings
5	Defined Benefit Pensions Scheme We note that the organisation is a member of the Local Government Pension Scheme and defined benefit pension scheme accounting / disclosure is a potentially complex area.	Auditor commentary We undertook the following audit procedures in line with our audit plan: <ul style="list-style-type: none">• Review disclosures / calculations and confirm to supporting documentation or evidence• Review latest scheme valuation by independent actuary• Confirm contributions in the year to supporting documentation Conclusion From our review, we found that the organisation is correctly recognising their employee benefit costs with the guidance from the actuary report from Hymans Robertson.
6	Stock Valuation We must confirm that the stock is valued at the lower of cost and NRV in accordance with FRS 102.	Auditor commentary We undertook the following audit procedures in line with our audit plan: <ul style="list-style-type: none">• Confirmation of cost to purchase invoice pre year-end• Confirmation of NRV to post year-end sales invoice• Review any stock provision for obsolescence• Verify year end stock valuation by carrying out substantive testing Conclusion From our review, we found that stock was valued at the lower of cost and NRV in accordance with FRS 102



Final analytical review

Income

Total Turnover in 2025 was £119,104k, which is a £11,734k (9%) decrease than 2024 at £130,838k. The fall is driven largely by the decrease in Gas income, though there were smaller declines across other streams also.

Between 2024 and 2025, turnover decrease was mainly due to halving of Gas income. Core streams (Stores, Rebates) remained stable and continue to underpin performance, while smaller streams offered little offset. The fall should be viewed as a correction from an unusually high 2024, rather than a fundamental downturn—but steps are needed to stabilise volatile and declining income lines.

Revenue Stream Movements

Stores remained stable, continuing to provide the largest and most consistent income stream. **2024: £57,047k → 2025: £56,940k (-0.2% Decrease)**

Direct Orders decline reflects a continuing downward trend, though less steep than the 2023-24 drop. **2024: £19,657k → 2025: £18,717k (-4.8% Decrease)**

Gas primary driver of the overall turnover fall, suggesting 2024's gas income was unusually high and not sustained in 2025. **2024: £41,967k → 2025: £21,978k (-47.6% Decrease)**

Rebate Income is still a strong and stable stream, but the decline shows some pressure, possibly due to supplier contract changes. **2024: £22,229k → 2025: £21,311k (-4.1% Decrease)**

Catalogue Advertising is a small income source but trending downwards in its second year. **2024: £699k → 2025: £556k (-20.5% Decrease)**

Expenditure

Distribution Costs

Between 2024 and 2025, distribution costs **fell by £156k**, indicating a reduction in cost pressures. This decline is likely attributable to a combination of:

- **Improved logistics efficiency**
- **Reduced transport and fuel costs**
- **Lower volume of gas-related activity**

This is supported by the significant drop in **Gas revenue**, from **£41.9m** in 2024 to **£21.9m** in 2025. Notably, the reduction in distribution costs was proportionally **much larger** than the overall turnover decline of **9%**, suggesting that **genuine efficiency gains**—rather than merely lower activity—played a substantial role.

Administrative Expenses

Administrative expenses remained broadly flat year-on-year, increasing by **£1.0m** from **£22.2m** in 2024 to **£23.2m** in 2025.

Possible drivers include:

- Tighter overhead management
- Staffing efficiencies
- IT and operational savings



Final analytical review

Fixed assets

In 2024: £24.1m → 2025: £25.4m (£1.3m Increase)

Growth is mainly in Tangible Assets (£25.3m vs £24m), while Intangible Assets are largely flat (£81.7k vs £73.3k).

Current Assets

In 2024: £9.48m → 2025: £9.83m (£0.35m Increase)

Inventories grew slightly (£9.83m vs £9.48m).

Debtors fell from £6.76m to £6.59m, indicating better receivables management.

Cash decreased from £15.46m to £11.97m (-£3.5m, 22% decrease).

Overall, liquidity has weakened due to the cash reduction despite stronger inventory and stable debtors.

Reserves

In 2024: £42.4m → 2025: £42.6m (£0.2m Increase)

Movement in reserves is consistent with the small net asset increase. The retained profit / net asset position remains strong.

Creditors

Creditors in 2024: £11.5m → 2025: £16m (£4.5m Increase)

driven by higher trade creditors (£9.3m vs £7.6m) and accruals (£3.1m vs £2.3m).

Key Insights

Liquidity Concerns – Cash balances fell by £3.5m, while short-term liabilities jumped by £4.5m. Net current assets halved, raising concerns about short-term solvency although the company holds sufficient cash balances of £12m at the year-end.

Stable Asset Base – Fixed assets increased slightly, maintaining a strong long-term investment position.

Leverage – Reliance on creditors (especially trade creditors and accruals) is growing. This may reflect tighter cash management but also increases financial risk.

Overall Net Assets – Remained broadly flat at ~£42.6m, showing stability overall.



