APPENDX 1

DRAFT

Eastern Shires Purchasing Organisation
Annual report and financial statements
for the year ended 31 March 2024

Eastern Shires Purchasing Organisation

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Eastern Shires Purchasing Organisation

Statement from the Chair

During 2023/24 we continued to be conscious of the pressures schools and our other customers were experiencing as a result of higher inflation and funding constraints.

Inflation has affected ESPOs customers significantly. School budgets, early year settings and the public sector continue to experience funding challenges. ESPO understands the need to keep prices low, offering great value for money and limited any price increases through good procurement practices and managing our own costs.

With a busy year and high trading volumes, once again I'm incredibly proud of our staff team for delivering our services this year, and responding to the ever challenging and competitive trading environment by delivering a record trading performance. To all our colleagues I would like to once more say thank you!

ESPOs financial performance in 2023/24 was healthy, through an ambitious business development agenda and continued improvement in processes across the business, enabling the organisation to continue to grow once again. ESPO continues to maintain a strong balance sheet with a healthy cash position. ESPO created a surplus of £9.2m, but this is a 'profit with a purpose' and during the year ESPO will be able to return £6.1m back to its local authority members in 24/25 to be invested into local services and communities and also allows for future investment in our customers prices and an investment into ESPO.

Looking ahead, we see school budgetary pressures and product cost inflation settling, I am confident we shall be able to continue to make price reductions and offer exceptional value. I continue to be confident that our long-standing approach of focusing on offering great service, competitively priced products providing value for money and maintaining high stock availability will continue to ensure ESPO can sustainably deliver over many years to come.

Cllr M. Wright

Chair of ESPO Management Committee 2023/24

Date: [date]

Eastern Shires Purchasing Organisation

Annual Report

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 over 40 years. We offer a comprehensive, one-stop shop solution to UK schools of over 27,000 products, 130 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 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 2024 is presented below.

Review of the business

2023/24 saw significant budgetary pressures placed on schools from cost-of-living pressures with significant increases in energy and pay impacting their educational supplies budgets. ESPOs experienced significant increases in paper-based products and needed to pass some of these cost increases onto consumers but still managed to provide 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 good 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 our team we were able to offer good levels of stock availability, improving on the previous year.

2023/24 also saw increasing inflation in the UK and ESPO was not immune to this. 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 £9.2m has been created (2022/23: £3.5m restated).

Overall revenue increased from £107.2m (restated) last year to £130.9m. Through our catalogue, we delivered or administered £76.7m of goods to customers, over £1m higher than last year, and reflecting both the winning of new business, and a necessary increase in selling prices to support the higher cost of goods.

Gas revenue increased from £20.1m (restated) to £41.3m, reflecting the significant increase in market gas prices from the war in Ukraine and sanctions applied to Russia. At ESPO we act as a procurement 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

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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 our frameworks continued to grow and reached a record £12.2m, 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 we can continue to best provide value to our customers and our member authorities.

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:

	2024
Energy consumption used to calculate emissions (kWh)	4,393,797
Energy consumption break down (kWh)	
Gas	1,339,373
Electricity	748,241
Vehicle fuel	2,306,183
Scope 1 emissions (in tonnes of CO2 equivalent)	
Gas consumption	241
Vehicle fleet	594
Total scope 1	835
Scope 2 emissions (in tonnes of CO2 equivalent)	
Purchased electricity	155
Total gross emissions (in tonnes of CO2 equivalent)	990
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.

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.

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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.

Principal risks and uncertainties

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 we are increasing capacity at our Leicester warehouse and removing the need for offsite storage improving our 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 our 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 culture in the business.

Cyber risk

ESPO views cyber related risks as one of the greatest general threats facing any organisation and we have 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.

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

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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 £21.0m, 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 Corporate Resources of Leicestershire County Council who is the 'Consortium Treasurer';

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

Cllr. M. Wright

Chair, ESPO Management Committee 2023/24

D Keegan

Director of Corporate Resources of Leicestershire County Council (Consortium Treasurer of ESPO)

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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 2024, 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 2024 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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Joint Committee and determined that the most significant frameworks which are directly relevant so specific assertions in the financial statements are those that relate to the reporting framework (UK GAAP) and the relevant tax compliance regulations in the UK.

