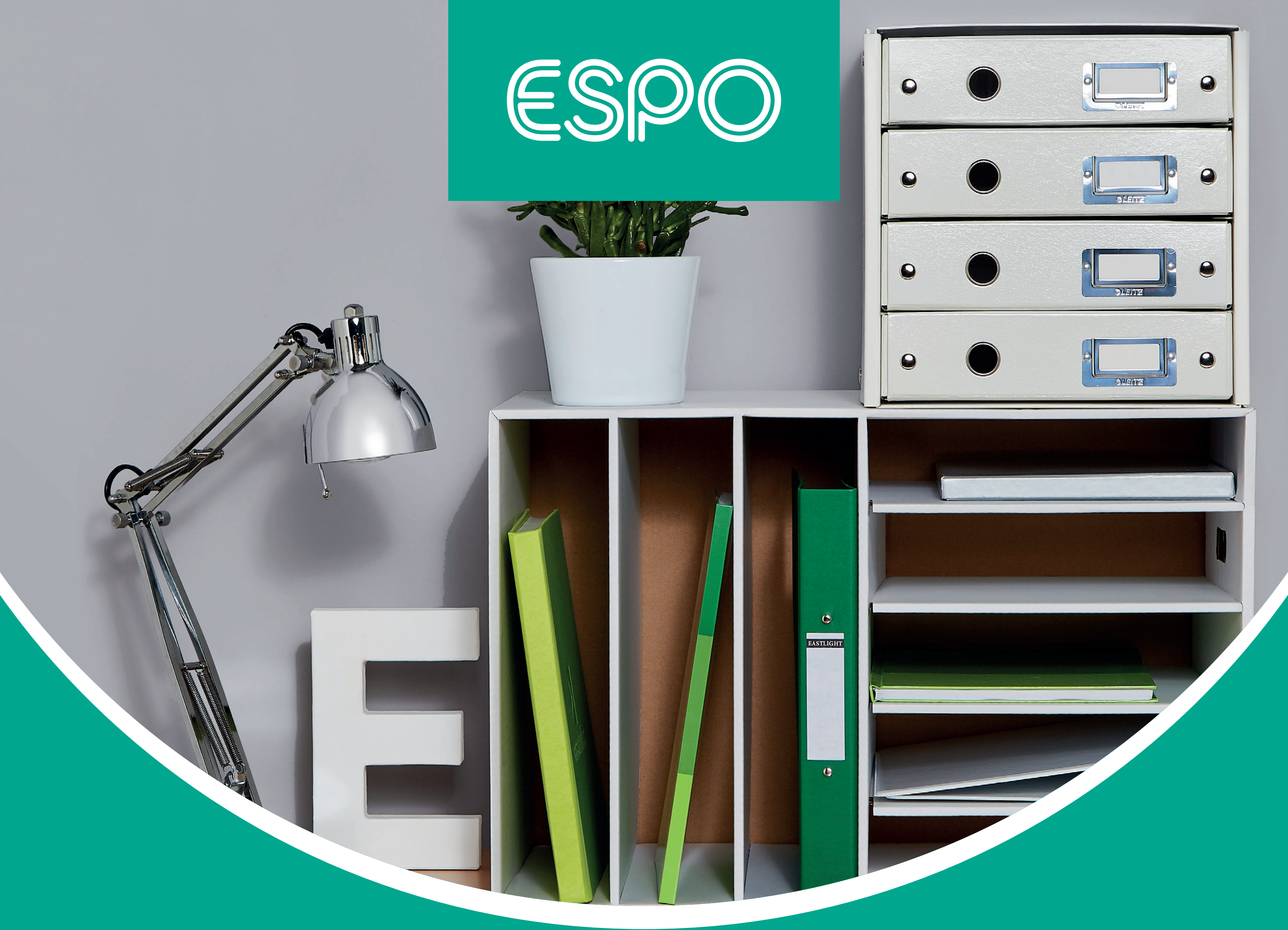

Annual report and financial statements

2021 - 2022

espo.org

Contents

Statement from the Chair

After such a challenging and uncertain year for everyone across the UK in 2020 and early 2021 as a result of the Covid pandemic, we started our 2021/22 financial year seeing a gradual return to normality. Schools re-opened beyond the children of key workers from March 2021, and Government restrictions gradually eased through the year as the UK's vaccination programme took effect.

