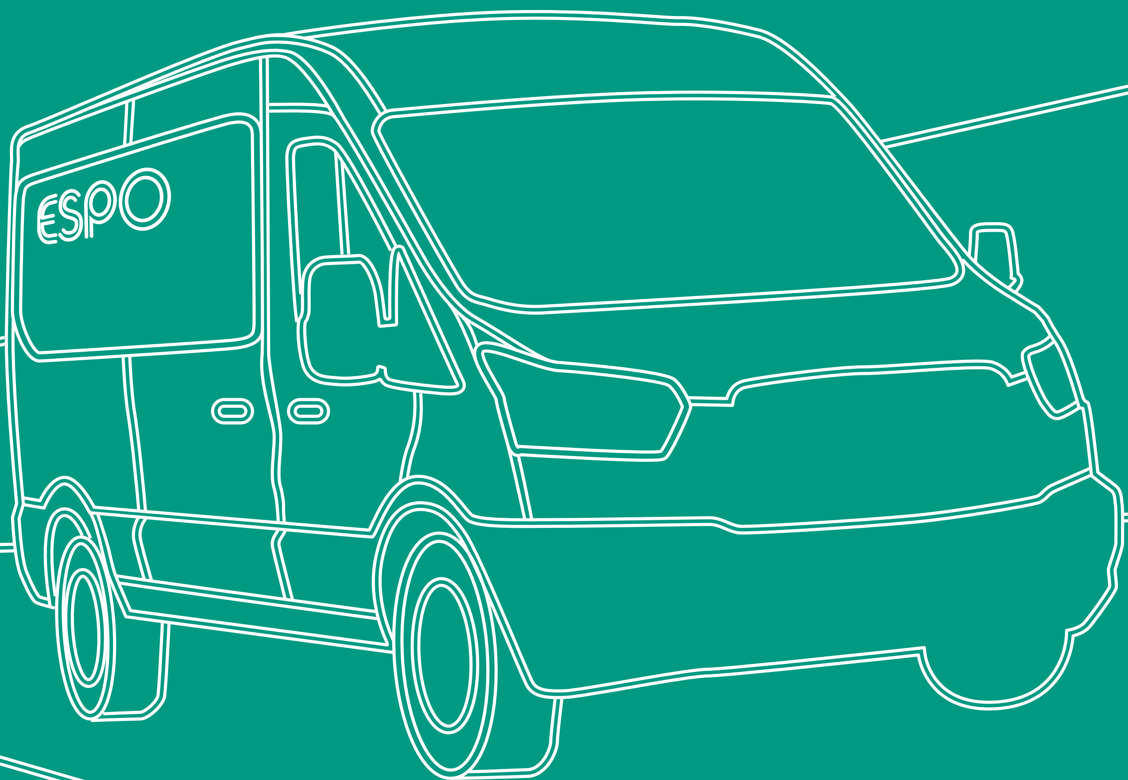
ESPO

Annual Report 2016/17

Statement of accounts and annual governance statement



www.espo.org

Contents

Director's Statement

Welcome to the ESPO annual report and account summary for 2016/17.

In this past year, there have been further developments at ESPO and in our market. In particular, our customers face more strain on their budgets than ever before. As a public sector procurement organisation, our job to provide great value every day becomes more crucial than ever as we help our customers make the most out of limited resources. As budgets continue to be stretched and the market reacts to changes beyond our control, our response continues to be strong. In our 36th year, we continue to deliver to our core values and look forward to a future based on these commitments.

36 years in public sector procurement

Our mission statement

We will work in partnership with our stakeholders to drive value-for-money for the public sector through comprehensive procurement solutions.

ESPO is a public sector buying organisation which has been supplying the education and wider public sector for 36 years. We are jointly owned by six Member Authorities and are committed to providing value-for-money for our customers by pursuing best practice in procurement, sourcing, supply chain management, contract management and compliance.

Providing access to a complete procurement solution, we offer a comprehensive products catalogue, access to over 150 frameworks, and bespoke procurement advice.

Our team of professionals work hard, day-in and day-out, to bring our customers great value every day:

- 36 years of experience providing first-class procurement solutions for the public sector
- Access to 25,000 product lines, with over 10,000 held at our 120,000 square foot warehouse
- 90,000 products picked from our warehouse every week
- 6,000 customers delivered to every week
- Over 150 framework solutions, and many other procurement solutions
- A dedicated team of over 300 staff

As well as meeting the buying needs of our broad customer base, we also understand the need to fully embrace the requirements of our Member Authorities. As such, we target a minimum of 3.5% return on capital every year.

We are dedicated to continual improvement, through the development of our staff as well as through proactive collaborations with customers and other partners to engage markets, challenge current practices and develop innovative new commissioning and sourcing strategies. Our commercial experience, market insight, category expertise and best practice sourcing ensure that we can respond quickly and effectively to the changes in this dynamic and fast changing marketplace.

Our vision

We strive to be the first choice provider of public sector procurement solutions.

Confidence and transparency

As a Local Authority owned organisation, we are governed by a rigorous structure of controls. As part of this process, we produce a set of accounts which informs our stakeholders that ESPO has properly accounted for all public money received and spent. This gives them confidence that our financial standing is secure.

Managing risk performance is also an integral part of our day-to-day operational performance; and risk management is monitored and reviewed through a compliance process and a risk strategy. In addition to management at operational level, oversight and escalation is through the ESPO Leadership team and the ESPO Management Committee.

Our financial activity in relation to the service we provide is shown through a number of key financial statements and notes. These can be found throughout this annual report.

