

ANNUAL REPORT**INTRODUCTION**

The combined value of Stores sales, Direct Orders, Period contracts (frameworks) and contracts based on behalf of specific customers (Commissioning) totalled just over £1,083m for the year 2011/12, an increase of £537m on 2010/11. This is not only the largest increase ever in ESPO's thirty year history, it is also the first time the billion pound mark has been reached and breached; an excellent result to achieve during a difficult economic climate.

Stores business for 2011/12 showed a turnover of £37.5m an increase of 1.36% and as in 2010/11 largely consists of increased sales to non-Member customers. In total these other users increased turnover to £20.1m from £18m in 2010/11 an increase of 11.4%.

Direct orders, those orders placed by the organisation on behalf of customers, have been heavily impacted by the reduction in direct vehicle orders of £23m.

Period Contracts, which are mainly call off framework contracts, increased substantially to £521m from £335m in 2010/11. This is principally due to MSTAR and other temporary staffing contracts.

Contracts placed by our two Strategic Procurement and Commissioning buying groups for "one off" projects exceeded £488m, an increase from £113m in 2010/11. The key driver was the EMBC Broadband Network Contract which is a 10 year contract with a total value of £300m.

TRADING RESULTS

The chart below provides a detailed analysis of the value of contracts placed compared to the previous year.

Value of Contracts Placed 2011/12

	Stores		Direct Orders		Period Contracts		Strategic	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
CAMBRIDGESHIRE	2,641	2,385	1,790	1,528	24,888	23,495	7,460	750
LEICESTER CITY	2,542	2,337	3,040	1,203	43,050	39,740	2,590	40,870
LEICESTERSHIRE	2,986	2,833	1,980	2,076	52,871	49,542	21,006	45,710
LINCOLNSHIRE	3,123	2,684	1,089	1,141	18,615	19,389	490	30,000
NORFOLK	3,933	3,732	4,103	2,168	46,811	43,086	32,219	1,104
PETERBOROUGH CITY	900	788	383	420	7,417	7,801	0	0
WARWICKSHIRE	2,457	2,310	1,450	1,077	18,473	16,522	5,688	26,740
DISTRICT COUNCILS	0	0	0	0	0	0	0	0
Cambridgeshire	90	89	974	288	5,516	7,869	22,620	100,500
Leicestershire	78	70	864	589	6,516	8,187	0	0
Lincolnshire	130	114	557	1,473	5,350	8,672	0	0
Norfolk	72	64	848	33	7,219	9,003	0	5,700
Warwickshire	28	25	153	25	2,783	4,604	0	0
Other Users	18,039	20,093	42,667	24,524	96,266	301,395	21,260	236,790
TOTAL EXPENDITURE	37,019	37,524	59,898	36,545	335,775	521,141	113,333	488,164
% Variance	8.31	1.36	16.48	-38.99	-2.14	55.21	-8.70	330.73

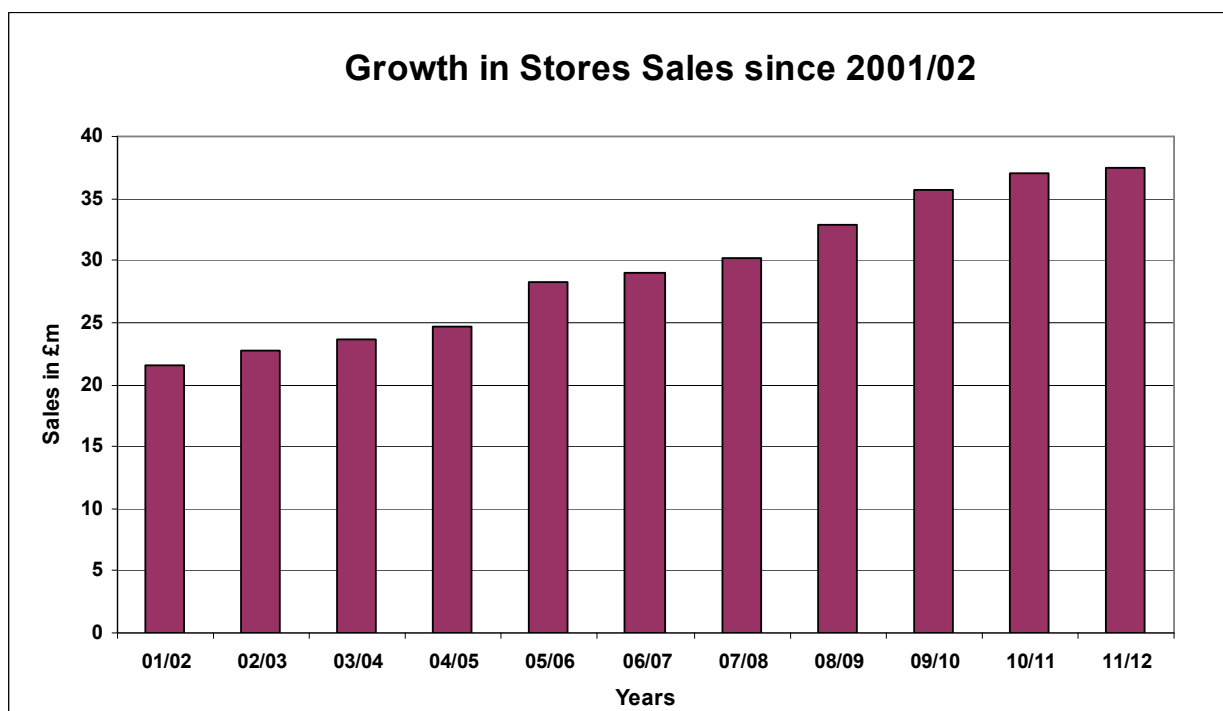
The following chart details the same statistics but provides a clear picture of the trading position under the four main methods of procurement within our Member and non-Member Authorities:

