

## **ANNUAL REPORT**

### **INTRODUCTION**

ESPO is a local authority purchasing consortium. Our purpose and objectives are to provide our Member Authorities and other client bodies with a comprehensive, cost effective contracting and procurement service, covering a diverse range of commodities, products and services, as well as offering a complete and professional procurement consultancy, and assisting clients with complex procurement projects.

The Mission Statement is set out as:

“To work in partnership with our stakeholders to drive Value-for-Money for the Public Sector through comprehensive procurement solutions”

ESPO’s objective is to deliver value for money services to its members and broader customers. In doing this we ensure that our Member Authorities achieve a reward commensurate with the risk they share as ultimate funders of ESPO.

Value for money services are achieved by ensuring a competitive offering is delivered through collaboration and also by recognising that in some instances others can do it better. To ensure ESPO remains competitive, we continue to focus on improved efficiencies, focusing on the customer by ensuring an appropriate service offering, listening and delivering what they need, and by understanding, managing and working with our supply chains.

Both risk and performance management are an integral part of day to day operational performance. Risk management is monitored and reviewed through a compliance process and a risk strategy that is managed and escalated through the senior management team to the ESPO committee. ESPO targets an annual minimum 3.5% return on capital.

Critical to the success of the organisation is the focus on retaining our loyal staff and continuously developing their capabilities as well as recruiting talent to drive further innovation.

### **OUR VISION**

ESPO operates across the public sector in the UK, providing a comprehensive and cost effective procurement service for local authorities, schools and academies, voluntary and community organisations and charities. We understand the need to embrace fully the needs of our Member Authorities and our customers and to ensure that we offer a suite of procurement solutions and a range of consumables, which address a significant proportion of their procurement needs.

Our Vision is:

“To be the first choice provider of Public Sector procurement solutions”

We will achieve this by applying a mix of commercialism, market insight, category expertise, and best practice sourcing to our solutions. ESPO will work individually and together with Member Authorities, its customers, and other partners, to engage markets and thereby achieve optimum outcomes for the benefit of its customers.

ESPO will proactively challenge current practice, recognise the opportunity for collaboration, bringing leadership and innovation to our procurement solutions. We are committed to a programme of continual efficiency improvements in our own operations as we seek to drive further value and be the purchasing agent of choice in the local government/public sector space.

## **ACCOUNTABILITY AND FINANCIAL REPORTING**

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the organisation is required to produce a set of accounts in order to inform stakeholders that it has properly accounted for all public money it has received and spent and that its financial standing is on a secure footing.

### **FINANCIAL STATEMENTS**

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

#### **Core Statements**

- The Movement in Reserves Statement shows the movement in year on the different reserves held by the Organisation.
- The Comprehensive Income and Expenditure Statement summarises the income and expenditure of the Organisation during the year.
- The Balance Sheet shows the value as at the 31<sup>st</sup> of March 2015 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.
- The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities.
- The Annual Governance Statement sets out the framework designed to ensure that the Organisation operates a sound system of internal control which facilitates the effective exercise of its operations, and which includes arrangements for the management of risk. Whilst it is not a requirement to form part of this Statement of Accounts it is attached to this statement to

aid the user to better understand the governance arrangements in force within the Organisation.

## **TRADING RESULTS**

The climate of serious financial challenge continues in Local Government, forcing authorities to radically rethink which services it seeks to provide and how best to achieve that. In addition the transfer of schools from Local Authority control to Academy status has continued and is expected to continue with it being seen as a solution for delivering performance improvements in the poorer performing schools. In that context, the need for value-adding ESPO solutions, and the requirement for ESPO to deliver them well in a progressive fashion has never been so important.

ESPO has performed strongly in 2014-15 in all aspects of our business including consumables, directs, energy and broader procurement solutions. We continue to demonstrate our commitment to, and understanding of, the broader procurement needs of our stakeholders as evidenced by the increased uptake of our 200 plus frameworks and contracts, both regionally and nationally.

In the letting of these frameworks and contracts, ESPO has successfully balanced the requirements of the Social Value Act, observed sensible financial vetting procedures, established commercial value for customers by aggregating customer demand, and critically understood the local needs in member areas with respect to supporting local businesses.

Our awareness of the local employment challenges faced by members is evidenced by 76% of successful tenders having been secured by small and medium sized enterprises (SMEs) in the last 12 months through ESPO.

Overall the organisation's invoiced turnover for the year including rebates was £93.6million.

Stores' sales value has increased this year by £1.1m (2.53%) to £43.4million. Whilst sales performance remains strong in both schools and academies, the primary driver of new growth has principally been achieved in non-member areas.

The Department of Education Phonics initiative which was launched in September 2011 finished in October 2013 and as a result the year-on-year Directs catalogue products business decreased to £20.5million from £21.6million (including phonics sales) the prior year. This national initiative was co-ordinated by ESPO on behalf of the Pro5 consortium.

The reported Management Accounts surplus of £2.2million compares with the prior year of £2.4million and reflects continued investment in our procurement, IT and marketing capabilities, investment in value for money pricing for our stakeholders and growth in the business.