As with last year, ESPO remained fully open and operational as a critical supplier and procurement partner to schools and the public sector. We remain incredibly proud of our staff team for delivering our services and responding to the challenging trading environment.

Whilst customer demand returned to pre-pandemic levels, global supply chains across most sectors continued to struggle, with Covid and the war in Ukraine affecting global economies. Maintaining product availability and value for money for our customers was a key focus for ESPO and continues to be every day.

ESPO's performance in 2021/22 was good, with the organisation continuing to grow, and ESPO continues to maintain a strong balance sheet with a healthy cash position. During the year, ESPO was able to return £3.3m back to its local authority members to be invested into local services and communities.

Looking ahead, inflation and the impact on the cost of living is a national issue affecting our customers and our own operations. We expect funding in schools and the public sector to continue to be stretched, but by remaining focused on our customer offer and our values, we are confident ESPO is well-placed to meet these challenges.

Cllr G. Peck
Chair of ESPO Management Committee
Date: 16 November 2022

Annual Report

Eastern Shires Purchasing Organisation ('ESPO') provide a 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 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 2022 is presented below.

Review of the business

2021/22 saw a return to pre-pandemic levels of demand and the gradual return to a new form of normal for much of the UK.

Financially, a profit of £3.5m has been created (2020/21: £4.0m) and the Management Committee are happy with the result given the impact of higher pension accounting costs this year.

Overall revenue increased from £79.4m last year to £90.6m. Through our catalogue, we delivered or administered £67.7m of goods to customers, over £10m higher than last year, reflecting a return to more normal trading activity. Based out of our Leicester warehouse and head office, our staff continued to work in a Covid-secure way and whilst some staff were able to work from home, many remained on site during the pandemic. During the year, ESPO was also able to support the DfE and a programme in schools to allow children to 'catch up' in mathematics. Our close relationship with suppliers and manufacturers allowed us to rapidly source bespoke products for the scheme at scale.

Gas revenue remained steady at £13m, but ESPO acts as a procurement agent for this income stream, taking a fixed fee from customers. During the latter half of 2021/22, we saw a huge increase in gas and energy wholesale prices and ESPO's offer, where our Energy team forward buy energy to help our customers manage risk, proved hugely valuable. Customers benefitted from the good prices we had secured in advance, and the reduced uncertainty our offer provides, and this continues through 2022/23.

Rebate income from our frameworks continued to grow and reached a record £9.1m, 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. One notable area of cost increases this year related to pensions, where the current service cost increased from £2.7m to £4.0m, largely from the annual update of assumptions.

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.

Political risk

On 31 January 2020, the United Kingdom left the European Union and entered a transitional period until 31 December 2020. A trade deal with the EU was agreed and came into effect from 1 January 2021 and this clarified the UK's trading relationship with the EU. ESPO continues to closely evaluate the operational and financial impacts arising from the UK leaving the EU and will adjust plans, to ensure service levels remain in line with current performance, accordingly.

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.

Annual report 2021/22

Covid-19

On 11 March 2020, the World Health Organisation labelled the public health emergency situation caused by the Covid-19 outbreak, as a global pandemic. The rapid escalation of events, in both the United Kingdom and worldwide, resulted in an unprecedented health crisis that has, and continues to have, an impact on the macroeconomic environment and business evolution. To tackle the issue, the UK government issued orders to stay at home, closed certain businesses and venues, and prohibited public gatherings along with other guidelines.

ESPO responded to this in a variety of ways to ensure the wellbeing of employees and minimise disruption to the business as far as possible. All staff who could work from home, did work from home, and we have responded to this crisis by managing safety on site in our warehouse and offices. As restrictions lifted, ESPO commenced a gradual return to the office and hybrid working.