		Contract Value		Variance
		2010/11	2011/12	
		£000s	£00s	%
Cambridgeshire	Stores	2,641	2,385	-9.69
	Directs	1,790	1,528	-14.64
	Period Contracts	24,888	23,495	-5.60
	Strategic/Consultancy	7,460	750	-89.95
	Total	36,779	28,158	-23.44
Leicester City	Stores	2,542	2,337	-8.06
	Directs	3,040	1,203	-60.43
	Period Contracts	43,050	39,740	-7.69
	Strategic/Consultancy	2590	40870	1477.99
	Total	51,222	84,150	64.28
Leicestershire	Stores	2,986	2,833	-5.12
	Directs	1,980	2,076	4.85
	Period Contracts	52,871	49,542	-6.30
	Strategic/Consultancy	21,006	45,710	117.60
	Total	78,843	100,161	27.04
Lincolnshire	Stores	3,123	2,684	-14.06
	Directs	1,089	1,141	4.78
	Period Contracts	18,615	19,389	4.16
	Strategic/Consultancy	490	30000	6022.45
	Total	23,317	53,214	128.22
Norfolk	Stores	3,933	3,732	-5.11
	Directs	4,103	2,168	-47.16
	Period Contracts	46,811	43,086	-7.96
	Strategic/Consultancy	32,219	1,104	-96.57
	Total	87,066	50,090	-42.47
Peterborough	Stores	900	788	-12.44
	Directs	383	420	9.66
	Period Contracts	7,417	7,801	5.18
	Strategic/Consultancy	0	0	0.00
	Total	8,700	9,009	3.55
Warwickshire	Stores	2,457	2,310	-5.98
	Directs	1,450	1,077	-25.72
	Period Contracts	18,473	16,522	-10.56
	Strategic/Consultancy	5688	26740	370.11
	Total	28,068	46,649	66.20
	Sub-total member Authorities	313,995	283,231	18.29
Districts & Others	Total	232,030	711,943	206.83
	Grand Total	546,025	1,083,374	98.42

Stores

Stores sales of just over £37.5m, an increase of 1.80% on last year, continue to reflect a difficult economic climate.

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



% Growth 6.5 2.9 6.14 4.72 13.04 3.8 2.86 8.0 8.31 3.84 1.8

Stores Prices

The chart below illustrates the price inflation for items held within Stores since 2001/02. The increase of 3.10% for 2011/12 is due mainly to paper price increases.

