ESPO MANAGEMENT COMMITTEE – 7 MARCH 2013

AGENDA ITEM 4

FORECAST OUTTURN 2012/13 AND DRAFT MTFS 2013/14 – 2016/17

JOINT REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER

Purpose of Report

1. To update the Management Committee on the financial implications of the Four Year Medium Term Financial Strategy (MTFS) for 2013/14 -2016/17.

2. To present the Forecast Outturn for 2012-13

3. To present the MTFS 2013/14 -2016/17 (draft 2013-14 budget and draft outline budgets for 2014-15, 2015-16 and 2016-17) for approval.

Background

4. The Forecast Outturn for 2011-12 and Budget for 2012-13 was approved by the Management Committee on 2 March 2012.

5. The intention to move to a four year Medium Term Financial Strategy was presented to the Finance and Audit Subcommittee and Management Committee in June 2012, together with a draft outline budget for 2013-14, 2014-15 and 2015-16.

6. The assumptions underlying this budget and MTFS were considered by the Finance and Audit Sub Committee on 20 November 2012.

7. The draft 2013-14 budget and the MTFS were presented to the Finance and Audit Subcommittee on 18 February 2013. The reports were considered in detail and an extract of the minutes of this discussion is attached to this report marked as Appendix 2.

Updated Outline ESPO Four Year Strategy 2013/14 – 2016/17

8. The financial implications of the four year strategy document along with the key assumptions can be summarised in the following table:

ESPO BUSINESS PLAN MODEL **SUMMARY**

	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2013/14 Year 1	2014/15 Year 2	2015/16 Year 3	2016/17 Year 4
	£m	£m	£m	£m	£m	£m	£m
PROJECTED USE OF ESPO SERVICES							
INVOICED SALES	86.6	86.5	91.6	94.5	96.6	99.7	102.4
CONTRACTS & COMMISSIONING	449.1	1009.0	445.0	499.0	514.0	529.0	534.3
TOTAL	535.7	1095.5	536.6	593.5	610.6	628.7	636.7
TRADING INCOME	18.1	17.8	17.9	17.8	17.8	17.9	17.9
TRADING SURPLUS	3.1	2.6	2.7	1.8	1.9	2.2	2.3
MEMBERS' DIVIDEND	1.0	1.7	1.5	1.1	1.2	1.4	1.6
USABLE CASH RESERVES	5.9	6.6	7.8	8.0	8.7	9.4	10.2
NET WORTH	6.8	8.5	9.6	10.5	11.2	11.9	12.7
PROPERTY, PLANT AND EQUIPMENT	11.0	11.2	11.0	11.1	11.9	11.9	11.9
LOAN LIABILITY	-9.5	-9.0	-8.5	-8.0	-7.5	-7.0	-6.5
FORECAST ASSUMPTIONS:							
Price Inflation - Energy		0.2%	15.0%	5.0%	6.0%	2.0%	2.0%
Stores Income Growth		3.8%	8.1%	3.7%	5.3%	3.3%	2.0%
Stores Price Inflation		3.0%	1.9%	1.5%	1.0%	1.0%	1.0%
Stores Volume Growth		-3.3%	6.2%	2.2%	4.3%	2.3%	1.0%
Wage Inflation		0.0%	0.0%	1.0%	1.0%	1.0%	1.0%
Headcount - Stores Average FTE		196.4	192.0	189.4	188.4	188.4	188.4
- Procurement Average FTE		150.9	149.2	170.7	179.9	179.9	179.9
-Total		347.3	341.2	360.1	368.2	368.2	368.2
Cumulative Indigo Warehouse Efficiencies £k			0	200	400	600	800
Other Project Efficiencies			100	150	350	650	900
Warehouse Payroll Costs as % of Stores T/O		11.52%	11.19%	9.97%	9.43%	9.21%	9.10%

9. The figures for 2012-13 represent the forecasted out turn for this financial year. The figures for 2013-14 represent the draft budget as it currently stands. A detailed scenario analysis has been prepared to allow members to see the impact of various events and allow consideration as to whether they should be included in the draft budget for 2013-14. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1E.

