

ANNUAL REPORT**INTRODUCTION**

The combined totals of Stores sales, Direct orders, Period (framework) Contracts and contracts placed on behalf of specific customers totals nearly £527 million for the year 2008/09.

Stores business approached £33 million, an increase of 8.8% which largely consisted of increased sales to non-Member customers which is particularly encouraging.

Growth in Direct orders which are orders placed by the organisation on behalf of customers resulted in an increase of 1.14% and exceeded £44 million.

Period Contracts which are mainly call off framework contracts exceeded £338 million, an increase of over 10.5%.

Contracts placed by our two Strategic Procurement and Commissioning buying groups exceeded £110 million.

TRADING RESULTS

The chart below provides a detailed analysis of the trading results compared to the previous year.

Annual Turnover Statistics 2008/09

	Stores		Direct Orders		Period Contracts		Strategic Procurement and Commissioning	
	2007/08	2008/9	2007/08	2008/9	2007/08	2008/9	2007/08	2008/9
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
CAMBRIDGESHIRE	2,294	2,507	1,667	2,889	33,102	28,112	217,678	3,710
LEICESTER CITY	2,311	2,359	3,032	3,216	44,619	48,534	15,353	5,595
LEICESTERSHIRE	2,687	2,978	2,085	1,986	59,397	62,928	18,021	69,380
LINCOLNSHIRE	3,023	3,128	1,310	1,780	25,627	25,041	14,273	3,715
NORFOLK	3,621	3,896	2,891	5,912	55,862	62,179	1,838	7,260
PETERBOROUGH CITY	846	853	436	516	8,312	8,360	28	0
WARWICKSHIRE	2,259	2,352	2,046	2,824	23,872	21,638	128	2,650
DISTRICT COUNCILS								
Cambridgeshire	118	111	1,228	991	4,200	4,285	12,640	2,443
Leicestershire	85	87	294	855	8,791	8,535	0	0
Lincolnshire	74	99	59	904	4,306	7,329	6,720	0
Norfolk	96	90	731	1,132	7,721	8,870	16,600	300
Warwickshire	30	28	166	96	2,575	4,790	150	480
Other Users	12,803	14,423	28,273	21,623	27,580	47,519	14,305	14,935
TOTAL EXPENDITURE	30,247	32,911	44,218	44,724	305,964	338,120	317,734	110,468
% Variance Over Previous Year	4.57	8.81	3.73	1.14	12.56	10.51	59.07	-65.23

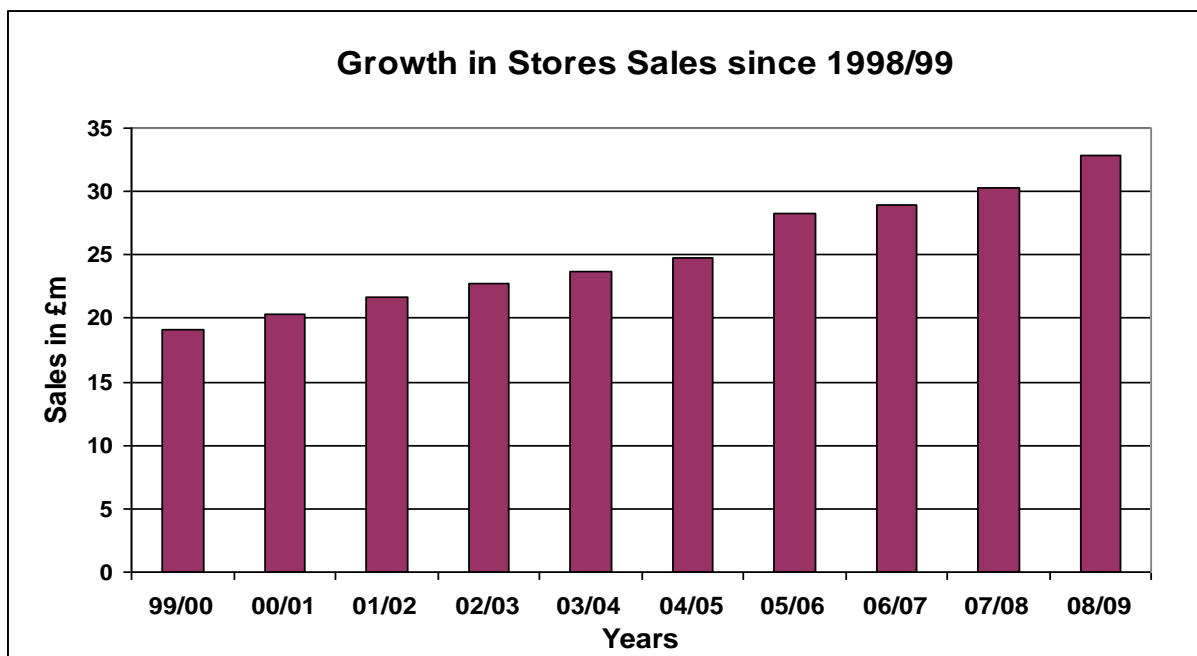
The following chart details the same statistics but provides a clearer picture of the total trading position under the four main methods of procurement within our Member Authorities:

		Turnover		Variance
		2007-08	2008-09	
		£000s	£000s	%
Cambridgeshire	Stores	2,294	2,507	9.29
	Directs	1,667	2,889	73.31
	Period Contracts	33,102	28,112	-15.07
	Commissioning	217,678	3,710	-98.30
	Total	254,741	37,218	-85.39
Leicester City	Stores	2,311	2,359	2.08
	Directs	3,032	3,216	6.07
	Period Contracts	44,619	48,534	8.77
	Commissioning	15,353	5,595	-63.56
	Total	65,315	59,704	-8.59
Leicestershire	Stores	2,687	2,978	10.83
	Directs	2,085	1,986	-4.75
	Period Contracts	59,397	62,928	5.94
	Commissioning	18,021	69,380	285
	Total	82,190	137,272	67.02
Lincolnshire	Stores	3,023	3,128	3.47
	Directs	1,310	1,780	35.88
	Period Contracts	25,627	25,041	-2.29
	Commissioning	14,273	3,715	-73.97
	Total	44,233	33,664	-23.89
Norfolk	Stores	3,621	3,896	7.59
	Directs	2,891	5,912	104.50
	Period Contracts	55,862	62,179	11.31
	Commissioning	1,838	7,260	294.99
	Total	64,212	79,247	23.41
Peterborough	Stores	846	853	0.83
	Directs	436	516	18.35
	Period Contracts	8,312	8,360	0.58
	Commissioning	28	0	-100.00
	Total	9,622	9,729	1.11
Warwickshire	Stores	2,259	2,352	4.12
	Directs	2,046	2,824	38.03
	Period Contracts	23,872	21,638	-9.36
	Commissioning	128	2,650	1,970.31
	Total	28,305	29,464	4.09
	Sub-Total Member Authorities	548,618	386,298	-29.59
Districts & Others	Total	149,545	140,339	-6.16
	Grand Total	698,163	526,637	-24.57

Stores

The value of Stores sales of £32,911 million, an increase of 8%, is an excellent result given the increase of 3% last year, adjusted for inflation, but particularly in the light of the 13% increase in 2005/06 following the acquisition of Northamptonshire County Supplies. Additionally we closed the Book Stores operation in 2006 which transferred sales value to period contracts.