"This year's positive result is a key step on our four-year plan and is something of which we are all proud."

Trading results

In an increasingly challenging market, our customers are currently facing a prolonged period of uncertainty alongside increasing cuts to their budget. As our customers combat significant issues, ESPO as a business remains in a strong position. Our income is derived from many sources right across the local, national and wider public sector from both our catalogue and framework ranges. However, it comes as little surprise that this challenging climate is reflected in our sales figures for the year with total sales at £81.6 million, compared to last year's total of £88.6 million.

Our store sales were flat year on year which in the general downturn in the education market as a whole was a good performance. Direct sales recorded a 5.5% decline caused by the budgetary pressures schools are experiencing. Adding these factors to the lower gas wholesale prices that we have passed on to our customers over the past year, you can see how this has caused the decrease in sales. This is a trend being experienced across the market and is reflected in the independent data collected through the British Educational Suppliers Association (BESA).

ESPO's response throughout the year has been particularly strong as we work together to develop smarter ways of achieving our objectives and to continue to deliver the best value solutions to our customers. I am pleased to share that despite these market pressures we have still managed to achieve our record surplus target of £4.2 million. This compares favourably against last year's result of a £3.3 million surplus. It is a significant milestone in working towards our Medium Term Financial Strategy of reaching a £6 million surplus. This year's positive result is a key step on our four-year plan and is something of which we are all proud.

In November 2016 we updated our core ERP system and also updated our server infrastructure and network switches. All of this was achieved with minimal disruption and within budget.

Overall, our financial performance has been robust, and puts ESPO in a strong position for future growth.

Procurement update

Our customers value ESPO's procurement solutions which are delivered by skilled procurement experts. In order to maintain this high level of expertise, ESPO invests in this cohort with all relevant training.

In 2016/2017, all tenders (without exception) were done through our e-tendering system, which becomes a mandatory requirement by 2017. More than 100,000 suppliers are registered on the East Midlands procurement portal and most of registered suppliers are SMEs. In the third quarter of 2015, a new version of the system was introduced by the service provider. This new version increased the efficiency of the system, improved users experience and covered some of the new compliance requirements under the Public Contracts Regulation, which came into force at the beginning of 2015.

As well as frameworks, the teams have undergone a number of bespoke procurement activities including work commissioned by Leicestershire County Council and Leicester City Council.

Marketing activity

In 2016/17, ESPO was represented at multiple events, exhibitions and conferences promoting both our education and corporate offerings. Made up of a range of local and national events, this channel continues to play a strong part in our annual marketing plan. Some of the highlights of the year include the following:

- The Academies Show (London and Birmingham)
- The LACA Main Event
- NASBM National Conference
- Inspiring Leadership Conference
- Society of Procurement Officers in Local Government (SOPO)
- The Public Sector show
- The Chartered Institute of Housing event

As well as the above, we have also ran a number of training initiatives for customers to improve their procurement knowledge including a series of regional procurement workshops in association with NASBM, an Afternoon Tea event to promote our food and catering frameworks and a live webinar to promote our MSTAR2 framework, the first of its kind here at ESPO.

Significant matters

A valuation of the land and buildings at Grove Park has been carried out and the valuation now stands at £12 million, an increase of £1 million on the prior year.

This year we have been able to identify the specific ESPO Pension Liability for the first time and include it in our statutory accounts. This was previously included in Leicestershire County Council's Statement of Accounts.

The Medium Term Financial Strategy, including the budget for 2017/18, was approved by the Management Committee in March 2017. The four-year strategy focuses on value for money, increasing return for stakeholders, growth and developing increased capability within the organisation as we strive toward our vision of being the first choice provider of public sector procurement solutions in the country.

People at our heart

Reporting on another successful year would not be complete without taking the time to recognise the extraordinary efforts of the staff here at ESPO. We are fortunate to have so many long standing members of staff and during the past year the following have achieved their 25 years' Long Service Award:

Karen Shipton
Dave Thomas
Mark Stevens
Richard Pratt

In addition, I am proud to mention seven members of staff having exceeded this and marked 30 and 35 years with ESPO. My thanks and congratulations go to:

Lila Mistry
Jane Woodham
Ray Vardy
Steven Porter
Liz Winkless

for achieving 30 years and:

Kevin Willsher
Wayne Robinson

for achieving 35 years.

It is with sadness that we announced the passing of **Mr Michael Cross** a long serving and much loved member of staff.

I would like to thank all those who retired during 2016/17 and wish them well. This includes:

Catherine Billington
Josephine Short
Martin Stuart
Anthony Carr

Finally, I would like to acknowledge our Employee of the Year, Gary Ford. Special mention must also go to our winner of the Outstanding Contribution Award, Paul Oliver; and the recipient of the Team Recognition Award, IT, for the successful ERP upgrade.

In summary

We are charting our way through difficult market conditions, and in spite of that performing significantly stronger as an organisation.

We have the commitment of our staff, the support of our owners, and the ongoing loyalty of our customers as we lead ESPO to new heights.

John Doherty
Director

Explanatory Foreword

Introduction

The published accounts of the Eastern Shires Purchasing Organisation (ESPO) are presented in this booklet.

About ESPO

ESPO is a Joint Committee set up under Section 102 of the 1972 Local Government Act. The Member Authorities at 31 March 2017 were Cambridgeshire, Leicestershire, Lincolnshire, Norfolk and Warwickshire County Councils together with Peterborough City Council.

ESPO's main objective is the provision of a professional, comprehensive, value for money purchasing, contracting and supplies service for Member Authorities and other public bodies under the provisions of the Local Authorities (Goods and Services) Act 1970.