- We understood how the Joint Committee is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through review of board minutes and discussions with those charged with governance.

- We assess the susceptibility of the Joint Committee's financial statements to material misstatement, including how fraud might occur, by discussion with management from various parts of the business to understand where they considered there was a susceptibility to fraud. We considered the procedures and controls that the Joint Committee has established to prevent and detect fraud, and how these are monitored by management, and also any enhanced risk factors such as performance targets.

- Based on our understanding, we designed our audit procedures to identify any non-compliance with laws and regulations identified in the paragraphs above.

- We also performed audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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

Use of our report

This report is made solely to the Joint Committee, as a body, in accordance with our letter of engagement dated 17 July 2023. 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.

Benjamin Young FCA (Senior Statutory Auditor)
For and on behalf of TC Group
1 Rushmills
Bedford Road
Northampton
Northamptonshire
NN4 7YB
Date:…………………………..

Eastern Shires Purchasing Organisation

Income Statement
For the year ended 31 March 2024

	Note	2024 £'000	Restated 2023 £'000
Turnover	5	130,838	107,242
Cost of sales		(97,126)	(77,612)
Gross profit		33,712	29,630
Distribution costs		(2,848)	(2,840)
Administrative expenses		(22,200)	(22,737)
Operating profit	8	8,664	4,053
Interest receivable	9	705	247
Interest payable	10	(169)	(753)
Profit for the financial year		9,200	3,547

The accounts have been restated to incorporate the impact of a change in accounting policy in relation to revenue recognition on Gas sales. The change reflects sales and associated costs being accounted for as incurred rather than the previous policy of accounting for revenues and related costs one month in arrears. In the view of the Joint Committee this change was undertaken to improve financial reporting in accordance with FRS102.

The restatement has resulted in turnover and cost of sales being increased by £1,377,000 and £1,280,000 respectively for the year ended 31 March 2022 and the profit for the year to 31 March 2022 being increased by £97,000. The increase in net assets arising from this change in accounting policy at 31 March 2022 was £97,000.

The restatement has resulted in turnover and cost of sales being increased by £2,330,000 and £2,354,000 respectively for the year ended 31 March 2023 and the profit for the year to 31 March 2023 being decreased by £121,000. The decrease in net assets arising from this change in accounting policy at 31 March 2023 was £121,000.

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Statement of Comprehensive Income
For the year ended 31 March 2024

	Note	2024 £'000	Restated 2023 £'000
Profit for the financial year		9,200	3,547
Gains arising on revaluation of tangible fixed assets		682	402
Remeasurement of net defined benefit liability	17	(761)	22,196
Total comprehensive income		9,121	26,145

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Balance sheet
As at 31 March 2024

	Note	2024 £'000	Restated 2023 £'000
Fixed assets			
Intangible assets	11	73	362
Tangible assets	12	24,088	19,777
		24,161	20,139
Current assets			
Stocks	13	9,477	10,262
Debtors: amounts falling due within one year	14	16,772	12,075
Cash at bank and in hand		15,463	12,012
Creditors: Amounts falling due within one year	15	(20,677)	(13,552)
Net current assets		21,035	20,797
Total assets less current liabilities		45,196	40,936
Creditors: Amounts falling due after more than one year	16	(2,750)	(3,250)
Post Employment Benefits	17	-	3
Net assets		42,446	37,689
Capital and reserves			
General Reserve		35,738	31,660
Pension Reserve		-	3
Revaluation Reserve		6,708	6,026
Total Reserves		42,446	37,689

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 2024

	Note	2024 £'000	Restated 2023 £'000
Net cash from operating activities	21	**11,751**	**4,338**
Cash flows from investing activities			
Purchase of fixed assets	12	(3,988)	(831)
Purchase of intangible assets	11	-	(48)
Interest received	9	705	248
Net cash from investing activities		**(3,283)**	**(631)**
Cash flows from financing activities			
Interest paid	10	(151)	(178)
Repayment of borrowings		(500)	(500)
Dividends paid		(4,367)	(4,137)
Net cash used in financing activities		**(5,017)**	**(4,815)**
Net increase/(decrease) in cash and cash equivalents		**3,451**	**(1,108)**
Cash and cash equivalents at the beginning of the year		**12,012**	**13,120**
Cash and cash equivalents at the end of the year		**15,463**	**12,012**