10. The original draft outline Four Year MTFS presented in June 2012 was as follows:

ESPO BUSINESS PLAN MODEL **SUMMARY**

	2010/11 Actual	2011/12 Year 1	2012/13 Year 2	2013/14 Year 3	2014/15 Year 4	2015/16 Year 5
	£m	£m	£m	£m	£m	£m
PROJECTED USE OF ESPO SERVICES						
INVOICED SALES	86.5	83.9	92.4	90.6	95.3	98.8
CONTRACTS & COMMISSIONING	449.1	452.0	445.0	499.0	514.0	529.0
TOTAL	535.6	535.9	537.4	589.6	609.3	627.8
TRADING INCOME	18.1	17.0	17.4	17.6	18.1	18.6
TRADING SURPLUS	3.1	1.8	1.5	1.4	1.6	1.9
MEMBERS' DIVIDEND	1.0	1.4	1.2	1.1	1.3	1.5
USABLE CASH RESERVES	5.9	6.1	6.2	5.9	5.9	6.4
NET WORTH	6.8	7.7	8.4	8.6	9.6	10.7
PROPERTY, PLANT AND EQUIPMENT	11.0	10.8	10.9	11.4	11.9	11.9
LOAN LIABILITY	-9.5	-9.0	-8.5	-8.0	-7.5	-7.0
FORECAST ASSUMPTIONS:						
Price Inflation - Energy		0.2%	15.0%	5.0%	6.0%	2.0%
Stores Income Growth		3.8%	7.5%	5.0%	5.0%	3.8%
Stores Price Inflation		3.0%	1.9%	0.3%	0.3%	0.3%
Stores Volume Growth		-3.3%	5.4%	4.7%	4.7%	3.5%
Wage Inflation		0.0%	0.0%	1.0%	1.0%	1.0%
Headcount - Stores		196.4	192.8	191.0	192.0	195.5
- Procurement		150.9	168.1	170.2	170.2	170.2
-Total		347.3	360.8	361.2	362.2	365.7
Cumulative Warehouse Efficiencies £k			-160	-490	-830	-1180
Warehouse Payroll Costs as % of Stores T/O		11.76%	10.78%	10.22%	9.71%	9.36%

11. Key financial drivers for the strategy over the next four years remain as follows:

- ESPO commitment to value for money; the organisation's main objective;
- Clear focus on achieving cost efficiencies, being transferred in to business growth initiatives and sustained lower prices;
- Secure and adapt to maintain core business
  - Grow Stores volume by 20% through competitive pricing and outstanding service;
  - Growth in rebate income by 25% through greater control and supply chain management
- Development staff capabilities and new skill sets;
- Expand the services offered to customers thus broadening the offering and hence the customer base.

- Spread the benefit of ESPO to all users in the form of competitive pricing;
- A fair return to members relative to the risk they take;
- Grow the net worth of the business;
- Minimise risk and maximise opportunities by growing ESPO capability and unique skills.

As with all strategies ESPO will be flexible to the impact of external events and will respond accordingly should the need arise.

12. A critical contribution underpinning the financial strategy will be the use of the forty efficiency projects identified in September 2011(and updated to Management Committee on 6 December 2012) to support the sub inflationary price rises predicted over the next four years. In simple terms the efficiencies will support the margin which would otherwise have been eroded by unavoidable supplier price increases. This supports the value for money key objective and maintains the appropriate surplus level.

13. The Indigo warehouse efficiency savings are shown separately and over the 4 year period amount to a cumulative total of £0.8m.

14. Beyond the headcount increases allowed for in the 2012-13 budgets and rolled forward in to the 2013-14 budget, there are no significant further increases built in. Payroll inflation has been kept at minimal levels throughout the 4 year period.

15. As a result of the tight headcount controls, minimal wage inflation, new systems and a policy of driving volume through the warehouse, the warehouse payroll costs as a percentage of stores turnover decreases from 11.52% in 2011-12 to 9.10% in 2016-17.

16. The financial model includes allowance for the training and development of staff in both procurement and finance. Structured training schemes are in place in both areas to ensure staff have the best and latest capabilities and skills.

17. The model has been structured to generate a surplus of around £2m per annum of which 80% each year would be distributed as a dividend to Member Authorities. In total over the four year period 2012-16 £5.2m is forecast to be distributed to members compared to £5.1m in the original presentation in June 2012. This is after allowing £0.4m each year for the building replacement fund which was not included in the original indicative MTFS presented in June 2012.

18. In 2014-15 net debt will be zero as cash will be greater than the outstanding loan liability. The business will thus have zero net gearing and this represents a strong balance sheet for ESPO going forward.