Many customers of ESPO temporarily closed for business or altered operations, as many schools closed. ESPO sought to achieve cost savings during this period to maximise cashflow, as well as taking advantage of government support available, such as the employee furlough scheme. Government restrictions continued to evolve and change throughout 2020 and 2021, and as lockdown eased and schools re-opened, we saw demand increase.

ESPO continued to trade throughout the pandemic and provided essential services and supplies to our customers and the communities they serve. We were proud to be chosen to act as a Local Authority distribution hub for key products and food parcels being sent to vulnerable people under the Government shielding programme for Leicestershire County Council, Leicester City, and Rutland. Our staff have played a key part throughout the pandemic, with some of our team continuing to operate at our head office site in a Covid-secure environment, and a significant number working remotely in-line with government guidelines.

ESPO continues to monitor the impact of Covid on the business both domestically and on our wider international supply chain.

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 five years is presented to the Management Committee and reviewed and approved on an annual basis. Also, a revised forecast for the current trading year is carried out every six months to reflect any changes that may materially impact the year end position.

At year end, ESPO has net current assets of £19.8m, 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, and that they are sufficient to show and explain ESPO's transactions and disclose with reasonable accuracy at any time, the financial position of ESPO and 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 take 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 Finance of Leicestershire County Council who is the 'Consortium Treasurer'.

These accounts were approved at a meeting of the Management Committee on 16 November 2022.

Cllr. G Peck

Chair, ESPO
Management Committee

C Tambini

Director of Finance of Leicestershire County Council (Consortium Treasurer of ESPO)

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 2022, 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 2022 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 Joint 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 Joint Committee with respect to going concern are described in the relevant sections of this report.

Other information

The Joint Committee are responsible for the other information. The other information comprises the information included in the Strategic 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, except to the extent otherwise explicitly stated in our report, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Joint Committee for the financial statements

As explained more fully in the Management Committees' responsibilities statement set out on page 5, the Joint 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 Joint Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint 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 Joint 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.

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 to 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 auditor's report.

Use of our report

This report is made solely to the Joint Committee, as a body, in accordance with our letter of engagement dated 4 April 2022. 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.

Fortus Audit LLP

Fortus Audit LLP
Chartered Accountants and Statutory Auditor
31 High View Close
Leicester
LE4 9LJ

Date: 29th November 2022

Income Statement

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	5	90,565	79,427
Cost of sales		(63,159)	(54,856)
Gross profit		27,406	24,570
Distribution costs		(2,278)	(1,989)
Administrative expenses		(21,102)	(17,993)
Operating profit	8	4,026	4,588
Exceptional Items	9	250	-
Interest receivable	10	19	22
Interest payable	11	(781)	(619)
Profit for the financial year		3,513	3,992

Statement of Comprehensive Income

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Profit for the financial year		3,513	3,992
Gains arising on revaluation of tangible fixed assets		2,449	1,190
Remeasurement of net defined benefit liability	18	9,094	(9,585)
Total comprehensive income		15,056	(4,403)

Balance Sheet

As at 31 March 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	12	604	771
Tangible assets	13	19,187	16,723
		19,791	17,494
Current assets			
Stocks	14	6,963	6,785
Debtors: amounts falling due within one year	15	9,537	9,030
Cash at bank and in hand		13,120	10,718
Creditors: Amounts falling due within one year	16	(9,829)	(8,639)
Net current assets		19,791	17,893
Total assets less current liabilities		39,582	35,388
Creditors: Amounts falling due after more than one year	17	(3,750)	(4,500)
Post Employment Benefits	18	(20,217)	(26,995)
Net assets		15,615	3,893
Capital and reserves			
General Reserve		30,012	27,344
Pension Reserve		(20,217)	(26,995)
Revaluation Reserve		5,820	3,544
Total Reserves		15,615	3,893

The financial statements of Eastern Shires Purchasing Organisation were approved by the members and authorised for issue on 16 November 2022. They were signed on its behalf by:

C. Tambini

Director of Finance of Leicestershire County Council
(Consortium Treasurer of ESPO)

Statement of Cash Flows

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Net cash from operating activities	21	**6,995**	**2,784**
Cash flows from investing activities			
Purchase of fixed assets	13	(489)	(154)
Purchase of intangible assets	12	(79)	(768)
Interest received	10	19	22
Net cash from investing activities		**(549)**	**(900)**
Cash flows from financing activities			
Interest paid	11	(210)	(232)
Repayment of borrowings		(500)	(500)
Dividends paid		(3,334)	(4,032)
Net cash used in financing activities		**(4,044)**	**(4,764)**
Net increase/(decrease) in cash and cash equivalents		**2,402**	**(2,880)**
Cash and cash equivalents at the beginning of the year		**10,718**	**13,597**
Cash and cash equivalents at the end of the year		**13,120**	**10,718**

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Statement of Changes in Equity

For the year ended 31 March 2022

	P&L Reserve £,000	Pension Reserve £,000	Revaluation Reserve £,000	Total £,000
At 1 April 2020	**26,547**	**(16,575)**	**2,354**	**12,326**
Profit for the financial year	3,992	-	-	3,992
Other Comprehensive Income for the year	-	(9,585)	-	(9,585)
Total comprehensive income	**30,539**	**(26,160)**	**2,354**	**6,733**
Surplus on revaluation of land and buildings	-	-	1,190	1,190
Remeasurement of net defined benefit liability	835	(835)	-	-
Dividend paid	(4,032)	-	-	(4,032)
At 31 March 2021	**27,344**	**(26,995)**	**3,544**	**3,893**
Profit for the financial year	3,513	-	-	3,514
Other Comprehensive Income for the year	-	9,094	-	9,094
Total comprehensive income	**30,857**	**(17,901)**	**3,544**	**16,500**
Surplus on revaluation of land and buildings	172	-	2,276	2,449
Remeasurement of net defined benefit liability	2,316	(2,316)	-	-
Dividend paid	(3,334)	-	-	(3,334)
At 31 March 2022	**30,012**	**(20,217)**	**5,820**	**15,615**

Notes to the financial statements

For the year ended 31 March 2022

1. General Information

Eastern Shires Purchasing Organisation ('ESPO') provides, 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 Covid-19, taking account of reasonable possible changes in trading performance, and shows that ESPO should be able to continue to operate for the foreseeable future.

With regard to Covid-19, the organisation is acting to deal with events arising from the pandemic and minimise the impact on ESPO. The Consortium considers this is a temporary situation, and according to the current cash position and revised forecasts, this will not compromise the organisation's ability to continue as a going concern.

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.

The 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 is recognised 1 month in arrears given the nature of our role in validating bills and supporting our customers to manage risk.

3. Summary of Accounting Policies (continued)

c. Turnover (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 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 liability (asset).

The return on plan assets: Excluding amounts included in net interest on the net defined benefit liability (asset) – 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; not accounted for as an expense.

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

Notes to the financial statements

3. Summary of Accounting Policies (continued)

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 and charged to the Income Statement. 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 – 4 to 10 years

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.

j. Inventory

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. 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.

3. Summary of Accounting Policies (continued)

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.

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 (other than those involving estimations) 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 the ESPO's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Accounts

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Property, Plant and Equipment

The warehouse and offices 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's Resources Department carry out the valuation. The current property value used in the 2021/22 accounts is based on a certificate issued by the Council's Principal Valuer as at 31 March 2022.

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 at 31 March 2022 is £19.2m.

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 2022 is £20.2m (2021: £27.0m).

The effects on the net liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £1.5m. A one-year increase in member life expectancy compared with the assumption used would increase the liabilities by £2.5m. However, the assumptions interact in complex ways. During 2021/22, the organisation's actuaries advised that the net pension liability had decreased by £6.8m attributable to updating of the assumptions.

The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the valuation.

Debtors

At 31 March 2022 ESPO had a balance of sales ledger debtors of £7.5m. A review of overdue debts has identified that impairment for doubtful debts of £0.2m 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.