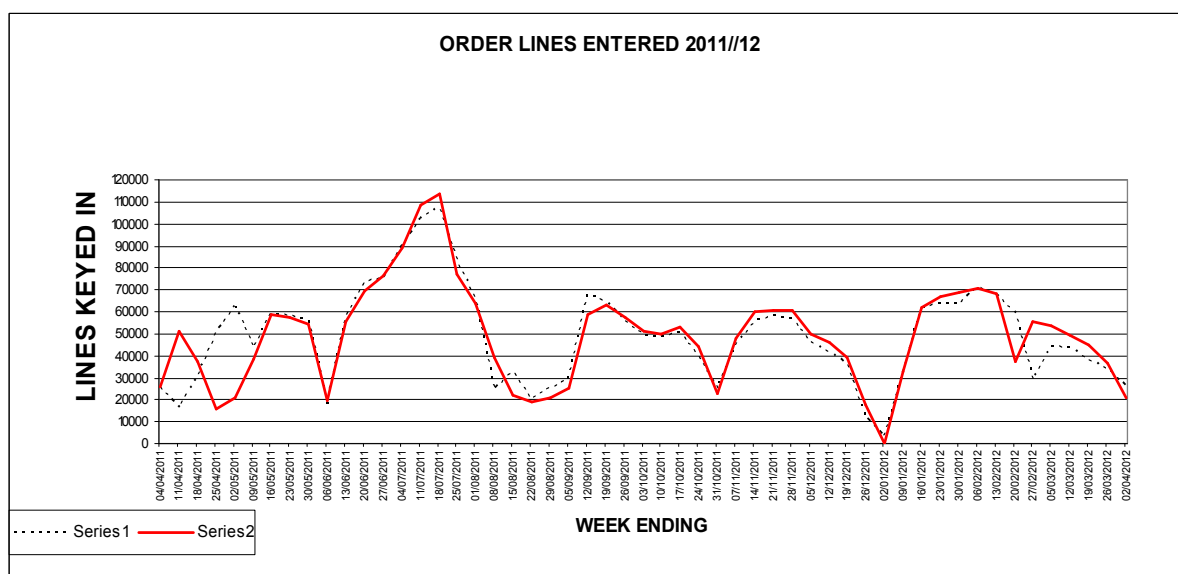
01/02	02/03	03/04	04/05	05/06	06/07	07//08	08/09	09/10	10/11	11/12
2.15%	2.02%	-1.23%	-0.35%	-0.18%	0.95%	1.66%	0.75%	4.54%	2.34%	3.10%

Service Levels to Customers (Stock Availability)

ESPO consistently exceeds its target of 98% for stock availability throughout 2011/12. During the summer 'peak' of orders received from schools, the percentage availability dropped to 95% for one week and then recovered to 98%

plus over the next four weeks. We had a further drop to 96% for a week in December due to significant demand for salt supplies during inclement weather.

The graph below denotes the Stores order input figure (volume not value) for 2011/12, which reflects the usual peaks and troughs, a feature of schools' ordering pattern.



Direct Orders

As previously mentioned in the Introduction above, sales via Direct orders decreased substantially in 2011/12 due to the reduction in commercial vehicle orders.

Period Contracts

There were no significant variances in period contracts across the membership. However, the use by non-member authorities of the MSTAR and temporary staffing contracts reflects a significant part of the increase for 2011/12 from £96m to more than £301m.

Commissioning/Consultancy

In total twenty six strategic projects were completed in 2011/12 compared with twenty five in 2010/11. The value of these contracts was £488m, an increase of 330% on the previous year. The key driver for this increase was the EMBC Broadband Network Contract that is a 10 year contract with a total value of £300m. However even if this contract was excluded as a one off, there would still have been an increase in turnover.

1. Renewal of the East Midlands Broadband Consortium, providing a public sector network to all East Midlands authorities, with a total likely contract value of over £300m.
2. A series of contracts let on behalf of Cambridge City Council to facilitate the development of approximately 200 units of affordable housing, valued at some £25m, over a four year period.

3. A four year national framework for catering services, to meet the requirements of all UK public sector bodies, including schools.
4. A seven year contract for vehicle maintenance for Leicester City Council with a value of £10.7m.
5. A four year collaborative contract for integrated drug and alcohol treatment services let on behalf of Warwickshire County Council and Coventry City Council, valued at £8.3m per annum.

In total twenty-six strategic projects were completed in 2011/12 compared with twenty-five in 2010/11. There are currently fifty-three projects representing work in progress (including framework renewals).

Annual Expenditure per 1000 Head of Population

The chart below shows the annual expenditure per 1000 head of population for ESPO's seven Member Authorities for the year:

Annual Expenditure per 1000 Head of Population

Member Authority	Population	Central Stores		Direct Orders		Period Contracts		Strategic	
		2010-11 £	2011-12 £	2010-11 £	2011-12 £	2010-11 £	2011-12 £	2010-11 £	2011-12 £
Cambridgeshire	552,655	4,779	4,316	3,239	2,765	45,034	37,085	13,498	1,357
Leicester City	279,923	9,081	8,349	10,860	4,298	153,792	141,968	9,253	146,004
Leicestershire	609,579	4,898	4,647	3,248	3,406	86,734	81,272	34,460	74,986
Lincolnshire	646,646	4,830	4,151	1,684	1,764	28,787	29,984	758	46,393
Norfolk	796,733	4,936	4,684	5,150	2,721	58,754	54,078	40,439	1,386
Peterborough	156,060	5,767	5,049	2,454	2,691	47,527	49,987	0	0
Warwickshire	505,885	4,857	4,566	2,866	2,129	36,516	29,694	11,244	52,858

(Population based on 2001 Census)

Marketing Activity

The DfE initiative 'The Importance of Phonics' was contained in the Education White Paper 'The Importance of Teaching' of November 2010 and the DfE commissioned ESPO to deliver a National Solution for the benefit of every Key Stage One (KS1) primary school in England.

