

ANNUAL REPORT

WELCOME

Welcome to the ESPO annual report and account summary for 2016/17.

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 36th year, we continue to deliver to our core values and look forward to a future based on these commitments.

36 YEARS IN PUBLIC SECTOR PROCUREMENT

Our Mission Statement

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

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:

- 36 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.

Our vision

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

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 £81.6 million, compared to last year's total of £88.6 million.

Our store sales were flat year on year which in the general downturn in the education market as a whole was a good performance. Direct sales recorded a 5.5% decline caused by the budgetary pressures schools are experiencing. 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 £4.2 million. This compares favourably against last year's result of a £3.3 million surplus. It is a significant milestone in working towards our Medium Term Financial Strategy of reaching a £6 million surplus. This year's positive result is a key step on our four-year plan and is something of which we are all proud.

In November 2016 we updated our core ERP system and also updated our server infrastructure and network switches. All of this was achieved with minimal disruption and within budget.

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.

In 2016/2017, 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 frameworks, the teams have undergone a number of bespoke procurement activities including work commissioned by Leicestershire County Council and Leicester City Council.

MARKETING ACTIVITY

In 2016/17, 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 (SOPO)
- 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.

SIGNIFICANT MATTERS

A valuation of the land and buildings at Grove Park has been carried out and the valuation now stands at £12 million, an increase of £1 million on the prior year.

This year we have been able to identify the specific ESPO Pension Liability for the first time and include it in our statutory accounts. This was previously included in Leicestershire County Councils statement of accounts.

The Medium Term Financial Strategy, including the budget for 2017-18, was approved by the Management Committee in March 2017. 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:

Karen Shipton
Dave Thomas
Mark Stevens
Richard Pratt

In addition, I am proud to mention seven members of staff having exceeded this and marked 30 and 35 years with ESPO. My thanks and congratulations go to:

Lila Mistry
Jane Woodham

Ray Vardy
Steven Porter
Liz Winkless

for achieving 30 years and:

Kevin Willsher
Wayne Robinson

for achieving 35 years.

It is with sadness that we announced the passing of Mr Michael Cross a long serving and much loved member of staff.

I would like to thank all those who retired during 2016/17 and wish them well. This includes:

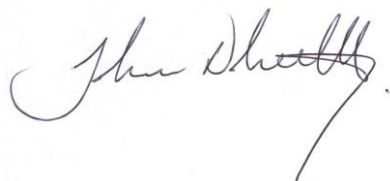
Catherine Billington
Josephine Short
Martin Stuart
Anthony Carr

Finally, I would like to acknowledge our Employee of the Year, Gary Ford. Special mention must also go to our winner of the Outstanding Contribution Award, Paul Oliver; and the recipient of the Team Recognition Award IT for the successful ERP upgrade.

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.



John Doherty
Director

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