Stock

Stocks of catalogue products are held in anticipation of sales to customers and at 31 March 2022 gross stock of £7.7m 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,

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 2022 the provision for the possible impairment of stock amounted to £0.7m.

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.

Notes to the financial statements

For the year ended 31 March 2022

5. Turnover and revenue

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

Turnover	2022 £'000	2021 £'000
Stock Orders	47,615	41,887
Direct Orders	20,191	15,230
Gas	12,889	13,088
Rebate Income	9,068	8,331
Catalogue Advertising	802	837
Miscellaneous Income	-	54
	90,565	79,427

6. Senior Officers' remuneration and transactions

	2022 £'000	2021 £'000
Senior Officers' remuneration		
Aggregate Emoluments	671	506
Pensions Contributions	123	101
	794	607

	Number	Number
The number of senior officers who:		
Are members of a defined benefit pension scheme	6	6

Notes to the financial statements

For the year ended 31 March 2022

7. Staff numbers and costs

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

	2022 Number	2021 Number
Operations	167	164
Purchasing	106	113
Administration	46	49
	319	326

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	9,448	9,057
Social security costs	859	884
Defined benefit pension scheme costs (see note 17)	4,001	2,663
	14,308	12,604

8. Operating Profit

Operating profit is stated after charging/(crediting):

	2022 £'000	2021 £'000
Staff costs (excluding Agency costs)	12,564	12,053
Audit fees payable to the organisation's auditors	29	32
(Profit)/loss on disposal of tangible fixed assets	(4)	-
Impairment of Inventory	56	59

9. Exceptional items

	2022 £'000	2021 £'000
Exceptional items	250	-

The exceptional item relates to a non-cash adjustment for the loan with Leicestershire County Council (for the purchase of the Grove Park premises in 2005) to correct the historical loan balance.

Notes to the financial statements

For the year ended 31 March 2022

10. Interest Receivable

	2022 £'000	2021 £'000
Bank interest	19	22

11. Interest Payable

	2022 £'000	2021 £'000
Interest payable on long term loan	210	233
Pension interest cost and expected return on pension assets	571	386
Other interest payable	-	-
	781	619

12. Intangible assets

	IT Software £'000	Assets Under Construction £'000	Total £'000
Cost			
At 1 April 2021	784	765	1,549
Additions	79	-	79
Disposals	-	-	-
Transfers	765	(765)	-
At 31 March 2022	1,628	-	1,628
Amortisation			
At 1 April 2021	778	-	778
Charge for the year	247	-	247
Disposals	-	-	-
At 31 March 2022	1,025	-	1,025
Net book value			
At 31 March 2021	6	765	771
At 31 March 2022	604	-	604

Assets Under Construction related to third party costs for the development of a new website which went live in April 2021.

Notes to the financial statements

For the year ended 31 March 2022

13. Tangible fixed assets

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2021	15,550	4,294	19,844
Additions	174	315	489
Disposals	-	(19)	(19)
Revaluation	2,276	-	2,276
At 31 March 2022	**18,000**	**4,590**	**22,590**
Depreciation			
At 1 April 2021	-	3,121	3,121
Charge for the year	172	306	478
Additions	-	(24)	(24)
Disposals	(172)	-	(172)
At 31 March 2022	**-**	**3,403**	**3,403**
Net book value			
At 31 March 2021	15,550	1,173	16,723
At 31 March 2022	**18,000**	**1,187**	**19,187**

The historical cost of revalued land and buildings are £12,176,000 (2021: £12,006,000).