Final analytical review – other expenses reconciliation

	£'000	Commentary
Expenses per 2024 accounts	25,048	
<u>Add/(Less):</u>		
Other expenses	(1,090)	<i>Various expenses decreased in the year due to general costs savings and cost minimisation.</i>
Warehouse Extension Project	2,570	<i>Warehouse Project completed in the year, therefore cost accounted in this year</i>
Payroll Pension cost	765	<i>Average number of employees increased meaning more staff costs</i>
Agency staff, employee costs	(274)	<i>Reduction in agency staff meaning employee costs have decreased</i>
Expenses per 2025 accounts	26,254	

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Other Communication Requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none">We have discussed the risk of fraud with Management and have not been made aware of any issues. We have not been made aware of any incidents in the period nor identified any issues during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none">We are not aware of any related party transactions which have not already been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none">We are not aware of any significant incidents of non-compliance with laws and regulations.
4	Disclosures	<ul style="list-style-type: none">The Financial Statements disclosures are in line with Companies Act 2006 and FRS 102
5	Written Representations	<ul style="list-style-type: none">A letter of representation will be provided by management with the signed Financial Statements and will include the following confirmations:<ul style="list-style-type: none">1) Related parties and transactions therewith;2) Confirmation of going concern status.
6	Confirmation requests from third parties	<ul style="list-style-type: none">Discussions with Management and a review of professional fees has not identified any legal cases or claims against the organisation.Bank confirmations to be received from Natwest for cash balances held at the year end.

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Misstatements – Adjusted

Detail	P&L £		Balance sheet £		Profit / (loss) effect £
	Debit	Credit	Debit	Credit	
Profit for the year per DRAFT accounts					8,871,000
Profit as per final audited financial statements					8,871,000

Misstatements - Unadjusted

Detail	P&L £		Balance sheet £		Profit / (loss) effect £
	Debit	Credit	Debit	Credit	
Potential Creditors Extrapolations		391,144	391,144		391,144
Potential Extrapolated Trade debtors' adjustment	339,730			339,730	(339,730)
Potential Sales Cut off Error		313,568	313,568		313,568
Total impact of potential adjustments on profit					364,982

Total potential unadjusted misstatements are below performance materiality both individually and in aggregate (such that no balance in the accounts is materially misstated) and are, consequently, not adjusted in the final audited financial statements.



Fees, Non-audit Services and Independence

	Fees (£) Net of VAT	Threat Y/N	Safeguard
Audit of financial statements	29,500	N	N/A
Total	29,500		

Independence and Ethical Statement

- We can confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention;
- We have complied with the Financial Reporting Council's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements;
- For the purposes of our audit, we have made enquires of all Williamson & Croft teams providing services to Eastern Shires Purchasing Organisation. We can confirm that there are no non-audit service provided to the organisation.

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Communication of Audit Matters with those Charged with Governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance.	Yes	
Overview of the planned scope and timings of the audit, form and expected general content of communications.	Yes	
Views about the qualitative aspects of the organisation's accounting and financial reporting practices, significant matters and issues arising during the course of the audit and written representations that have been sought.		Yes
Confirmation of independence and objectivity	Yes	Yes
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Williamson & Croft Audit Limited and / or Williamson & Croft Accountants Limited and / or any other related party 0 together with fees charged plus where appropriate details of safeguards applied to threats to independence.	Yes	Yes
Material weaknesses in internal controls identified during the course of the audit.		Yes
Identification or suspicion of fraud involving management and / or which results in material misstatement of the financial statements.		Yes
Non-compliance with laws and regulations.		Yes
Expected modifications to the auditor's report or emphasis of matter.		Yes

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Communication of Audit Matters with those Charged with Governance (Continued)

Our communication plan	Audit Plan	Audit Findings
Adjusted and Unadjusted misstatements		Yes
Significant matters arising in connection with related parties		Yes
Significant matters in relation to going concern		Yes

- International Standard on Auditing (ISA) (UK) 260, as well as other ISAs, prescribe matters on which we are required to communicate with those charged with governance which we have set out on the table above;
- Whilst we seek to ensure our Audit Findings Report is distributed to those individuals charged with governance, a minimum requirement exists for our findings to be distributed to the management committee and those members of senior management with significant operational, financial and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to those charged with governance; and
- As auditors we are responsible for performing the audit in accordance with ISAs (UK) which is directed towards forming and expressing an opinion on the Financial Statements that have been prepared by Management with the oversight of those charged by governance. The audit of the Financial Statements does not relieve management or those charged with governance of their responsibilities.



WILLIAMSON&CROFT AUDIT

| STATUTORY AUDITOR |

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FINANCE AND AUDIT SUBCOMMITTEE – 8 OCTOBER 2025**2024/25 FINANCIAL STATEMENTS****JOINT REPORT OF THE CHIEF OFFICER AND CONSORTIUM
TREASURER****Purpose of Report**

1. This report contains the final statement of accounts following external audit review. It sets out the 2024/25 financial statements at Appendix A.
2. The Subcommittee is asked to recommend to Management Committee the approval of the 2024/25 financial statements and the proposed dividend pool of £5.4m.