The growth in Stores sales over the last 10 years is illustrated in the following chart:



Growth adjusted for price movements: +3.2% +7.9% +6.5% +2.9% +6.1% +4.72% +13.04% +3.8% +2.86 +8%

(The above annual turnover figures include book sales to 2006/07)

Central Stores Prices

We have continued the trend of reducing or at the very least holding prices below inflation since 1996/97 largely as a consequence of increased sales leading to the organisation achieving lower buying prices. The chart below details the pattern of year on year stores price movements:

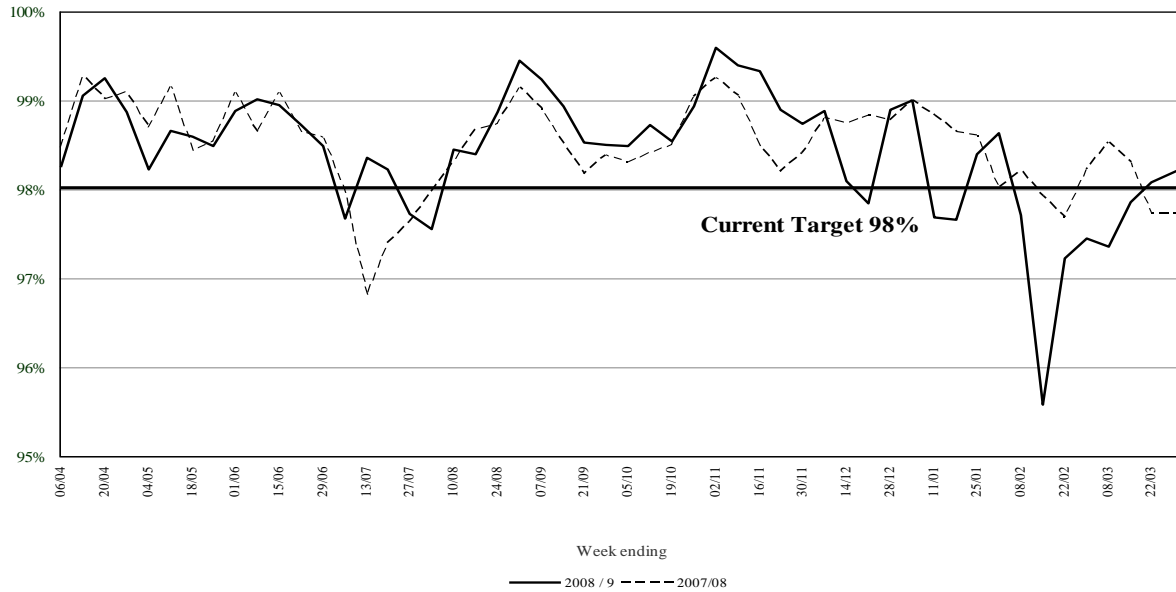
96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
0%	-1.40%	-4.50%	-1.50%	-0.10%	2.15%	-2.02%	-1.23%	-0.35%	-0.18%	0.95%	1.66%	0.75%
					0.23%*							