Eastern Shires Purchasing Organisation

Statement of Changes in Equity
For the year ended 31 March 2024

	P&L Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
At 31 March 2022 (Restated)	**30,108**	**(20,217)**	**5,820**	**15,712**
Profit for the financial year	3,547	-	-	3,549
Remeasurement of net defined benefit liability	-	22,163	-	22,163
Surplus on revaluation of land and buildings	197	-	206	403
Total comprehensive income	**33,852**	**1,946**	**6,026**	**41,825**
Timing transfer of retirement benefit costs	1,943	(1,943)	-	-
Dividend paid	(4,137)	-	-	(4,137)
At 31 March 2023 (Restated)	**31,658**	**3**	**6,026**	**37,688**
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	**40,862**	**(758)**	**6,708**	**46,813**
Timing transfer of retirement benefit costs	(758)	758	-	-
Dividend paid	(4,367)	-	-	(4,367)
At 31 March 2024	**35,737**	**-**	**6,708**	**42,446**

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2024

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.

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Notes to the financial statements
For the year ended 31 March 2024

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 2024

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 2024

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 2024

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 2024 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 2023/24 accounts is based on a certificate issued by the Council's Principal Valuer as at 31 March 2024.

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 2024 is £19.94m.

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 2024 is £nil (*2023: £0.3m (asset)*)

Debtors

At 31 March 2024 ESPO had a balance of sales ledger debtors of £9.4m. A review of overdue debts has identified that impairment for doubtful debts of £0.1m 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 2024

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 2024 gross stock of £10.7m 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 2024 the provision for the possible impairment of stock amounted to £1.3m.

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 2024

5. Turnover and revenue

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

	2024	Restated 2023
Turnover:	**£'000**	**£'000**
Stock Orders	57,047	53,453
Direct Orders	19,657	22,446
Gas	41,206	20,079
Rebate Income	12,229	10,484
Catalogue Advertising	699	780
	130,838	107,242

6. Senior Officers' remuneration and transactions

	2024 £'000	2023 £'000
Senior Officers' remuneration		
Aggregate Emoluments	530	551
Pensions Contributions	127	91
	657	642

	Number	Number
The number of senior officers who:		
Are members of a defined benefit pension scheme	5	5

7. Staff numbers and costs

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

	2024 Number	2023 Number
Operations	220	205
Purchasing	67	66
Administration	51	47
	338	318

Eastern Shires Purchasing Organisation

Notes to the financial statements
For the year ended 31 March 2024

7. Staff numbers and costs (Continued)

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	10,890	9,844
Social security costs	1,067	981
Defined benefit pension scheme costs (see note 17)	1,941	3,839
	13,898	14,664

8. Operating Profit

Operating profit is stated after charging/(crediting):

	2024 £'000	2023 £'000
Staff costs (excluding Agency costs)	14,674	13,296
Audit fees payable to the organisation's auditors	32	32
(Profit)/loss on disposal of tangible fixed assets	(3)	(15)
Impairment of Inventory	-	(85)

9. Interest Receivable

	2024 £'000	2023 £'000
Bank interest	705	248

10. Interest Payable

	2024 £'000	2023 £'000
Interest payable on long term loan	151	178
Pension interest cost and expected return on pension assets	18	575
	169	753

Eastern Shires Purchasing Organisation

Notes to the financial statements
For the year ended 31 March 2024

11. Intangible assets

	IT Software £000
Cost	
At 1 April 2023	1,676
Additions	-
Disposals	(332)
Transfers	-
At 31 March 2024	**1,345**
Amortisation	
At 1 April 2023	1,314
Charge for the year	289
Disposals	(332)
At 31 March 2024	**1,272**
Net book value	
At 31 March 2023	362
At 31 March 2024	**73**

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2024

12. Tangible fixed assets

	Land & Buildings £000	Assets Under Construction £000	Vehicles, Plant & Equipment £000	Total £000
Cost				
At 1 April 2023	18,260	344	4,382	22,986
Additions	18	3,810	160	3,988
Disposals	-	-	(217)	(217)
Revaluation	682	-	-	682
At 31 March 2024	**18,960**	**4,154**	**4,325**	**27,438**
Depreciation				
At 1 April 2023	-	-	3,208	3,208
Charge for the year	6	-	359	365
Disposals	-	-	(217)	(217)
Revaluation	(6)		-	(6)
At 31 March 2024	**-**	**-**	**3,350**	**3,350**
Net book value				
At 31 March 2023	18,260	344	1,173	19,777
At 31 March 2024	**18,960**	**4,154**	**975**	**24,088**

The historical cost of revalued land and buildings are £12,248,000 (2023: £12,230,000).

