

## **ANNUAL REPORT 2013/14**

### **INTRODUCTION**

ESPO is a local authority purchasing consortium. Our purpose and objectives are to provide our Member Authorities and other client bodies with a comprehensive, cost effective contracting and procurement service, covering a diverse range of commodities, products and services, as well as offering a complete and professional procurement consultancy, and assisting clients with complex procurement projects.

The Mission Statement is set out as:

*'To work in partnership with our stakeholders to drive Value-for-Money for the Public Sector, through comprehensive procurement solutions'*

ESPO's objective is to demonstrate its ability to deliver value for money services to our customers. In doing this we must ensure that our Member Authorities achieve a reward commensurate with the risk they share as ultimate funders of ESPO.

Value for money services will be achieved by ensuring a competitive offering is delivered by collaboration and recognising in some instances others can do it better. Achieving competitiveness will be delivered through improved efficiencies, focusing on the customer by improving service offering, listening and delivering what they need, and by understanding, managing and working with our supply chains.

Both risk and performance management are an integral part of day-to-day operations. Risk management at ESPO is monitored and reviewed through a compliance process featuring a business case methodology and a risk strategy which is managed through the senior management team to the ESPO Management Committee.

ESPO will target an annual 3.5% return on capital.

Underpinning all of the above will be through retaining our loyal staff and continuously developing their capabilities.

### **OUR VISION**

ESPO operates across the public sector in the UK, providing a comprehensive and cost effective procurement service for local authorities, schools and academies, voluntary and community organisations and charities. We understand the need to embrace fully the needs of our Member Authorities and our customers and to ensure that their economic, social and environmental requirements are met.

***'To be the first choice provider of Public Sector procurement solutions'***

We will achieve this by bringing together a mix of commercialism, market insight, category expertise, and best practice sourcing. ESPO will work with all of its stakeholders, to engage markets and thereby achieve optimum outcomes for the benefit of its customers. ESPO will proactively challenge current practice, serving as a focal point for collaboration (where commercially sensible), bringing leadership and articulating new commissioning and sourcing strategies. We are committed to a programme of Continuous Improvement in our own operations as we seek to be the purchasing agent of choice in the local government/public sector.

## **ACCOUNTABILITY AND FINANCIAL REPORTING**

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the organisation is required to produce a set of accounts in order to inform stakeholders that it has properly accounted for all public money it has received and spent and that its financial standing is on a secure footing.

### **FINANCIAL STATEMENTS**

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

#### Core Statements

The Movement in Reserves Statement shows the movement in year on the different reserves held by the Organisation.

The Comprehensive Income and Expenditure Statement summarises the income and expenditure of the Organisation during the year.

The Balance Sheet shows the value as at the 31st of March 2014 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities.

The Annual Governance Statement sets out the framework designed to ensure that the Organisation operates a sound system of internal control which facilitates the effective exercise of its operations, and which includes arrangements for the management of risk. Whilst it is not a requirement to be part of this Statement of Accounts it is attached to this statement to aid the user to better understand the governance arrangements in force within the Organisation.

### **TRADING RESULTS**

The spending restrictions imposed on local authorities by central government have continued to bite and this trend is expected to continue with further central government challenges expected. In addition the transfer of schools from Local Authority control to Academy status has continued and is expected to accelerate as we progress towards 2015.

ESPO has performed strongly in 2013-14 in all aspects of our business including consumables, directs, energy and broader procurement solutions. We continue to demonstrate our commitment to, and understanding of, the broader procurement needs of our stakeholders as evidenced by the increased uptake of our 500 plus frameworks and contracts, both regionally and nationally.

In the letting of these frameworks and contracts, ESPO has successfully balanced the requirements of the Social Value Act, observed sensible financial vetting procedures, established commercial value for customers by aggregating customer demand, and critically understood the local needs in member areas with respect to supporting local businesses.

Our awareness of the local employment challenges faced by members is evidenced by 55% of successful tenders having been secured by small and medium sized enterprises (SMEs) in the last 12 months through ESPO.

Stores' sales value has increased this year by £2,017k (5%) to £42.3million. Sales to member authorities including academies have grown by 2%, while sales

to other authorities have increased by 8%. The growth in store sales was thus principally achieved in non-member areas.

The Department of Education Phonics initiative which was launched in September 2011 finished in October 2013 and as a result the Directs catalogue products business decreased to £21.6million from £23.3million (including phonics sales) the prior year. This national initiative was co-ordinated by ESPO on behalf of the Pro5 consortium.

Overall the organisation's invoiced turnover for the year including rebates was £95.6million. This was 1.7% higher than the prior year which was primarily due to higher store sales, rebates and increased gas usage.