Detailed Review of Forecast Outturn 2012-13 Compared to Budget

Income

19. A breakdown of the Forecast Income for 2012-13 compared to budget is show below

		2012/13 Budget £'000	2012/13 Forecast £'000
Committee Summary			
Stores			
	Sales	39,682	40,738
	Oncost	30,218	30,890
	Margin	9,464	9,848
	Other Income	60	30
	Catalogue Advertising	898	901
	Direct Order Oncost	0	0
	Gas Oncost	0	0
	Rebates from Suppliers	252	464
		1,209	1,395
Central Purchasing			
	Other Income	122	163
	LCC Recharges	0	0
	Catalogue Advertising	0	0
	Direct Order Oncost	2,099	2,238
	Gas Oncost	395	364
	Major Projects Income	165	110
	Rebates from Suppliers	3,981	3,758
		6,761	6,633
	Total	**17,434**	**17,876**

20. Total Income is 2.5% ahead of budget or £442k. The key positive variance is in store sales margin which is £384k ahead of budget driven by higher than budget volumes (2.6% ahead of budget) and mark-up being 0.6% ahead of budget due to a favourable sales mix.

21. Total Rebates at £4.2m are in line with budget.

22. Direct Order Oncost is £139k ahead of budget driven by higher Directs business in particular in furniture and food.

23. Other income includes bank interest which is higher than budget due to maintaining a higher average cash balance than expected.

24. Major projects income is below budget mainly due to the team being disbanded partway through the year and allocated to different duties, in particular to focus services being offered to Academies.

25. A more detailed breakdown including comparison with the prior year has been prepared and is included in Appendix 1D.

Employee Expenditure

26. A breakdown of Employee Expenditure for 2012-13 compared to budget is shown below.

	ORIGINAL BUDGET 2012-2013 £'000	FORECAST OUTTURN 2012-2013 £'000
EMPLOYEES		
Salaries & Wages	8,077	7,868
National Insurance	524	471
Pension Fund Contributions	1,199	1,062
	9,799	9,401

27. The 2012-13 budget included an allowance of £0.6m for the implementation of the Procurement and Marketing restructure. This is being implemented now, and hence the financial impact will be felt in the 2013-14 budget.

28. Included in employee expenditure are agency costs. These are running £240k ahead of budget due to the delayed implementation of Indigo and a heightened focus on ensuring that store business is delivered as far as possible in line with customer expectations during peak trading periods despite the increased volume.

29. Total average FTE is expected to end the year at 341.2 compared to a budget of 356.1.

30. A more detailed breakdown of Employee Expenditure and Headcount has been prepared. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1A.

Non Employment Expenditure

31. The summary position for non-employment expenditure for 2012-13 compared to budget is shown below:

	ORIGINAL BUDGET 2012-2013 £'000	FORECAST OUTTURN 2012-2013 £'000
Non Employment Expenditure	6,140	5,765

32. In total non-employment expenditure is £375k below budget. The key positive variances are in IT (£155k), Catalogue production (£42k), Staff training (£60k) and Transport (£102k).

    A more detailed breakdown including comparison with the prior year has been prepared and is included in Appendix 1A.

Surplus

33. As a result of the additional income (£442k), lower employment costs (£398k) and lower non employment costs (£375k) the surplus for 2012-13 will be £1,215k ahead of budget at £2,710k. This compares with an outturn last year of £2,664k.

Efficiencies

34. The total number of projects supporting the efficiency drive total 45 and when fully implemented will generate £1.1m of annual savings on a cost base budget for 2012-13 of £15.9m, a target saving of 7%. To date 25 projects have been implemented, 3 cancelled and 1 added (water efficiency). To date these will deliver £233k of annual efficiencies with the remaining projects (Indigo, Stock replenishment, E Orders, E invoicing etc.) on track to deliver the remaining efficiencies.

35. A full breakdown of the latest status on the efficiency projects has been prepared. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1D.

Balance Sheet

36. A summary balance sheet compared to the prior year is detailed below:

	ACTUAL 2011-12 £'000	FORECAST OUTTURN AT 2012-13 £'000
FIXED ASSETS		
Land & Buildings	10,000	9,915
Other Fixed Assets	1,506	1,045
	11,506	10,960
CURRENT ASSETS		
Stocks	4,441	4,800
Sales Ledger Debtors	8,828	9,360
Other Debtors	1,451	1,510
Cash & Cash Equivalents	7,229	6,143
	21,949	21,813
CURRENT LIABILITIES		
Purchases Creditors	(6,309)	(6,880)
Members Dividend	(3,496)	(1,506)
Other Creditors	(6,150)	(6,270)
Bank Overdraft	0	0
	(15,955)	(14,656)
NET CURRENT ASSETS	5,994	7,157
LONG TERM LIABILITIES		
Long Term Creditor	(9,000)	(8,500)
	8,500	9,617
FINANCED BY:		
RETAINED RESERVES		
General Fund	2,569	2,946
Earmarked Reserves	1,648	1,496
Vehicles & Equipment Reserve	1,765	2,276
Stores Maintenance Reserve	617	1,044
	6,599	7,762
NON-CASH BACKED RESERVES		
Revaluation Reserve	2	0
Capital Adjustment Account	1,899	1,855
TOTAL NET WORTH	8,500	9,617