*excludes paper

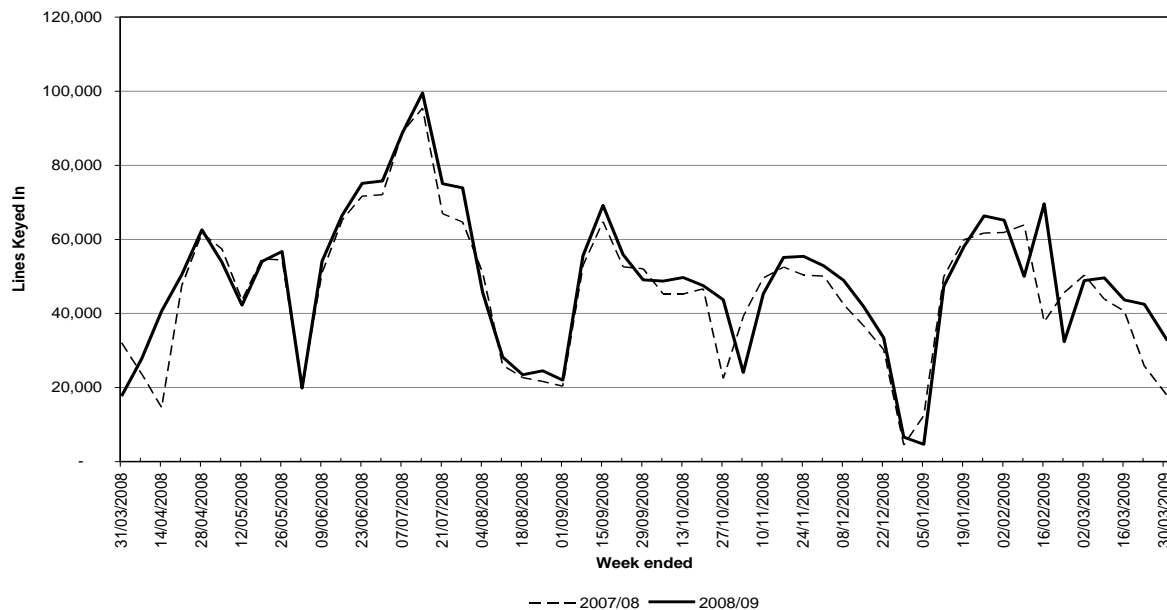
Service Levels to Customers (Stock Availability)

The chart below illustrates our stock availability throughout 2008/09 compared to 2007/08 and clearly demonstrates that we have consistently exceeded our target of 98%.

The unusual trough in February can be attributed solely to the non-availability of salt due to the inclement weather. To place this in perspective, in the Winter of 2007 we sold 3,000 bags. This Winter we sold 31,478 bags in December, 15,622 in January and 8,922 in February. Given the shortage of salt at the time this was quite an impressive achievement in logistics despite the trough indicated in the chart.



The graph below denotes the Stores order input figure (volume not value) for 2008/09, which reflects the significant peaks and troughs, principally a feature of schools' ordering pattern.



There is no doubt that the increased level of sales, which has also enabled the organisation to maintain prices, could not have been achieved without the move to our current premises.

Direct Orders

Sales via Direct orders have increased from £44.218,000 to £44.724,000 with notable increases in Cambridgeshire, Norfolk, Lincolnshire and Warwickshire. However, the increases have been largely offset by decreases in other Member and non-Member Authorities, which can largely be attributed to the replacement cycle of large vehicles which is the main reason for the increase the previous year.

Excluding vehicles the value of Direct Orders actually increased by almost £2.5 million in 2008/09.

Period Contracts

The increase of 10.51% in Period Contracts equates to an increase of £32 million. An analysis of the increases and decreases results in numerous areas with no contract in isolation of significance.

Commissioning/Consultancy

As stated previously in the report the figures for contracts commissioned by ESPO have been adjusted to reflect total value. Examples of the contracts which comprise the £110 million are as follows:

1. A 5 year contract for biodegradable and residual waste for Leicestershire County Council with a total contract value of £30 million.
2. A 5 year contract sponsored by the East Midlands Regional Improvement Partnership to secure better value placements for Social Services clients with high dependency, with a total value of £17 million.
3. A 3 year information technology contract to provide a secondary education platform in Norfolk at a value of £3 million.
4. 3 year contract to support local interest in health and social services known as "LINKs" in Leicestershire, Lincolnshire and Norfolk, valued at £2.2. million.
5. A contract for providing a review of the voluntary sector infrastructure in Leicestershire for 3 years with a total value of £3.3 million.

In total 56 strategic projects were completed in 2008/09 compared with 34 in 2007/08 and there are currently 79 projects representing Work in Progress.