In financial terms ESPO has a statutory obligation to recover its operating costs but to keep these at a minimum commensurate with the level of service required and the long-term development of the organisation. Any surplus which accrues is distributed to Member Authorities after a transfer to reserves, held as a working balance, in line with a formula agreed by ESPO's Management Committee.

Performance in 2016/2017

In a difficult trading environment ESPO has achieved a record surplus. This allows ESPO to continue investing in low prices, excellent service and high quality procurement expertise.

Tight control has been maintained over spending both on staff and operating expenses, and this has resulted in a Net Surplus in the management accounts of £4.2M. This enables the announcement of a £2.8M dividend distribution to members for 2016-2017.

Future Prospects

In order to mitigate the possible adverse effects of Local Authority spending constraints on future sales volumes ESPO continues to market its goods and services to a broad public sector audience within and beyond its member areas. This strategy supported the successful performance in 2016/2017 and will be continued in line with ESPO's four year strategy and the medium term financial plan.

ESPO's Accounts

The following accounting statements represent ESPO's accounts for the 2016/2017 financial year and have been prepared on a going concern basis. The statements and notes are presented in a way that is intended to meet the common needs of most users with the objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the consortium, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authorities services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required to be charged to the General Fund Balance. The Net Increase/ Decrease before transfers to earmarked reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the consortium.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost during the year of providing services in accordance with generally accepted accounting practices. It is fundamental to the understanding of the consortium's activities in that it summarises trading income and expenditure for the year ending 31 March 2017 of all functions for which ESPO is responsible.

The consortium recovers operating costs by the addition of a small on cost within the prices charged to customers and by retrospective rebates from suppliers.

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the consortium. The net assets of the consortium (assets less liabilities) are matched by the reserves held by the consortium. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the consortium may use to provide services, subject to the need to maintain a prudent level of reserves. The second category of reserves is those that the consortium is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement

This Cash Flow Statement shows the changes in cash and cash equivalents of the consortium during the reporting period. The Statement shows how the consortium generates and uses cash and cash equivalents as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the consortium are funded from the receipts for services provided by the consortium. Investing activities represent cash outflows that have been made for resources which are intended to contribute to the consortium's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the consortium.

Local Government Pension Scheme

The staff of ESPO are employed by Leicestershire County Council, on a rechargeable basis, although ESPO determines the staffing levels. Employees are eligible for membership of the Local government Pension Scheme (LGPS). The net pension liability for ESPO was £18.4M as at 31 March 2017 compared with £12M as at 31 March 2016. The position has deteriorated mainly due to an increase in liabilities as a result of a decrease in the net discount rate over this period and an increase in the assumptions used for future inflation rates and salary increases. The discount rate is the main contributor and is used to place a value on the liabilities. The rate is referenced to the market yields on high quality corporate bonds, which have shown a long term increase over the duration of the expected liabilities resulting in a lower value being placed on liabilities.

The pension fund is revalued every three years and employers contributions amended to reflect the requirement to reduce the current net liability. The latest triennial valuation was 1 April 2016 with revised employer contribution rates effective from 1 April 2017.

Prior to 31 March 2017 a separate fund value was not identified for ESPO employees and therefore details were contained within Leicestershire County Council's annual Statement of Accounts. Now that information is available the details are included within ESPO's annual Statement of Accounts and the prior year opening balances have been restated.

Authorisation of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the organisation at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Date of Authorisation

The accounts were authorised for issue on 30 June 2017.

J. Doherty

Director of ESPO
Date: 20/09/2017

C. Tambini

Consortium Treasurer
Date: 20/09/2017

The Eastern Shires Purchasing Organisation Consortium's Responsibilities

The consortium is required to:

- Make arrangements for the proper administration of its financial affairs and to 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;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

These accounts were approved at a meeting of the consortium Management Committee on 20 September 2017.

Dr. R. K. A. Feltham

Chairman
ESPO Management Committee
Date: 20/09/2017

The Consortium Treasurer's Responsibilities

The Consortium Treasurer is responsible for the preparation of the consortium's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom 2016/17.

In preparing this Statement of Accounts for the year ended 31 March 2017, the Consortium Treasurer has:

- Ensured that suitable accounting policies have been selected and applied consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code of Practice.

The Consortium Treasurer has also ensured that:

- Proper accounting records have been maintained and kept up to date;
- Reasonable steps were taken for the prevention and detection of fraud and other irregularities.
- The Statement of Accounts give a true and fair view of the financial position of ESPO at the reporting date and of its expenditure and income for the year ended 31 March 2017.