Assets Under Construction relates to costs for the construction of a warehouse extension at our Grove Park site.

Eastern Shires Purchasing Organisation

Notes to the financial statements
For the year ended 31 March 2024

13. Stocks

	2024 £'000	2023 £'000
Goods for resale	9,477	10,262
	9,477	10,262

14. Debtors

	2024 £'000	Restated 2023 £'000
Amounts falling due within one year:		
Trade debtors	9,317	7,558
Prepayments and accrued income	6,336	3,724
Other debtors	561	43
Amounts due from related parties	558	750
	16,772	12,075

15. Creditors – amounts falling due within one year

	2024 £'000	Restated 2023 £'000
Trade creditors	11,634	7,221
Other taxation and social security	257	228
Accruals and deferred income	7,427	4,631
VAT payable	493	695
Other creditors	366	277
Loans repayable within one year	500	500
	20,677	13,552

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2024

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

	2024 £'000	2023 £'000
Long Term Loan	2,750	3,250
	2,750	3,250

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 2024 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 2023/24, ESPO paid an employer's contribution of £2,699k (2022/23: £2,438k), 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 2023/24 these amounted to £nil (2022/23 - £12k).

The FRS102 balance sheet position as at 31 March 2024 is £nil (31 March 2023 – £3k asset).

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2024

17. Employee Benefits (continued)

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

	2024 £'000	2023 £'000
Current service cost	1,941	3,839
Past service cost	-	-
Net interest cost	-	575
	1,941	4,414

Recognised in Other Comprehensive Income:

	2024 £'000	2023 £'000
Changes in financial assumptions	3,168	27,431
Changes in demographic assumptions	254	348
Other experience	(1,288)	(3,864)
Return on assets excluding amounts included in net interest	2,147	(1,719)
Application of asset ceiling	(5,042)	-
Total remeasurements recognised in Other Comprehensive Income	(761)	22,196

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

	2024 £'000	2023 £'000
Present value of defined benefit obligations	(49,094)	(42,436)
Fair value of scheme assets	44,034	42,439
Application of asset ceiling	(5,060)	-
Net liability recognised in the balance sheet	-	3

The latest actuary report from Hyman Robertson state the pension value at a net asset of £5,060,000. 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 2024

17. Employee Benefits (continued)

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

	2024 £'000	2023 £'000
At 1 April	42,436	62,376
Service cost	1,941	3,839
Interest cost	2,055	1,764
Contributions from scheme participants	634	573
Benefits paid	(898)	(774)
Changes in financial assumptions	(3,168)	(27,431)
Changes in demographic assumptions	(254)	(348)
Other experience	1,288	2,437
At 31 March	44,034	42,436

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

	2024 £'000	2023 £'000
At 1 April	42,439	42,159
Interest income on plan assets	2,073	1,189
Contributions from the employer	2,699	2,438
Contributions from scheme participants	634	573
Benefits paid	(898)	(774)
Return on assets (excluding amounts included in net interest)	2,147	(1,719)
Other experience	-	(1,427)
At 31 March	49,094	42,439

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 2024

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:

	2024		2023	
	£'000	**% of total**	**£'000**	**% of total**
Equity Securities				
Consumer	15	0%	4	0%
Manufacturing	-	0%	21	0%
Energy and Utilities	31	0%	44	0%
Financial Institutions	35	0%	13	0%
Health and Care	48	0%	7	0%
Information technology	-	0%	8	0%
Other	29	0%	35	0%
Debt Securities				
UK Government	2,163	4%	1,955	5%
Other	198	0%	179	0%
Private Equity	3,004	6%	2,906	7%
Real Estate				
UK Property	3,184	6%	3,008	7%
Investment Funds and Unit Trusts				
Equities	20,966	43%	18,583	44%
Bonds	-	0%	-	0%
Hedge Funds	-	0%	-	0%
Commodities	1,137	2%	1,090	3%
Infrastructure	4,215	9%	3,472	8%
Other	10,147	21%	10,139	24%
Derivatives				
Foreign Exchange	3	0%	20	0%
Cash and Cash Equivalents	3,919	8%	955	2%
Total	**49,094**	**100%**	**42,439**	**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 2024