Notes to the financial statements

For the year ended 31 March 2022

14. Stocks

	2022 £'000	2021 £'000
Goods for sale	6,963	6,785
	6,963	6,785

15. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	7,548	7,317
Prepayments and accrued income	1,243	912
Other debtors	107	168
Amounts due from related parties	639	633
	9,537	9,030

16. Creditors – amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	4,824	4,948
Other taxation and social security	271	411
Accruals and deferred income	2,753	1,758
VAT payable	1,118	882
Other creditors	363	140
Loans repayable within one year	500	500
	9,829	8,639

Notes to the financial statements

For the year ended 31 March 2022

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

	2022 £'000	2021 £'000
Long Term Loan	3,750	4,500
	3,750	4,500

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. During the year an exceptional non-cash loan adjustment of £250,000 was needed to correct the historical loan balance.

18. 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 fund actuarial valuation as at 31 March 2019 identified that the fund's assets were sufficient to meet approximately 89% 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 2021/22, ESPO paid an employer's contribution of £2,256k (2020/21: £2,214k), into the Pension Fund, representing an average 23.6% of total pensionable pay. In addition, ESPO is responsible for all pension payments relating to added-years benefits it has awarded, together with the related increases. In 2021/22 these amounted to £12k (2020/21 - £10k), representing 0.2% of pensionable pay.

The IAS 19 balance sheet position as at 31 March 2022 is £20.2m (31 March 2021 – £26.9m).

Notes to the financial statements

For the year ended 31 March 2022

18. Employee Benefits (continued)

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

	2022 £'000	2021 £'000
Current service cost	4,001	2,663
Past service cost	-	-
Net interest cost	571	386
	4,572	3,049

Recognised in other comprehensive income:

	2022 £'000	2021 £'000
Changes in financial assumptions	(5,417)	(15,466)
Changes in demographic assumptions	(317)	(787)
Other experience	132	381
Return on assets excluding amounts included in net interest	(3,492)	6,287
Total remeasurements recognised in Other Comprehensive Income	(9,094)	(9,585)

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

	2022 £'000	2021 £'000
Present value of defined benefit obligations	(42,159)	(35,789)
Fair value of scheme assets	62,376	62,784
Net liability recognised in the balance sheet	(20,217)	(26,995)

The liability shows the underlying commitment that the organisation has in the long run to pay postemployment - retirement benefits. This total liability of £20.2m has a substantial impact on the net worth of the organisation as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit will result in the deficit being made good by increased contributions by the employer, over the remaining working life of employees, as assessed by the actuary.

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Notes to the financial statements

For the year ended 31 March 2022

18. Employee Benefits (continued)

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

	2022 £'000	2021 £'000
At 1 April	62,784	43,314
Service cost	4,001	2,663
Interest cost	1,326	1,025
Contributions from scheme participants	526	534
Benefits paid	(659)	(624)
Changes in financial assumptions	(5,417)	15,466
Changes in demographic assumptions	(317)	787
Other experience	132	(381)
At 31 March	62,376	62,784

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

	2022 £'000	2021 £'000
At 1 April	35,789	26,739
Interest income on plan assets	755	639
Contributions from the employer	2,256	2,214
Contributions from scheme participants	526	534
Benefits paid	(659)	(624)
Return on assets (excluding amounts included in net interest)	3,492	6,287
At 31 March	42,159	35,789

Notes to the financial statements

For the year ended 31 March 2022

18. 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:

	2022		2021	
	£'000	% of total	£'000	% of total
Equity Securities				
Consumer	49	0%	92	0%
Manufacturing	6	0%	27	0%
Energy and Utilities	60	0%	75	0%
Financial Institutions	85	0%	114	0%
Health and Care	34	0%	26	0%
Information technology	17	0%	30	0%
Other	99	0%	260	1%
Debt Securities				
UK Government	2,116	5%	3,030	8%
Other	79	0%	464	1%
Private Equity	2,819	7%	1,650	5%
Real Estate				
UK Property	3,244	8%	2,675	7%
Investment Funds and Unit Trusts				
Equities	19,411	46%	14,374	40%
Bonds	-	0%	1,512	4%
Hedge Funds	-	0%	3	0%
Commodities	1,058	3%	1,266	4%
Infrastructure	2,204	5%	1,882	5%
Other	8,659	21%	7,283	20%
Derivatives				
Foreign Exchange	87	0%	(46)	0%
Cash and Cash Equivalents	2,129	5%	1,072	3%
Total	**42,159**	**100%**	**35,789**	**100%**

Notes to the financial statements

For the year ended 31 March 2022

18. Employee Benefits (continued)

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:

	2022	2021
Key assumptions used:		
Discount rate	2.7%	2.0%
Pension Increase Rate (CPI)	3.2%	2.8%
Salary Increase Rate	3.6%	3.3%

Mortality assumptions:

Life expectancy is based on the Fund's VitaCurves in line with the CMI 2021 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.