C Tambini

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

Movement in Reserves Statement

For the year ended 31 March 2017

	General Fund Balance	Earmarked Projects Reserves	Earmarked Repairs and Renewals Reserve	Earmarked Property Maintenance Reserve	Strategic Review Implementation	Warehouse Automation	**Total Usable Reserves**	Unusable Reserves	Total Reserves	Notes
RESTATED	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	
Balance at 1 April 2015 Carried Forward	3,636	422	3,410	1,839	400	0	**9,707**	(12,482)	(2,775)	
Movement in Reserves during 2015/16										
Total Comprehensive Income and Expenditure	(203)						**(203)**	5,446	5,243	
Adjustments between the accounting basis and funding basis under regulations	1,059	(156)	(369)				**534**	(534)		5
Net Increase/(Decrease) before Transfers to Earmarked Reserves	856	(156)	(369)				**331**	4,912	5,243	
Transfers (from)/ to Earmarked Reserves	(267)	(295)	160	402						6
Increase/(Decrease) in 2015/16	589	(451)	(209)	402	0	0	**331**	4,912	5,243	
Balance at 1 April 2016 Carried Forward	**4,225**	**(29)**	**3,201**	**2,241**	**400**	**0**	**10,038**	**(7,570)**	**2,468**	
Movement in Reserves during 2016/17										
Total Comprehensive Income and Expenditure	729						**729**	(4,495)	(3,766)	
Adjustments between the accounting basis and funding basis under regulations	679		(331)				**348**	(348)		5
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,408		(331)				**1,077**	(4,843)	(3 ,766)	
Transfers (from)/ to Earmarked Reserves	(1,308)	29	(1,231)	410	(400)	2,500				6
Increase/(Decrease) in 2016/17	100	29	(1,562)	410	(400)	2,500	**1,077**	(4,843)	(3,766)	
Balance at 31 March 2017 Carried Forward	**4,325**	**0**	**1,639**	**2,651**	**0**	**2,500**	**11,115**	**(12,413)**	**(1,298)**	

Comprehensive Income and Expenditure Statement

For the year ended 31 March 2017

	RESTATED 2015/16			2016/17			
	Gross Expenditure	Gross Income	Net (Income) Expenditure	Gross Expenditure	Gross Income	Net (Income) Expenditure	Notes
	£000	£000	£000	£000	£000	£000	
Invoiced Turnover	67,535	(87,966)	(20,431)	59,533	(80,948)	(21,415)	
Total	**67,535**	**(87,966)**	**(20,431)**	**59,533**	**(80,948)**	**(21,415)**	
Employees	11,046		11,046	11,245		11,245	22, 28
Other Employee Expenses	919		919	470		470	
Premises	857		857	723		723	
Transport	1,825		1,825	1,815		1,815	
Equipment	1,504		1,504	1,533		1,533	
Office Expenses	256		256	248		248	
Other Expenses	895		895	1,079		1,079	
Support Service Charges	171		171	134		134	
Net Cost of Services	**85,008**	**(87,966)**	**(2,958)**	**76,780**	**(80,948)**	**(4,168)**	
Other Operating expenditure	2,358	(24)	2,334	2,800	(74)	2,726	7
Financing and Investment Income and Expenditure	866	(39)	827	750	(37)	713	8
Deficit/(Surplus) on Provision of Services	**88,232**	**(88,029)**	**203**	**80,330**	**(81,059)**	**(729)**	
Surplus on revaluation of Property, Plant and Equipment assets			(599)			(1,166)	9
Remeasurement of the Net Defined Benefit Liability			(4,847)			5,661	
Other Comprehensive Income and Expenditure			(5,446)			4,495	
Total Comprehensive Income and Expenditure			**(5,243)**			**3,766**	

Balance Sheet

As at 31 March 2017

	RESTATED 31 March 2016	31 March 2017	Notes
	£000	£000	
Property, Plant and Equipment	11,802	12,789	9
Intangible Assets	138	105	10
Long Term Assets	**11,940**	**12,894**	
Inventories:			
Central Stores Stocks	4,534	5,043	12
Short Term Debtors	7,173	6,820	11,13
Cash and Cash Equivalents	12,097	11,712	11,14
Current Assets	**23,804**	**23,575**	
Short Term Borrowing	(959)	(720)	11
Short Term Creditors	(10,294)	(8,834)	11,15
Other Current Liabilities	(2,981)	(3,312)	15
Current Liabilities	**(14,234)**	**(12,866)**	
Long Term Borrowing	(7,000)	(6,500)	11,30
Net Pensions Liability	(11,987)	(18,401)	17
Other Long Term Liabilities	(55)	0	11
Long Term Liabilities	**(19,042)**	**(24,901)**	
Net Assets / (Liabilities)	**2,468**	**(1,298)**	
Total Usable Reserves	10,038	11,115	16
Unusable Reserves	(7,570)	(12,413)	17
Total Reserves	**2,468**	**(1,298)**	

Cash Flow Statement

For the year ended 31 March 2017

	RESTATED 2015/16	2016/17	Note
	£000	£000	
Net Deficit / (Surplus) on the provision of services	203	(729)	
Adjustments on provision of services for non-cash movements	(5,178)	(2,060)	18
Adjustments for items included in the net surplus on the provision of services that are Investing and Financing activities	(294)	(214)	18
Net cash flows adjustments to operating activities	1,774	2,646	19
Total net cash flow from operating activities	**(3,495)**	**(357)**	
Investing Activities	543	122	20
Financing Activities	628	620	21
Net (increase) / decrease in cash and cash equivalents	**(2,324)**	**385**	
Cash and cash equivalents at the beginning of the reporting year	9,773	12,097	14
Cash and cash equivalents at the end of the reporting year	**12,097**	**11,712**	**14**

The notes on pages 14 to 45 form part of the Statement of Accounts.

Notes to the Accounts

1. Accounting Policies

a. Introduction

The principles and practices of accounting require a Statement of Accounts to be prepared which give a true and fair view of the financial position and performance and cash flows of the organisation. The Statement of Accounts are prepared with due regard to the following:

- Understandability – Allowing the stakeholder to interpret the financial position of the organisation.
- Relevance – Providing relevant financial information which aid users to form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations.
- Materiality - An item of information is material to the Statement of Accounts if its misstatement or omission might reasonably be expected to influence assessment of the organisation.
- Reliability - Providing financial information that rests on the faithfulness with which it represents what it purports to represent, coupled with an assurance for the user that it has that representational quality, is free from material error, is neutral and which has been prudently prepared.
- Comparability – The Statement of Accounts are consistent and are comparable with prior years.