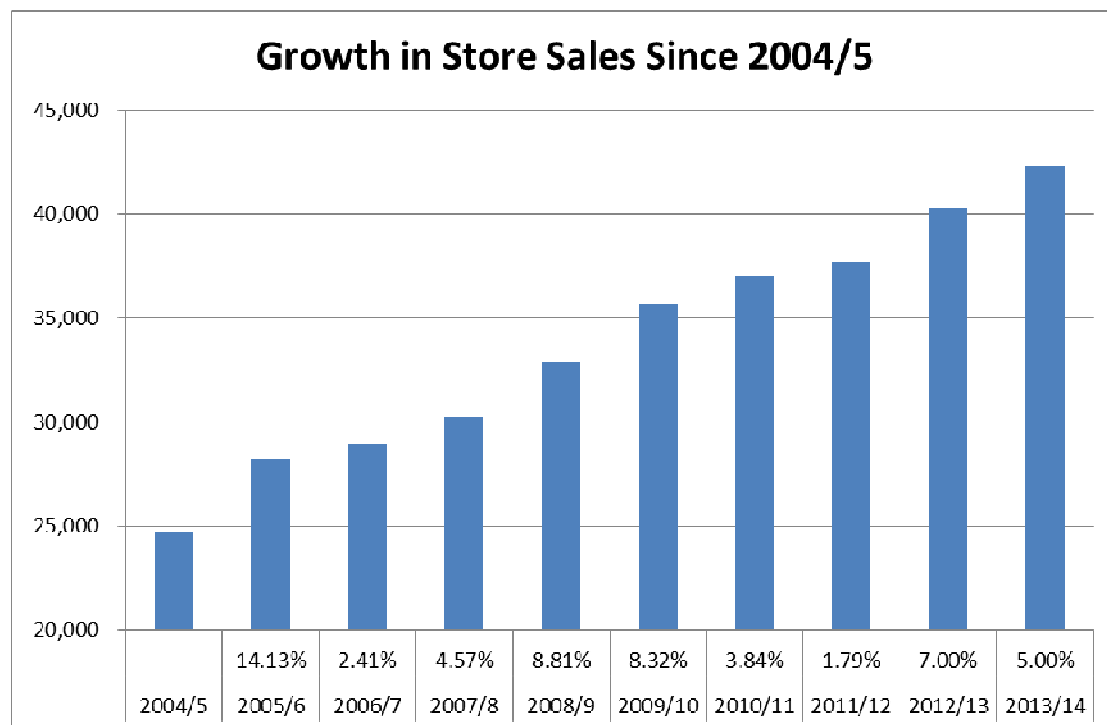
The reported statutory surplus of £xxmillion compares with the prior year of £2.7million and reflects continued investment in our procurement, IT and marketing capabilities, investment in value for money pricing for our stakeholders and growth in the business.

Net cash balances decreased by £0.7million during the year to £8.5million, this was after paying a £1.5million dividend to members in December 2013.

## **STORES**

Stores sales of were just over £42.3m, an increase of 5% on last year.

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



## **STORES PRICES**

The chart below illustrates the price inflation for items held within Stores since 2003/04.

04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14
-0.35%	-0.18%	0.95%	1.66%	0.75%	4.54%	2.34%	3.10%	1.90%	0.03%

### **MARKETING ACTIVITY**

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:

School Business Managers Conference	Northamptonshire
Academies Show	London
School Business Managers Forum	London
Meet the Supplier Event	Warwickshire
Early Years Conference	London
Head Teachers Event	Rugby
National Association of School Business Managers	Cardiff
School Business Managers Exhibition	Milton Keynes
Midland Colleges Regional Meeting	ESPO
Headteachers Conference	Cambridge
Free Schools Conference	London
Local Authority Caterers Association	Birmingham
Newly Qualified Teachers Conference	Cambridge
Secondary Schools Business Managers	Leicester
School Bursars Roadshow	Leicestershire
Primary Headteachers Conference	Cambridge
Eco Conference	Norfolk
National Association of School Business Managers Conference	Leicestershire
Phonics Workshop	Warwick
Academies Show	Birmingham
Education Business Awards	London
Primary School Business Managers	Leicester City
Neopost Customer Event & Exhibition	ESPO
Education Show	Birmingham
Public Sector Show	London

### **SIGNIFICANT MATTERS**

The land and buildings at Grove Park are in the process of being re-valued this year and will be completed prior to the closure of accounts on 30 June. The indicative valuation remains at £10million, the same as the prior year and hence no change.

The medium term financial strategy including the budget for 2014-15 was approved by the Management Committee in March 2014. The four year strategy focuses on value for money, growth and developing increased capability within the organisation to be the leading public sector procurement organisation in the country.

### **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 2014 the following staff will achieve 25 years' service with ESPO: Alan Hind, Jill Malony, Wendy Dilley, Mandy Sidwell, Janice Streather, Richard Tomlinson, Mark Woolerton and Margaret Geary.

I would also like to thank all those who retired during 2013/14 and wish them well. This includes Ed Walsh, Jenny Saville and Barbara Taylor.

Finally, I would like to acknowledge our Employee of the Year, Pravin Patel, Driver and our winner of the Outstanding Contribution Award, Michael Cree, Technical Specialist (IT). All permanent staff are eligible for these awards and the winners are chosen by their peers.

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