Annual Expenditure per 1000 Head of Population

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

Member Authority	Population	Central Stores		Direct Orders		Period Contracts		Strategic Procurement and Commissioning	
		2007-08 £	2008-09	2007-08 £	2008-09	2007-08 £	2008-09	2007-08 £	2008-09
Cambridgeshire	552,655	4,151	4,536	3,016	5,227	59,896	50,867	393,877	6,713
Leicester City	279,923	8,256	8,427	10,832	11,489	159,397	173,383	54,847	19,988
Leicestershire	609,579	4,408	4,885	3,420	3,258	97,439	103,232	29,563	113,816
Lincolnshire	646,646	4,675	4,837	2,026	2,753	39,631	38,724	22,072	5,745
Norfolk	796,733	4,545	4,890	3,629	7,420	70,114	78,042	2,307	9,112
Peterborough	156,060	5,421	5,466	2,794	3,306	53,262	53,569	179	0
Warwickshire	505,885	4,465	4,649	4,044	5,582	47,189	42,773	253	5,238

(Population based on 2001 Census)

MARKETING ACTIVITIES

Development continues with the relationships and the work of the Corporate Procurement Units and with the exception of Peterborough, these links are getting stronger and our joint messages are getting out to the departments and the teams within these departments.

We have also employed a field based member of staff to look specifically at the framework “Dealing Direct” contract arrangements. Primarily, the role is to promote and profile a range of framework contracts, where appropriate, on a national basis. I am pleased to report that this role is having a significant effect on some framework contracts’ usage and take up.

Wales Marketing Week

Following an approach from the City and County of Swansea to provide cleaning materials to the Authority the Marketing team spent four days visiting schools around the Swansea, Neath and Port Talbot areas to encourage further use of ESPO and continue our development of business in South Wales.

Education Show

Once again we attended the Education Show at the NEC Birmingham, where this year we promoted the core range of educational equipment available from our catalogues.

Exhibitions and Displays

Primary Heads Conference - Cambridgeshire
Early Years and Sports Conference – Leicestershire
Head Teachers’ Conference – Norfolk
Primary Head Teachers’ Conference – Nottinghamshire
Sustainable Schools Exhibition – Lincolnshire
BSEC Exhibition – Manchester (linked to BSF National Programme)
Meals on Wheels – Leicestershire
Social Housing Exhibition – Birmingham
Environmental Day – Cambridgeshire
SOPO Conference – Solihull

Supplier Engagement

Meet the Supplier events - Lincolnshire, Nottingham/Derby/Cambridgeshire.
Procurement Forum - Leicestershire
Key Supplier Event - Leicestershire

Sustainable Procurement Project

I reported in the last Annual Report that ESPO had been accepted as a partner to the SMART-SPP project. This is an EU funded project with eleven partners from the UK, Portugal, Spain, Denmark and Germany. The SMART-SPP project sits within the overall Intelligent Energy Europe Programme and the brief is to drive sustainable innovation through public sector procurement.

The categories are:

- Lighting systems and in particular LED lighting, organic LED lighting, lighting tubes and street lighting
- Highly energy efficient electric vehicles
- Heating and cooling systems using renewable energy sources

The project is scheduled to run for three years to 2011.

SUMMARY

The statistics for the year 2008/09 reveal that other than the year we acquired Northamptonshire County Supplies, the year has been the most successful in terms of growth in all aspects of our procurement activity since the Consortium was formed in 1982.

The aggregation of demand on the scale achieved has enabled the organisation to provide goods and services under frameworks in which many local authorities outside of our membership area now participate.

The case for aggregating yet further local authority demand is without doubt proven and crucial if the efficiencies detailed in the Operational Efficiency Programme (OEP) are to be achieved. Accordingly five of the largest local authority professional buying organisations (PBO's) have agreed to engage the supply market collectively and a review of contracts is planned. The five PBO's consist of:

- Eastern Shires Purchasing Organisation
- Central Buying Consortium
- North Eastern Purchasing Organisation
- West Mercia Supplies
- Yorkshire Purchasing Organisation

and to facilitate a cohesive approach the Office of Government Commerce (OGC) has agreed to form a Local Authority Focus Group within the existing Collaborative Category Boards.