37. Stock has increased by 8% in line with the increase in stores turnover. Stock turn will end the year at approximately 9 times with a key target next

year to increase this to 10 times.

38. Debtor days are expected to outturn at 37.24, a fractional decrease on the prior year of 37.29.

39. At year end the land and buildings will be re-valued as normal, the above balance represents last year's valuation less depreciation.

40. During the year £3.496m was paid to members for prior years dividends and it is forecast that a provision will be required for £1.506m this year.

41. Other creditors represents, Pro 5 liabilities on Phonics, VAT, Climate Change Levy, specific accruals, PAYE/NI, Directs/Gas not invoiced etc.

42. Over the year the Net Worth of the business as measured by net assets has increased by £1.1m.

Cash Flow

43. A summary cash flow for the one year period to 31/3/13 is presented below

	FORECAST OUTTURN AT 2012-13
REVENUE ACTIVITIES:	
Cash outflows -	
Cash paid to and on behalf of employees	9,838
Cash paid for goods and services	66,701
Other operating cash payments	4,399
Cash inflows -	
Cash received for goods and services	(84,205)
Revenue Activities Cash Flow	(3,267)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:	
Cash outflows -	
Dividends paid	3,496
Interest paid	425
Cash inflows -	
Interest received	(75)
	3,846
CAPITAL ACTIVITIES:	
Cash outflows -	
Purchase of fixed assets	7
Cash inflows -	
Sale of fixed assets	0
	7
NET (INFLOW) / OUTFLOW BEFORE FINANCING:	586
Repayment of Building Loan	500
(INCREASE)/ DECREASE IN CASH:	1,086

MOVEMENTS IN CASH BALANCES	Forecast 31-Mar 2012
Cash in hand and at bank	6,143
	6,143
NET (INCREASE)/ DECREASE IN CASH:	1,086

44. The key driver behind the net cash outflow of £1,086k was the payment of the dividend of £3,496k in December 2012. This has been partly offset by minimal capital expenditure payments, generation of above budget surplus and working capital management.

Service Line Analysis

45. One of the requirements of the ESPO strategic review was the production of a detailed service line analysis; this has been prepared for 2012/13. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1B.

Capital Expenditure

46. There has been minimal capital expenditure during the year and this has been reflected in the budget for next year to maintain the organisations infrastructure and capability.

DETAILED REVIEW OF 2013-2014 BUDGET

Income

47. A breakdown of the Forecast Income for 2013-14 compared to the prior year is show below:

		2012/13	2013/14
Committee Summary		Forecast	Budget
Stores		£'000	£'000
	Sales	40,738	42,254
	Oncost	30,890	32,038
	Margin	9,848	10,216
	Other Income	30	30
	Catalogue Advertising	901	896
	Direct Order Oncost	0	0
	Gas Oncost	0	0
	Rebates from Suppliers	464	248
		1,395	1,174
Central Purchasing			
	Other Income	163	172
	LCC Recharges	0	0
	Catalogue Advertising	0	0
	Direct Order Oncost	2,238	2,098
	Gas Oncost	364	336
	Major Projects Income	110	0
	Rebates from Suppliers	3,758	3,826
		6,633	6,432
	Total	**17,876**	**17,822**

48. Total Income is flat compared to the prior year. Store sales are budgeted to grow by 3.7% next year compared to 8.1% the prior year reflecting a flattening of performance seen in quarter 3 and quarter 4 this year. It also reflects the further tightening of public sector funds.

49. Total Rebates at £4.1m show a small decrease (£0.1m) on the prior year reflecting some changes in rebate arrangements with GPS on multi-function devices and possible other changes with paper suppliers yet to be finalised.

50. Direct Order Oncost budgeted to fall by £140k due to the DofE Phonics initiative coming to an end in October 2013.

51. Other income includes bank interest and sales of fixed assets which are expected to increase on the prior year as a result of the planned capital investment programme.

52. Major projects income is zero due to the team being disbanded partway through the year and allocated to different duties, in particular to focus on the Academies.