	2022 years	2021 years
Current Pensioners:		
Males	21.5	21.71
Females	24.0	24.2
Future Pensioners:		
Males	22.4	22.6
Females	25.7	25.9

Notes to the financial statements

For the year ended 31 March 2022

18. Employee Benefits (continued)

The estimation of the defined benefit obligation is sensitive to actual assumptions set out in the table previously. 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, assume 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 2020 are:

	Approximate increase in Employer Liability	**Approximate Monetary Amount £'000**
0.1% decrease in Real Discount Rate	2%	1,478
1 year increase in member life expectancy	4%	2,495
0.1% increase in Salary Increases Rate	0%	171
0.1% increase in the Pension Increase Rate	2%	1,297

The impact of a change, either from increase to decrease or vice versa, would be as above but with the values being reversed.

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 100% over the next 20 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2019. Increases in employer's contribution rate that are required within the valuation will be phased in over a three-year period commencing 1 April 2020. The contributions payable by ESPO under this valuation are:

2020/21	22.3% of pensionable pay + £355k
2021/22	22.3% of pensionable pay + £433k
2022/23	22.3% of pensionable pay + £516k

Notes to the financial statements

For the year ended 31 March 2022

18. Employee Benefits (continued)

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 £2.3m of employer contributions to the scheme in 2022/23, and the weighted average duration of the defined benefit obligation for scheme members is 25 years.

19. Subsequent events

The consortium has concluded that there are no subsequent events which require any adjustment to the financial statements for the year ended 31 March 2022.

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 2021/22 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 2021/22 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 2021/22 these sales totalled £31,179k (2020/21: £29,172k). The breakdown by consortium member authority is as follows:

	2022 £'000	**2021 £'000**
Cambridgeshire County Council	5,078	4,870
Leicestershire County Council	4,989	4,696
Lincolnshire County Council	5,860	5,570
Norfolk County Council	8,155	7,251
Peterborough City Council	1,944	1,762
Warwickshire County Council	5,154	5,023
Total	**31,179**	**29,172**

Notes to the financial statements

For the year ended 31 March 2022

20. Related party transactions (continued)

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 2021/22 transactions with Leicestershire County Council were:

	2022 £'000	2021 £'000
Loan repayment (see note 17)	500	500
Loan interest	210	233
Services	812	734
Total	**1,522**	**1,467**

Debtors and creditors

	Debtors		Creditors	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cambridgeshire County Council	311	320	6	-
Leicestershire County Council	358	265	-	4
Lincolnshire County Council	539	360	-	-
Norfolk County Council	526	579	-	-
Peterborough City Council	98	106	-	-
Warwickshire County Council	357	474	-	-
Total	**2,190**	**2,104**	**6**	**4**

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:

	2022 £'000	2021 £'000
Sales	692	565
Debtors	48	323
Loan	310	310

Interest on the loan 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.

Notes to the financial statements

For the year ended 31 March 2022

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

	2022 £'000	2021 £'000
Operating profit for the financial year	**4,026**	**4,588**
Adjustments for:		
Depreciation of property, plant and equipment	478	407
Amortisation of intangible assets	247	21
Profit on disposal of property, plant and equipment	(4)	-
Remeasurement of net defined benefit liability	1,745	449
Decrease/(increase) in trade and other receivables	(508)	(780)
Decrease/(increase) in inventories	(178)	(133)
Increase/(decrease) in trade payables	1,189	(1,768)
Net cash from operating activities	**6,995**	**2,784**

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