The Statement of Accounts, other than the Cash Flow Statement have been prepared on an Accruals basis, the effect of transactions and other events are recognised when they occur and they are recorded in the accounting records and reported in the accounts in the periods to which they relate.

The Statement of Accounts have also been prepared on the assumption that Eastern Shires Purchasing Organisation will continue in operational existence into the foreseeable future and the accounting policies have been consistently applied.

b. General Principles

The Statement of Accounts summarises ESPO's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. ESPO prepares an annual Statement of Accounts by the Accounts and Audit Regulations 2015 as best practice, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance as detailed in the Local Government Act 2003

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the organisation's accounts.

c. Accruals of Income and Expenditure

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 transfers the significant risks and rewards of ownership to the purchaser and it is likely that economic benefits associated with the transaction will flow to ESPO.

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.

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.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are posted to the relevant service revenue account unless they represent capital receipts or capital expenditure.

1. Accounting Policies (continued)

d. 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.

In the Cash Flow Statement, cash and cash equivalents may be shown net of any temporary bank overdrafts that are repayable on demand and form an integral part of the organisation's cash management.

e. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the note to the accounts, depending on how significant the items are to an understanding of ESPO's financial performance.

f. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current or future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events or conditions on the organisation's financial position or financial performance. When a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

g. Charges to Revenue for Non-Current Assets

For statutory accounting purposes, services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are accumulated revaluation gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets

For the determination of its income requirements, ESPO is not required to include depreciation, revaluation and impairment losses or amortisation. For management accounting purposes, these are replaced by revenue contributions to the Earmarked Repairs and Renewals Reserve and Earmarked Property Maintenance Reserve for the replacement of non current and intangible fixed assets.

h. 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. An accrual is made for the cost of holiday entitlement (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees carry forward into the next financial year. The accrual is made at the wages or salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Local Government Pension Scheme

In accordance with the International Accounting Standard 19 – Employee Benefits (IAS 19), 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.

Notes to the Accounts

1. Accounting Policies (continued)

h. Employee Benefits (continued)

Liabilities are discounted to their value at current prices using a discount rate at a 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:

- Quotes 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:

Service Cost comprising

Current service cost
The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure 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 Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Net interest on the net defined benefit liability (asset)
As an example the net interest for ESPO is the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment income and Expenditure line in the Comprehensive income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising

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.

In relation to retirement benefits, statutory provisions require the General fund Balance to be charged with the amount payable by ESPO to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace with debits and credits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 policies as are applied to the Local Government Pension Scheme.

i. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1. Accounting Policies (continued)

j. Financial Instruments

Financial Liabilities

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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 Comprehensive Income and Expenditure 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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 assets original interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

k. Classification of Assets and Liabilities

(i) Assets are classified as current where the following circumstances apply:

- ESPO expects to realise the asset or intends to sell or consume it in its normal operating cycle,
- ESPO holds the asset primarily for the purpose of trading,
- ESPO expects to realise the asset within 12 months after the reporting period,
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle liabilities for at least 12 months after the reporting period.

All other assets are classified as long term.

(ii) Liabilities are classified as current where the following circumstances apply:

- ESPO expects to settle the liability in its normal operating cycle,
- ESPO holds the liability primarily for the purpose of trading,
- The liability is due for settlement within 12 months after the reporting period,
- ESPO does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as long term.

l. 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.

ESPO has no internally generated intangible assets. Any future expenditure on such assets will be capitalised where it can be measured reliably as attributable to the asset and will be restricted to the development phase.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the organisation's goods or services.

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

Notes to the Accounts

1. Accounting Policies (continued)

l. Intangible Assets (continued)

over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. As asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains or losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

m. Inventories

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. ESPO inventories are held as Stores Stocks at Grove Park Enderby and Felixstowe for resale.

n. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where the lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Finance Leases

Property, plant and equipment held under finance leases is recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the leases 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. Any initial direct costs of this organisation are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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 (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the organisation at the end of the lease).

A prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

o. Property, Plant and Equipment

Assets that have a physical substance and are held for use in the supply of goods or services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the purchase or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to ESPO and the costs of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The minimum purchase value for recognition as a non-current asset is £5,000. Purchases of plant and equipment below this value are charged to revenue in the year of purchase.

1. Accounting Policies (continued)

o. Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by management

ESPO does not capitalise borrowing costs incurred whilst assets are under construction. All ESPO Property, Plant and equipment has been purchased and were not subject to exchanges or donations.

Assets are carried in the Balance Sheet at fair value, determined as the amount that would be paid for the assets in its existing use. Where non property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

The warehouse and offices premises at Grove Park are included at fair value and are revalued regularly to ensure that the carrying amount is not materially different from their fair 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 2016/17 accounts is based on a certificate issued by the Council's Head of Property Services Division as at 31 March 2017. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, except that gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for by:

- Where there is a balance of revaluation gain for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount at the asset is written down against the premises line(s) in the Comprehensive Income and Expenditure Statement.

The revaluation Reserve contains revaluation gains recognised since April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount is written down against the premises line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made of assets without a determinable finite life (i.e. freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following basis:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight line allocation over the useful life of the value of each class of asset in the balance sheet, as advised by a suitably qualified officer.

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on the assets and the depreciation that would have been chargeable based on their historical costs being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Notes to the Accounts

1. Accounting Policies (continued)

o. Property, Plant and Equipment (continued)

Disposals and non-current assets held for sale

No assets were identified as available for sale assets at the date of the balance sheet or in the prior accounting year.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal).