Background

3. The ESPO constitution requires statutory statements of accounts ('financial statements') to be prepared for approval by Management Committee. This version provided nearer the time will be draft pending approval by the Committee and a 'glossy' version for publication will then be prepared.
4. Given the small size of both ESPO Trading Limited (ETL) and Eduzone, they don't require an external audit. Their accounts are in the process of being prepared to coincide with the 31 December 2025 submission deadline and will be overseen by the ETL Board of Directors.

Key Points

5. 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.
6. The Financial Statements will be different to the Management Accounts due to statutory adjustments.
7. 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.
8. 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

9. There are a number of areas of judgement in the Financial Statements, which require estimates to be made and/or assumptions used. These could have a very significant impact on the Financial Statements and are:
 - i. Value of pension: The closing position as at 31 March 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 £19.0m 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

10. Each year ESPO pays a distribution back to members from the surplus it has generated. This provides a valuable contribution towards public services, in addition to the day-to-day value for money and compliance that EPSO affords its customers.
11. 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.
12. 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

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

Governance and Assurance

15. In reviewing the decision to recommend that Management Committee approve the 2024/25 Financial Statements, the Subcommittee can gain assurance over the quality of the governance arrangements within ESPO from:
 - i. The external auditors, through their audit opinion and audit findings report.
 - ii. Internal audit, through previous updates to Management Committee and the Subcommittee.
 - iii. ESPO Management, through previous updates to Management Committee.

Recommendation

16. The Subcommittee is asked to
 - i. Recommend to Management Committee the approval of the 2024/25 financial statements (provided as a supplementary paper) and the proposed dividend pool of £5.4m to be paid in December 2025.

Equal Opportunities Implications

17. None.

Officer to Contact

Kristian Smith, Chief Officer
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 0116 265 7931

Simone Hines, Consortium Treasurer

Simone.Hines@leics.gov.uk

0116 305 7831

Appendices

Appendix A – ESPO Statement of Accounts 2024-25

Appendix B – 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	811
Scope 2 emissions (in tonnes of CO2 equivalent)	
Purchased electricity	161
Total gross emissions (in tonnes of CO2 equivalent)	972
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 2023 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

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

Eastern Shires Purchasing Organisation

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.

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.

Eastern Shires Purchasing Organisation

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;
- 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.

Eastern Shires Purchasing Organisation

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)
		<hr/>	<hr/>
Gross profit		34,659	33,712
Distribution costs		(3,005)	(2,848)
Administrative expenses		(23,250)	(22,200)
		<hr/>	<hr/>
Operating profit	8	8,404	8,664
Interest receivable	9	599	705
Interest payable	10	(132)	(169)
		<hr/>	<hr/>
Profit for the financial year		<hr/> <hr/> 8,871	<hr/> <hr/> 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
Creditors: Amounts falling due within one year	15	<u>(16,022)</u>	<u>(20,677)</u>
Net current assets		<u>19,436</u>	<u>21,035</u>
Total assets less current liabilities		44,834	45,196
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:

D Keegan

Director of Corporate Resources 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	2024
	£'000	£'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	2024
	£'000	£'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	2024
	Number	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	-
	<hr/>
At 31 March 2025	1,386 <hr/>
Amortisation	
At 1 April 2024	1,272
Charge for the year	32
Disposals	-
	<hr/>
At 31 March 2025	1,304 <hr/>
Net book value	
At 31 March 2024	73 <hr/>
At 31 March 2025	82 <hr/>

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	2024
	£'000	£'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	2024
	£'000	£'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	2024
	£'000	£'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	2024
	£'000	£'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
	<hr/>	<hr/>
At 31 March	<u>38,913</u>	<u>44,034</u>

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

	2025	2024
	£'000	£'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	-	-
	<hr/>	<hr/>
At 31 March	<u>54,848</u>	<u>49,094</u>

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

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

	2025	2024
	£'000	£'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.

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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.	<p>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.</p> <p>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.</p> <p>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.</p> <p>ESPO is developing and will maintain an ongoing programme of consultation and audit (assisted by LCC Audit Services) to ensure that our major</p>	Spring 26	In Progress

			<p>suppliers are working in accordance with our Supplier Code of Conduct.</p> <p>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.</p> <p>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.</p> <p>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.</p>			
	Old	GT	<p>Develop register to monitor the key areas where laws/regulations compliance is required, levels of risk and areas where action is required.</p>	<p>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.</p> <p>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.</p> <p>A sub-risk register focussed on legal and regulation risks is under development providing more detailed analysis and control information on these risks.</p>	Spring 26	In Progress

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