

ANNUAL REPORT

WELCOME

Welcome to the ESPO annual report and account summary for 2015/16.

In this past year, there have been further developments at ESPO and in our market. In particular, our customers face more strain on their budgets than ever before. As a Public Sector Procurement Organisation, our job to provide great value every day becomes more crucial than ever as we help our customers make the most out of limited resources. As budgets continue to be stretched and the market reacts to changes beyond our control, our response continues to be strong. In our 35th year, we continue to deliver to our core values and look forward to a future based on these commitments.

35 YEARS IN PUBLIC SECTOR PROCUREMENT

We will work in partnership with our stakeholders to drive value-for-money for the Public Sector through comprehensive procurement solutions.

Our Mission Statement

ESPO is a public sector buying organisation which has been supplying the education and wider public sector for 35 years. We are jointly owned by six Member Authorities and are committed to providing value-for-money for our customers by pursuing best practice in procurement, sourcing, supply chain management, contract management and compliance.

Providing access to a complete procurement solution, we offer a comprehensive products catalogue, access to over 150 frameworks, and bespoke procurement advice.

Our team of professionals work hard, day-in and day-out, to bring our customers great value every day:

- 35 years of experience providing first-class procurement solutions for the public sector
- Access to 27,000 product lines, with over 10,000 held at our 120,000 square foot warehouse
- 90,000 products picked from our warehouse every week
- 6,000 customers delivered to every week
- Over 150 framework solutions, and many other procurement solutions
- A dedicated team of over 300 staff

As well as meeting the buying needs of our broad customer base, we also understand the need to fully embrace the requirements of our Member Authorities. As such, we target a minimum of 3.5% return on capital every year.

We are dedicated to continual improvement, through the development of our staff as well as through proactive collaborations with customers and other partners to engage markets, challenge current practices and develop innovative new commissioning and sourcing strategies. Our commercial experience, market insight, category expertise and best practice sourcing ensure that we can respond quickly and effectively to the changes in this dynamic and fast changing marketplace.

We strive to be the first choice provider of public sector procurement solutions.

Our vision

CONFIDENCE AND TRANSPARENCY

As a Local Authority owned organisation, we are governed by a rigorous structure of controls. As part of this process, we produce a set of accounts which informs our stakeholders that ESPO has properly accounted for all public money received and spent. This gives them confidence that our financial standing is secure.

Managing risk and performance is also an integral part of our day-to-day operational performance; and risk management is monitored and reviewed through a compliance process and a risk strategy. In addition to management at operational level, oversight and escalation is through the ESPO Leadership team and the ESPO Management Committee.

Our financial activity in relation to the service we provide is shown through a number of key financial statements and notes. These can be found throughout this annual report.

TRADING RESULTS

In an increasingly challenging market, our customers are currently facing a prolonged period of uncertainty alongside increasing cuts to their budget. As our customers combat significant issues, ESPO as a business remains in a strong position. Our income is derived from many sources right across the local, national and wider public sector from both our catalogue and framework ranges. However, it comes as little surprise that this challenging climate is reflected in our sales figures for the year with total sales at £88.6 million, compared to last year's total of £93.5 million.

Our store sales experienced a decrease of 4% over the year. We know that this is primarily down to the reduced funding experienced in the non-education sector, alongside the general downturn in the education market as a whole.

Adding these factors to the lower gas wholesale prices that we have passed on to our customers over the past year, you can see how this has caused the decrease in sales. This is a trend being experienced across the market and is reflected in the independent data collected through the British Educational Suppliers Association (BESA).

ESPO's response throughout the year has been particularly strong as we work together to develop smarter ways of achieving our objectives and to continue to deliver the best value solutions to our customers. I am pleased to share that despite these market pressures we have still managed to achieve our record surplus target of £3.3 million. This compares favourably against last year's result of a £2.2 million surplus. It is a significant milestone in working towards our Medium Term Financial Strategy of reaching a £6 million surplus by 2018/19. This year's positive result is a key step on our four-year plan and is something of which we are all proud.

Building on this, it was another record year for rebates from our framework offering. Here we have enjoyed an increase of 4% over the year. This has been achieved through a number of initiatives that will continue to grow our framework income.

We have carefully considered our margin, as part of a catalogue range review; this has helped to reduce our overall buying costs as well as increase our average order values. Further to this, the implementation of efficiency projects is ongoing throughout ESPO and significant savings in our total expenditure have already been secured. This includes efficiencies to working practices across the operations of our catalogue business. These initiatives have helped to reduce our expenditure to £17.2 million, saving an impressive £0.7 million compared to the previous year.

Overall, our financial performance has been robust, and puts ESPO in a strong position for future growth.

PROCUREMENT UPDATE

Our customers value ESPO's procurement solutions which are delivered by skilled procurement experts. In order to maintain this high level of expertise, ESPO invests in this cohort with all relevant training. This year ESPO hosted its very own Economics in Procurement Masterclass, a new training event, well received by those attending. The Masterclass was delivered by Dr John Glen, CIPS Economist and Director of the Centre for Customised Executive Development, Cranfield School of Management. Two separate sessions were held and they provided an opportunity for delegates to focus on global and domestic events and to understand how this impacts on Government Policy, global demand, supply markets and the consequences of these on procurement. A total of 76 ESPO staff and 17 member authority staff attended the event.