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the organisation a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, a court case that could eventually result in the making of a settlement or a payment of compensation.

Provisions may be charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that ESPO becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated in made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives ESPO a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the organisation. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives ESPO a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the organisation.

q. Reserves

ESPO sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When Expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

Certain reserves are retained to manage the accounting processes for non-current assets, financial instruments, and employee benefits and do not represent resources for the organisation – these reserves are explained in the relevant policies.

r. VAT and Climate Change Levy (CCL)

VAT incorporated to the Comprehensive Income and expenditure Account is limited to irrecoverable sums.

Income excludes any amounts related to CCL that, as a Deemed Utility, ESPO collects from its customers on behalf of HM Revenue and Customs and all CCL collected is payable to them.

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the organisation has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- ESPO's premises at Grove Park, Enderby have been subject to a revaluation as at 31 March 2017 by the Property Department of Leicestershire County Council (the organisation's servicing authority). The resulting increase in the fair value of £1,166,000 is reflected in the accounts.

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by ESPO about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the organisation's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions of business requirements and upkeep expenditure on individual assets.	If the useful lives of assets reduces depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for the premises would increase by. £2,700 for every year that useful lives had to be reduced.
Debtors	At 31 March 2017, ESPO had a balance of sales ledger debtors of £5,780k. A review of overdue debts has identified that impairment for doubtful debts of £69,718 was appropriate in relation to amounts due from commercial organisations. However, it is not certain that such an allowance will be sufficient.	If an additional 1% of customers become insolvent, the amount of the impairment for doubtful debts would require an additional £57,800 to be set aside as an allowance.
Stocks	Stocks of catalogue products are held in anticipation of sales to customers. The catalogue is reissued annually and products may be added or deleted. Stocks held at 31 March 2017 in excess of one year sales may not be included in subsequent catalogues. The write down in value of stocks held in excess on one year amounted to £192,385.	If 10% of the products for which excess stocks have been identified are included in the catalogue for 2016/17, the resulting reduction in stock write down would be £19,239.
Pensions 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 organisation with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the organisation. The carrying value of the Pension Liability as at 31 March 2017 is £18.4M.	The effects on the net liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £4.9M. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by between £1.19M and £1.99M. However, the assumptions interact in complex ways. During 2016/17, the organisation's actuaries advised that the net pension liability had decreased by £3.2M as a result of experience and increased by £8.9M attributable to updating of the assumptions.
Accruals	There is an uncertainty to the amount of reserves created as some of the amounts are based on estimates.	The position is regularly reviewed.

Notes to the Accounts

4. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue on 30 June 2017. Events taking place after this date are not reflected in the accounts or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information. There are no post balance sheet events.

5. Adjustments between the Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the ESPO in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the organisation to meet future capital and revenue expenditure.

2016/17
Usable Reserves

	General Fund Balance	Earmarked Repairs and Renewals Reserve	**Total Movement in Usable Reserves**	Movement in Unusable Reserves
	£000	£000	**£000**	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	328	0	**328**	(328)
Amortisation of intangible assets	79	0	**79**	(79)
Proceeds of sales of non current assets as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	226	0	**226**	(226)
Gain/loss on disposal of non current assets	(74)	0	**(74)**	74
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for financing of capital investment (Grove Park)	(500)	0	**(500)**	500
Statutory provision for financing leased capital investment	(111)	0	**(111)**	111
Use of General Fund to finance new capital expenditure	(17)	0	**(17)**	17
Adjustments involving the Earmarked Reserves:				
Use of reserves to finance new capital expenditure	0	(331)	**(331)**	331
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement	753	0	**753**	(753)
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5)	0	**(5)**	5
Total Adjustments	**679**	**(331)**	**348**	**(348)**

5. Adjustments between the Accounting Basis and Funding Basis under Regulations (continued)

RESTATED
2015/16 comparative figures
Usable Reserves

	General Fund Balance	Earmarked Projects Reserves	Earmarked Repairs and Renewals Reserve	**Total Movement in Usable Reserves**	Movement in Unusable Reserves
	£000	£000	£000	**£000**	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	320	0	0	**320**	(320)
Amortisation of intangible assets	73	0	0	**73**	(73)
Proceeds of sales of non current assets as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	38	0	0	**38**	(38)
Gain/loss on disposal of non current assets	(24)	0	0	**(24)**	24
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for financing of capital investment (Grove Park)	(500)	0	0	**(500)**	500
Statutory provision for financing leased capital investment	(122)	0	0	**(122)**	122
Use of General Fund to finance new capital expenditure	(18)	0	0	**(18)**	18
Adjustments involving the Earmarked Reserves:					
Use of reserves to finance new capital expenditure	0	(156)	(369)	**(525)**	525
Adjustments involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement	1,284	0	0	**1,284**	(1,284)
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	8	0	0	**8**	(8)
Total Adjustments	**1,059**	**(156)**	**(369)**	**534**	**(534)**

Notes to the Accounts

6. Transfers (from) / to Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

	Balance at 1 April 2016	Transfers in 2016/17	Capital Transfers out 2016/17	Revenue Transfers out 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000
Earmarked Projects Reserve	(29)	0	0	29	0
Earmarked Repairs and Renewals Reserve	3,202	199	(330)	(1,433)	1,638
Earmarked Property Maintenance Reserve	2,241	411	0	(1)	2,651
Strategic Review Implementation	400	0	0	(400)	0
Warehouse Automation	0	2,500	0	0	2,500
Total	**5,814**	**3,110**	**(330)**	**(1,805)**	**6,789**