53. A more detailed breakdown including comparison with the prior year has been prepared and is included in Appendix 1D.

Employee Expenditure

54. A breakdown of Employee Expenditure for 2013-14 compared to budget is shown below.

	FORECAST OUTTURN 2012-2013 £'000	BUDGET 2013-2014 £'000
EMPLOYEES		
Salaries & Wages	7,868	8,108
National Insurance	471	622
Pension Fund Contributions	1,062	1,421
	9,401	10,152

55. The 2012-13 budget included an allowance of £0.6m for the implementation of the Procurement and Marketing restructure. This is now expected to be implemented during 2013-14 and has been rolled forward in to this budget. The benefits of the restructure will be:

- Additional services to members as outlined in the ESPO strategic review at no additional cost;
- Lower risk;
- Growth in the number of framework contracts available to members and non-members and hence directs/rebates;
- Sustained growth in the stores operation;
- Strong marketing function supporting a national procurement operation leading to further growth.

56. It is assumed that Indigo will be implemented and that efficiency savings in agency labour of £0.2m will be achieved.

57. Included in this is an assumption of 1% pay award across all grades at a cost of £0.1m for each year of the MTFS. This is subject to the local government pay settlement and decision of the Servicing Authority's Employment Committee.

58. Total average FTE is expected to end the year at 360.2. The movement in FTE over the previous 4 years has been as follows

2010-11	354.1
2011-12	346.4
2012-13	341.2
2013-14	360.2

59. A more detailed breakdown of Employee Expenditure and Headcount has been prepared. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1A.

Non Employment Expenditure

60. The summary position for non-employment expenditure for 2013-14 compared to prior year is shown below:

	FORECAST OUTTURN 2012-2013 £'000	BUDGET 2013-2014 £'000
Non Employment Expenditure	5,765	5,854

61. In total non-employment expenditure is budgeted to increase by 1.5% which is sub inflationary and is reflective of the delivery of some of the 45 efficiency projects.

A more detailed breakdown including comparison with the prior year has been prepared and is included in Appendix 1A.

Surplus

62. As a result of the lower income (£54k), higher employment costs (£751k) and higher non employment costs (£89k) the surplus for 2013-14 will be £894k lower than prior year at £1,816k.

Efficiencies

63. The total number of projects supporting the efficiency drive total 45 and when fully implemented will generate £1.1m of annual savings on a cost base budget for 2012-13 of £15.9m, a target saving of 7%. By 31/3/2014 it is expected that all of the 45 projects that can be delivered will have been implemented though the full savings will be realised in subsequent years. In the 4 year plan by 2016-17 Non Employment expenditure is forecast to fall by £537k compared to the 2013/14 budget, the balance of the £1.1m target efficiency saving is reflected in the fall in warehouse payroll costs as a percentage of sales to 9.10% in 2016-17 from 11.19% in 2012/13

Further efficiency projects will evolve during the year, as the current efficiency activity nears completion.

Balance Sheet

64. A summary balance sheet compared to prior year is detailed below:

	FORECAST OUTTURN AT 2012-13 £'000	DRAFT BUDGET AT 2013-14 £'000
FIXED ASSETS		
Land & Buildings	9,915	9,830
Other Fixed Assets	1,045	1,287
	10,960	11,117
CURRENT ASSETS		
Stocks	4,800	4,225
Sales Ledger Debtors	9,360	8,971
Other Debtors	1,510	1,490
Cash & Cash Equivalents	6,143	7,229
	21,813	21,915
CURRENT LIABILITIES		
Purchases Creditors	(6,880)	(7,211)
Members Dividend	(1,506)	(953)
Other Creditors	(6,270)	(6,400)
Bank Overdraft	0	0
	(14,656)	(14,564)
NET CURRENT ASSETS	7,157	7,351
LONG TERM LIABILITIES		
Long Term Creditor	(8,500)	(8,000)
	9,617	10,468
FINANCED BY:		
RETAINED RESERVES		
General Fund	2,946	3,309
Earmarked Reserves	1,496	791
Vehicles & Equipment Reserve	2,276	2,387
Stores Maintenance Reserve	1,044	1,469
	7,762	7,956
NON-CASH BACKED RESERVES		
Revaluation Reserve	0	0
Capital Adjustment Account	1,855	2,512
TOTAL NET WORTH	9,617	10,468

65. Stock has decreased by £575k in line with the target stock turn of 10 times. This will be one of the benefits of the new stock optimisation team implemented as part of the restructure with no adverse impact on stock availability.