17. Employee Benefits (continued)

	2024	2023
Key assumptions used:		
Discount rate	4.8%	4.7%
Pension Increase Rate (CPI)	2.7%	3.0%
Salary Increase Rate	3.2%	3.4%

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.

	2024 years	2023 years
Current Pensioners:		
Males	21.1	21.3
Females	24.2	24.4
Future Pensioners:		
Males	21.9	22.1
Females	25.4	25.7

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 2024 are:

	Approximate increase in Employer Liability	Approximate Monetary Amount £'000
0.1% decrease in Real Discount Rate	2%	1,010
1 year increase in member life expectancy	4%	1,761
0.1% increase in Salary Increases Rate	0%	59
0.1% increase in the Pension Increase Rate	2%	969

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 2024

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 a 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 £3.2m of employer contributions to the scheme in 2024/25 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 2024.

19. Capital Commitments

At 31 March 2024, the organisation had the following capital commitments:

	2024	2023
	£'000	£'000
Contracts for future capital expenditure not provided in the financial statements	2,534	-

The above is in relation to the warehouse extension project at Grove Park.

Eastern Shires Purchasing Organisation

Notes to the financial statements

For the year ended 31 March 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 2023/24 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 2023/24 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 2023/24 these sales totalled £46,221k (2022/23: £36,328k). The breakdown by consortium member authority is as follows:

	2024 £'000	2023 £'000
Cambridgeshire County Council	7,909	5,850
Leicestershire County Council	7,610	5,636
Lincolnshire County Council	9,089	7,114
Norfolk County Council	10,607	9,570
Peterborough City Council	2,476	2,094
Warwickshire County Council	8,530	6,064
Total	**46,221**	**36,328**

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 2023/24 transactions with Leicestershire County Council were:

	2024 £'000	2023 £'000
Loan repayment (see note 16)	500	500
Loan interest	151	178
Services	817	921
Total	**1,468**	**1,599**

Eastern Shires Purchasing Organisation

Notes to the financial statements
For the year ended 31 March 2024

20. Related party transactions (continued)

The following distributions were made in relation in the year 31 March 2023:

	2024 £'000
Cambridgeshire County Council	646
Leicestershire County Council	807
Lincolnshire County Council	932
Norfolk County Council	945
Peterborough City Council	297
Warwickshire County Council	739
Total	**4,366**

Debtors and creditors

	Debtors		Creditors	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Cambridgeshire County Council	618	372	6	-
Leicestershire County Council	367	276	-	-
Lincolnshire County Council	637	406	-	-
Norfolk County Council	861	707	-	-
Peterborough City Council	124	98	-	-
Warwickshire County Council	561	395	-	-
Total	**3,167**	**2,254**	**6**	**-**

During the financial year 2023/2024, ESPO paid a dividend of £4.4m to its members. This dividend was declared and approved by the Board on 15th November 2023 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:

ESPO Trading Limited	2024 £'000	2023 £'000
Sales	418	729
Debtors	56	30
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 2024

20. Related party transactions (continued)

Eduzone Limited	**2024 £'000**	**2023 £'000**
Sales	370	420
Debtors	192	139

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

	2024 £'000	**Restated 2023 £'000**
Operating profit for the financial year	**8,664**	**4,053**
Adjustments for:		
Depreciation of property, plant and equipment	365	643
Amortisation of intangible assets	289	289
Profit on disposal of property, plant and equipment	(3)	(15)
Remeasurement of net defined benefit liability	(776)	1,368
Decrease/(increase) in trade and other receivables	(4,697)	(1,884)
Decrease/(increase) in inventories	784	(3,298)
Increase/(decrease) in trade and other payables	7,125	2,444
Net cash from operating activities	**11,751**	**4,338**