2015/16 Comparative Figures:

	Balance at 1 April 2015	Transfers in 2015/16	Capital Transfers out 2015/16	Revenue Transfers out 2015/16	Balance at 31 March 2016
	£000	£000	£000	£000	£000
Earmarked Projects Reserve	422	5	(156)	(300)	(29)
Earmarked Repairs and Renewals Reserve	3,410	210	(368)	(50)	3,202
Earmarked Property Maintenance Reserve	1,839	410	0	(8)	2,241
Strategic Review Implementation	400	0	0	0	400
Total	**6,071**	**625**	**(524)**	**(358)**	**5,814**

7. Other Operating Expenditure

	2015/16	2016/17
	£000	£000
Dividend payable to Member Authorities	2,358	2,800
Gains on disposal of non current assets	(24)	(74)
Total	**2,334**	**2,726**

8. Financing and Investment Income and Expenditure

	RESTATED 2015/16	2016/17
	£000	£000
Interest payable and similar charges	356	325
Interest receivable and other similar income	(39)	(37)
Pension interest cost and expected return on pension assets	510	425
Total	**827**	**713**

9. Property, Plant and Equipment

Movements in Balances

Movements in 2016/17	Land and Buildings	Vehicles, Plant and Equipment	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
At 1 April 2016	11,000	3,655	14,655
Additions	0	301	301
Revaluation Increase recognised in the Revaluation Reserve	15	0	15
Revaluation Increase recognised in the Capital Adjustment Account	1,045	0	1,045
Derecognition – disposals	0	(633)	(633)
At 31 March 2017	**12,060**	**3,323**	**15,383**
Accumulated Depreciation and Impairment			
At 1 April 2016	0	2,853	2,853
Depreciation charge	106	222	328
Impairment losses recognised in the Capital Adjustment Account	(106)	0	(106)
Derecognition – disposals	0	(481)	(481)
At 31 March 2017	0	2,594	2,594
Net Book Value:			
At 31 March 2017	**12,060**	**729**	**12,789**

Notes to the Accounts

9. Property, Plant and Equipment (continued)

Comparative Movements in 2015/16	Land and Buildings	Vehicles, Plant and Equipment	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
At 1 April 2015	10,500	3,384	13,884
Additions	0	535	535
Revaluation Increase recognised in the Revaluation Reserve	7	0	7
Revaluation Increase recognised in the Capital Adjustment Account	493	0	493
Derecognition – disposals	0	(264)	(264)
At 31 March 2016	**11,000**	**3,655**	**14,655**
Accumulated Depreciation and Impairment			
At 1 April 2015	0	2,882	2,882
Depreciation charge	99	222	321
Impairment losses recognised in the Capital Adjustment Account	(99)	0	(99)
Derecognition – disposals	0	(251)	(251)
At 31 March 2016	0	2,853	2,853
Net Book Value:			
At 31 March 2016	**11,000**	**802**	**11,802**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and Buildings – 70 years
- Vehicles, Plant and Equipment – 4 to 10 years

Capital Commitments:

At 31 March 2017, there were no contractual commitments in 2017/18 for the acquisition of tangible or intangible assets.

Revaluations

ESPO undertakes an annual revaluation programme to ensure that the value of the premises at Grove Park, Enderby is correctly measured at fair value. The valuation was carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

	Land and Buildings	Vehicles, Plant and Equipment	Total Property, Plant and Equipment
	£000	£000	£000
Historical cost	0	3,323	3,323
Valued at fair value at 31 March 2017	12,060	0	12,060
Total Cost or Valuation	**12,060**	**3,323**	**15,383**

10. Intangible Assets

ESPO accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets only include purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the organisation. The useful life assigned to all major software used by ESPO is 5 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £79,153 charged to revenue in 2016/17 was charged as a service overhead cost under the heading "Equipment" in the Comprehensive Income and Expenditure Statement.

The movement on Intangible Asset balances during the year is as follows:

	31/03/2016	31/03/2017
	Purchased Software	Purchased Software
	£000	£000
Balance at start of year:		
• Gross carrying amount	648	694
• Accumulated amortisation	(483)	(556)
Net carrying amount at start of year	165	138
Additions – Purchases	46	46
Amortisation for the year	(73)	(79)
Net carrying amount at end of year	**138**	**105**
Comprising:		
• Gross carrying amount	694	740
• Accumulated amortisation	(556)	(635)
	138	**105**

11. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
Loans and Receivables:				
Financial assets carried at contract amounts including Cash and Cash Equivalents	0	0	19,270	18,532
Total Receivables	**0**	**0**	**19,270**	**18,532**
Borrowings:				
Financial Liabilities at amortised cost	7,000	6,500	959	720
Total Borrowings	**7,000**	**6,500**	**959**	**720**
Other Long Term Liabilities:				
Finance Lease liabilities	55	0	0	0
Total other long term liabilities	**55**	**0**	**0**	**0**
Other Short Term financial Liabilities:				
Financial liabilities carried at contract amounts	0	0	12,812	11,512
Total Short term Liabilities	**0**	**0**	**12,812**	**11,512**

Notes to the Accounts

11. Financial Instruments (continued)

Income, Expense, Gains and Losses:

The gains and losses recognised in the Consolidated Income and Expenditure Account in relation to financial instruments are made up as follows:

	2015/16		2016/17	
	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets
	Measured at amortised cost	Loans and Receivables	Measured at amortised cost	Loans and Receivables
	£000	£000	£000	£000
Interest expense payable on long term loan	(339)	0	(315)	0
Bank interest payable on leased assets loans	(17)	0	(10)	0
Bank and short term investment interest receivable	0	39	0	37
Net (loss)/gain for the year	**(356)**	**39**	**(325)**	**37**

Fair Values of assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rate at 31 March 2017 of 3.12% for loans from Leicestershire County Council based on equivalent rates for loans from the PWLB and a rate of 7.6% for equipment loans based on equivalent commercial rates.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carry Amount	Fair Value	Carry Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities – Premises loan from Leicestershire County Council	7,630	8,832	7,121	8,372
Other Long-term creditors	326	326	106	106

Where the fair value is less than the carrying amount, this arises because the organisation's borrowings include a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the balance sheet date.