66. Debtor days are expected to outturn at 34.64, a decrease on the prior year of 37.24 of 2.6 days. This will be achieved by increased use of Direct Debit payment methods and increased targeting of finance resource on debt collection.

67. At year end the land and buildings will be re-valued as normal, the above balance represents the prior year's valuation less depreciation.

68. Other creditors represents, Pro 5 liabilities on Phonics, VAT, Climate Change Levy, specific accruals, PAYE/NI, Directs/Gas not invoiced etc.

69. Over the year the Net Worth of the business as measured by net assets has increased by £0.85m.

Cash Flow

70. A summary cash flow for the one year period to 31/3/14 is presented below

	DRAFT BUDGET AT 2013-14 £'000
REVENUE ACTIVITIES:	
Cash outflows -	
Cash paid to and on behalf of employees	10,164
Cash paid for goods and services	65,449
Other operating cash payments	4,542
Cash inflows -	
Cash received for goods and services	(84,413)
Revenue Activities Cash Flow	(4,258)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:	
Cash outflows -	
Dividends paid	1,506
Interest paid	403
Cash inflows -	
Interest received	(75)
	1,834
CAPITAL ACTIVITIES:	
Cash outflows -	
Purchase of fixed assets	887
Cash inflows -	
Sale of fixed assets	(50)
	837
NET (INFLOW) / OUTFLOW BEFORE FINANCING:	(1,586)
Repayment of Building Loan	500
(INCREASE)/ DECREASE IN CASH:	(1,086)

MOVEMENTS IN CASH BALANCES	Budget 31-Mar 2014
Cash in hand and at bank	7,229
	7,229
NET (INCREASE)/ DECREASE IN CASH:	(1,086)

71. The key driver behind the net cash inflow of £1,086k is the working capital management measures mentioned in the balance sheet. This offsets the £1,086k cash outflow in the prior year even after the planned capital investment programme that has been budgeted for.

Service Line Analysis

72. One of the requirements of the ESPO strategic review was the production of detailed service line analysis; this has been prepared for 2013/14. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1C.

Capital Expenditure

73. There had been minimal capital expenditure in the prior year but draft budgetary provision has been made as follows – this expenditure will be managed in line with the 'standing orders' set out in the constitution.

	£'000
IT Projects (see below)	463
Servers & printers	20
Vans	320
Counter balance truck	54
Generator	30
	887

IT Projects	
Demand Planning	143
E Tendering / E Procurement	100
Rebates system	100
GEMS 2	120
	463

Performance Management Framework

74. To ensure the successful delivery of this budget a performance management framework will be implemented around the recently introduced balanced scorecard. This will include a number of specific procurement measures as well as the balance sheet and cash flow targets mentioned earlier in this paper. These will flow down in to the PDR's of the Senior Management team, their direct reports, and through the business.

Detailed Scenario Analysis of 2013-14 Budget

75. A detailed scenario analysis has been prepared as follows for members to consider alongside this budget. This will allow members to review alternative financial solutions for ESPO, but also to be satisfied that risk scenarios have been considered throughout this exercise. Each scenario can be considered in isolation or grouped. The full impact of each scenario on its own has been assessed though the impact of several being implemented may not be a simple sum of the parts.

76. The detailed scenario analysis has been prepared. This information is of a commercially sensitive nature and it is thus included in the exempt report elsewhere on the agenda in Appendix 1E.

Supplementary Information Informing the Budget

77. Further information which informs the budget, of a commercially sensitive nature, is contained in Item 13 (Exempt Report I), elsewhere on the agenda.

Resources Implications

78. The Medium Term Financial Strategy is the key financial plan for ESPO.

Recommendation

79. Members are asked to:

    a) Note the forecast outturn for 2012/13;

    b) Approve the draft four year medium term financial strategy which includes the draft budgets for 2013-14, 2014-15, 2015-16 and 2016-17;

Equal Opportunities Implications

80. None

Risk Assessment

81. None identified

Officers to Contact [

Mr J Doherty – Director (Tel: 0116 265 7931)
Mr B Roberts – Consortium Treasurer (Tel: 0116 305 7831)

Appendix 1

Appendix 1A - Detailed 4 Year Income and Expenditure Analysis

Appendix 1B - Detailed Balance Sheet

Appendix 1C - Detailed Cash Flow

Appendix 1D - Detailed Full Income Analysis 2012-13

Appendix 2 - Extract from the minutes of the meeting of the Finance and Audit Subcommittee held on 18 February 2013