We also hosted a one-day Introduction to Public Procurement training event, which was attended by 35 ESPO staff including Account Managers, Trainee Procurement Officers, Assistant Procurement Officers and Contract Support Officers.

In 2015/2016, all tenders (without exception) were done through our e-tendering system, which becomes a mandatory requirement by 2017. More than 100,000 suppliers are registered on the East Midlands procurement portal and most of registered suppliers are SMEs. In the third quarter of 2015, a new version of the system was introduced by the service provider. This new version increased the efficiency of the system, improved users experience and covered some of the new compliance requirements under the Public Contracts Regulation, which came into force at the beginning of 2015.

As well as our market leading solutions such as MSTAR², Gas and Electricity provision, Multi-Function Devices (MFDs), and Catering Services, the Procurement teams have been busy with a range of new framework contracts awarded across our broad offering. This includes the Total Facilities Management framework which was born out of wide interest generated from customers; it is envisaged to be extremely popular. The new Washroom Services framework has also been awarded, retaining market leading providers. It will allow customers easy access to a high level of services at a reduced cost when compared to its predecessor. Another exciting development comes in the form of the new Interpretation and Translation Services framework which provides a range of language support services on a national scale. This has already attracted a great deal of interest from local police bodies, NHS and local authority customers. Finally, working closely with Public Health England and local authority commissioners across the country, the framework for HIV Self Sampling was awarded. Successfully achieving excellent pricing, this framework can now be used by every Local Authority in England.

As well as frameworks, the teams have undergone a number of bespoke procurement activities including work commissioned by Leicestershire County Council and Leicester City Council to procure a Substance Misuse Treatment service which will be integrated across Leicestershire and Leicester City for the first time.

MARKETING ACTIVITY

In 2015/16, ESPO was represented at multiple events, exhibitions and conferences promoting both our education and corporate offerings. Made up of a range of local and national events, this channel continues to play a strong part in our annual marketing plan. Some of the highlights of the year include the following:

- The Academies Show (London and Birmingham)
- The LACA Main Event
- NASBM National Conference
- Inspiring Leadership Conference
- Society of Procurement Officers in Local Government (SOPPO)
- The Public Sector show

- The Chartered Institute of Housing event

As well as the above, we have also ran a number of training initiatives for customers to improve their procurement knowledge including a series of regional procurement workshops in association with NASBM, an Afternoon Tea event to promote our food and catering frameworks and a live webinar to promote our MSTAR² framework, the first of its kind here at ESPO.

I am also pleased to report that we secured 'Gold Merchant' status from our independent feedback provider Feefo. This was awarded for achieving greater than 95% positive ratings from our catalogue customers in 2015 based on over a thousand reviews.

SIGNIFICANT MATTERS

A valuation of the land and buildings at Grove Park has been carried out and the valuation now stands at £11 million, an increase of £0.5 million 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 as we strive toward our vision of being the first choice provider of public sector procurement solutions in the country.

PEOPLE AT OUR HEART

Reporting on another successful year would not be complete without taking the time to recognise the extraordinary efforts of the staff here at ESPO. We are fortunate to have so many long standing members of staff and during the past year the following have achieved their 25 years Long Service Award:

- Theresa Norton
- Tracy Weston
- Karen Grewcock
- Karen Davis
- Ian Horobin

In addition, I am proud to mention three members of staff having exceeded this and marked 30 and 35 years with ESPO. My thanks and congratulations go to Jane Woodham and Lila Mistry for 30 years of service; and also to Jane Houston who exceeded 35 years of service.

It is with sadness that we announced the passing of our longest serving member of staff, Gordon Smith, who had been with us since 1970. Gloria Wright, a long serving and much loved member of staff, also passed away in this past year.

I would like to thank all those who retired during 2015/16 and wish them well. This includes Steve Burton, Stephen Clarke, Barry Cooper, Ian Cunningham,

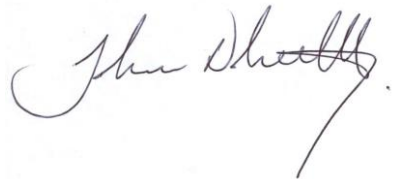
Hasmukh Gadhia, Alan Hind, Barbara Roberts, Janice Streater and Martin Stuart.

Finally, I would like to acknowledge our Employee of the Year, Istvan Todor, Technical Support Officer. Special mention must also go to our winner of the Outstanding Contribution Award, Laura Maitland, Category Manager; and the recipient of the Special Recognition Award, Sandra Sewell, Corporate Account Manager.

IN SUMMARY

We are charting our way through difficult market conditions, and in spite of that performing significantly stronger as an organisation.

We have the commitment of our staff, the support of our owners, and the ongoing loyalty of our customers as we lead ESPO to new heights.

A handwritten signature in black ink, appearing to read "John Doherty". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

John Doherty
Director