ESPO managed the entire programme on behalf of Pro5 which included two National market engagements for Phonics Products and Training providers; the outcome was published and promoted through a DfE-supported Phonics catalogue which was issued to every KS1 primary school in England during October 2011.

ESPO Account Mangers have actively promoted the Phonics catalogue and the matched funding which has resulted in a large number of new customers on a national level.

In addition we have also developed and created a dedicated website and brochure for Academies and those schools that are considering Academy status. The website contains an interactive forum that enables customers to ask questions and share best practice with other Academies

A further development primarily for the Education Sector has been the introduction of Procurement Healthchecks whereby ESPO offers a review of a customer's current purchasing arrangements for goods and services and compares them with ESPO's own framework arrangements; this has identified thousands of pounds in savings for individual schools and is a key part of our support to the Education Sector.

This year we have attended various events, exhibitions and conferences which are detailed below; these are a mix of local regional and national events and continue to be part of the annual marketing plan for the organisation. Among those events we attended were:

Primary Heads Conference	Leicestershire
MSTAR Workshops	Birmingham, Leicester
EXPO Ed	Cambridgeshire
Meet the Buyer	Lincolnshire
Headteachers Conference	Norfolk
Meet the Buyer	Norfolk
Trade Fair	Newport – Wales
Care Exhibition	Stoke on Trent
School Business Managers Conference	Northamptonshire
NASBM Conference	National (Hinckley)
Phonics Conference	Leicestershire
Bursars Conference	Peterborough
Procurex Conference	Birmingham
SOPO*	London
Open for Business Conference	Norfolk
Maths Inset Day	Swansea – Wales

* Society of Procurement Officers in Local Government

Significant Matters

During 2011/12 ESPO experienced significant change in relation to the development of its warehouse operation. This is ongoing and members have been made aware of changes on a regular basis and will continue to be kept informed.

Leicestershire County Council also introduced revised terms and conditions for all employees, the impact of which is expected to result in a more harmonised approach to how ESPO employees are recognised within the Leicestershire County Council environment, in its capacity as ESPO's servicing authority.

In the latter part of 2012/13 ESPO will see the arrival of a new Director to take forward the evolving business strategy already beginning to be finalised and implemented within the organisation. There will be a handover period between the departure of the Interim Director and the new Director to ensure continuity of service.

Staffing

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

During 2011/12 the following staff achieved 25 years' service with ESPO: Barbara Taylor, Elaine Sager-Dodd, Colin Truscott and Clive Doherty.

I would also like to thank all those who retired during 2011/12 and wish them well. This includes Mike Kendall, Jacque Kerry, Kate Bennett and David Harrison.

This year, in order to give a more accurate reflection of our staffing establishment we have changed the way we demonstrate our staffing profile as shown below.

AVERAGE STAFFING ANALYSIS

	<u>10/11</u>	<u>11/12</u>
WAREHOUSE		
Supervisors	5.8	5.0
Office	11.8	11.0
Goods in	16.0	13.3
Selection	84.4	76.5
Goods Out	13.1	14.9
Drivers	42.0	43.7
Housekeepers	7.3	7.5
Wales	4.0	3.4
<u>Total Stores</u>	<u>184.4</u>	<u>175.3</u>
PURCHASING		
Directs	6.0	6.0
Food	5.9	5.9
Contracts	7.1	6.4
Furniture	5.9	5.4
Hardware	11.1	10.3
Stationery	9.3	9.0
Car Leasing	3.0	3.0
Highways	7.0	7.0
Energy	9.4	8.9
Training	4.2	5.4
ICT	4.3	4.8
Strategic	10.5	9.9
Major Projects	6.0	5.6
Proc Support	1.1	1.0
<u>Total Purchasing</u>	<u>90.8</u>	<u>88.6</u>
INDIRECT		
Management	5.8	5.3
Finance	23.6	23.6
Marketing	21.1	22.9
Customer Service	18.9	19.6
I.T.	5.0	5.0
Human Resources	3.6	2.0
Corporate Support	3.7	3.7
<u>Total Indirect</u>	<u>81.7</u>	<u>82.1</u>
Total Staffing (Avg)	<u>356.9</u>	<u>346.0</u>