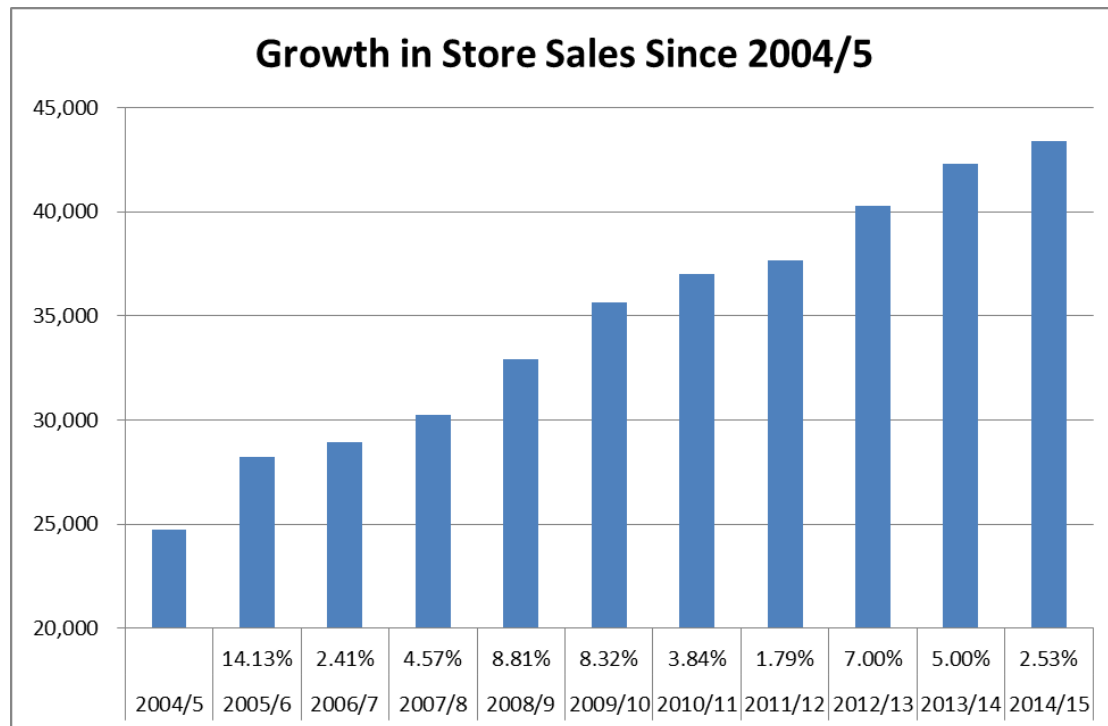
Net cash balances increased by £1.2million during the year to £9.7million, this was after paying a £1.5million dividend to members in December 2014.

## **STORES**

Stores sales were just over £43.4m, an increase of 2.53% on last year.

Total customers now stand at 13,200 with 1,261 added in 2014-15 compared with 1,913 in 2013-14. The higher number in 2013-14 principally due to the Department of Education Phonics initiative.

The growth in Stores sales over the last ten years is illustrated in the following chart:



## **PROCUREMENT SOLUTIONS**

This year has seen the introduction of the Public Contracts Regulation 2015 which has introduced fresh challenges to those involved in public procurement. ESPO hosted the training of 64 ESPO staff and 35 member staff. ESPO also hosted a bespoke training day on PCR2015 for Leicestershire County Council. In advance of that training, ESPO hosted two 'Train the Trainer' days on behalf of the Cabinet Office. Individuals from County, City and District Councils formed part of the delegate list and included three individuals from Leicestershire County Council.

Hand in hand with this, we introduced an e-tendering system to fulfil the mandatory requirement for such solutions by 2017. In 2014/15, we implemented the system and now all our tenders (with exception of small number of further competitions) are done through the system.

In 2014/15, the procurement of the new MSTAR2 framework was awarded. The previous MSTAR framework was very popular and, based on its usage, members will continue to generate significant savings. Also in 2014/15, the

Gas framework was awarded to the incumbent provider Total Gas & Power Limited. This means that customers will save £1.1m over the framework's three years. The team also undertook a successful pricing review of the catalogue to maintain zero overall inflation in the top categories of spend.

## **MARKETING ACTIVITY**

This year we have attended various events, exhibitions and conferences, a mix of local regional and national events which continue to be part of the annual marketing plan for the organisation. This included Academies and Education Shows, LACA free school meals roadshows, NASBM workshops and conference, the Inspiring Leadership Conference, Youth Sports Trust annual conference and a number of regional procurement workshops.

In addition to this, ESPO received the Education Resources Marketing Campaign of the Year Award for the work done on its Universal Infant Free School Meals campaign and the Best Supplier Engagement Award for the Banking Services framework from the Society of Procurement Officers in Local Government.

## **SIGNIFICANT MATTERS**

A valuation of the land and buildings at Grove Park was carried out. The valuation is now £10.5million, an increase of £0.5m on the prior year.

The medium term financial strategy including the budget for 2015-16 was approved by the Management Committee in March 2015. The four year strategy focuses on value for money, increasing return for stakeholders, growth and developing increased capability within the organisation to be the leading public sector procurement organisation in the country.

## **STAFFING**

In reporting another successful year, ESPO also recognises that this has only been possible by the continued effort and goodwill of ESPO's staff.

During 2015 the following staff will achieve 25 years' service with ESPO: Karen Davies, Karen Grewcock, John Johnson, Theresa Norton, Eve Patterson, and Tracy Weston.

I would also like to thank all those who retired during 2014/15 and wish them well. This includes Bobbie Barrett, John Blackwell, Steve Botting, Penny Bradley, Wendy Dilley, Angela Hillyard, John Kavanagh, Deidre Ncyz, James Norman, Lynn Page, Elaine Sagar-Dodd, Nigel Saunders, David Smith, and Richard Tomlinson.

Finally, I would like to acknowledge our Employee of the Year, Gary Lewis, Systems Support Analyst and our winner of the Outstanding Contribution Award, Sara Goodrich, Contract Support Officer. All permanent staff are eligible for these awards and the winners are chosen by their peers.