Loans and Receivables

The fair value of trade and other receivables is taken to be the invoiced or billed amount which is the same as the carrying amount on the Balance Sheet.

12. Inventories

ESPO holds Stores stocks of products for resale to customers. The value of these stocks is as follows:

	2015/16	2016/17
	£000	£000
Balance at start of year	5,392	4,534
Purchases	30,970	30,134
Recognised as an expense in the year	(31,633)	(29,433)
Written off balances	(195)	(192)
Balance at year end	**4,534**	**5,043**

13. Short Term Debtors

The following represents an analysis of the amounts due to ESPO:

	31 March 2016	31 March 2017
	£000	£000
Current Debtors		
Reserved Debtors	1,488	1,110
Sundry Debtors	5,715	5,780
Less provision for bad debts	(30)	(70)
Total	**7,173**	**6,820**
Analysis of Bad debts Provision		
Opening Balance as at 1 April	(48)	(30)
CIES Charge for the Year	23	51
Less Bad Debts adjustment	(5)	(91)
Closing Balance as at 31 March	**(30)**	**(70)**

14. Cash and Cash Equivalents

	31 March 2016	31 March 2017
	£000	£000
Cash held by ESPO	0	0
Bank current accounts	561	167
Bank short-term deposit account	11,536	11,545
Total Cash and Cash Equivalents	**12,097**	**11,712**

15. Short-Term Creditors and Other Current Liabilities

	31 March 2016	31 March 2017
	£000	£000
Supplier balances:		
• Other local authorities	253	159
• Other entities and individuals:	6,388	5,997
Reserved creditors and suspense accounts	3,560	2,296
Taxes and duties	461	634
Member authority dividends	2,358	2,800
Payroll deductions	255	260
Total	**13,275**	**12,146**

16. Total Usable Reserves

Movements in ESPO's usable reserves are detailed in the Movement in Reserves Statement and in Notes 5 and 6 above.

ESPO reserves have been established to meet operating deficits and to finance major one- off expenditure and replacement of assets. The Usable Reserves held by ESPO at 31 March 2017 are as follows:

i. General Fund:

The reserve provides working capital to finance ESPO's trading activities. Standard practice is that, on acceptance of the annual accounts by Member Authorities, the annual surplus is allocated to this account after making deductions of any amounts transferred to Earmarked Repairs and Renewals and Property Maintenance Reserves and of amounts payable to Member Authorities as annual dividend.

Member authorities' dividend is normally calculated as 80% of the annual surplus after transfers to other reserves. The retained balance is not available for distribution to Member Authorities and is held to offset any unbudgeted deficits. The maximum value of the general fund determined by Members was set at 5% of turnover.

ii. Earmarked Projects:

Amounts authorised by Member Authorities to be allocated from annual surpluses to provide for the funding of major capital expenditure and development projects.

Notes to the Accounts

16. Total Usable Reserves (continued)

iii. Repairs and Renewals:
This reserve provides funding for the replacement purchases of vehicles and other capital equipment and equalises the effect of annual spending variations on annual surpluses by means of an annual charge to revenue calculated on the expected asset life and replacement cost.

iv. Property Maintenance:
This reserve provides funding for major building repairs, for which ESPO as beneficial owner is responsible and equalises the effect of annual spending variations on annual surpluses by means of an annual charge to revenue.

v. Warehouse Automation:
This reserve provides funding for investing in mechanised equipment at the ESPO Grove Park warehouse facility.

17. Unusable Reserves

	31 March 2016	31 March 2017
	£000	£000
Revaluation Reserve	113	128
Capital Adjustment Account	4,412	5,963
Accumulated Absences Account	(108)	(103)
Pensions Reserve	(11,987)	(18,401)
Total	**(7,570)**	**(12,413)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by ESPO arising from increases in the value of its property. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation,or
- The asset is disposed of and the gains realised.

The Reserve contains only gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2015/16	2016/17
	£000	£000
Balance at 1 April	106	113
Difference between the fair value depreciation and historical cost depreciation:	0	0
Revaluation gains on Property, Plant and Equipment	7	15
Balance at 31 March	**113**	**128**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisitions, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The accrual is credited with the amounts set aside by the organisation as finance for the costs of acquisition, construction and enhancement.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

17. Unusable Reserves (continued)

Capital Adjustment Account

	2015/16	2016/17
	£000	£000
Balance at 1 April	3,063	4,412
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation of non current assets	(320)	(328)
Net Revaluation gains and (Impairment losses) on Property, Plant and Equipment	592	1,151
Amortisation of intangible assets	(73)	(79)
Revenue expenditure funded from capital under statute	0	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14)	(152)
	185	**592**
Net written out of the cost of non-current assets consumed in the year		
Capital financing applied in the year:		
Use of Major Project Earmarked Reserve to finance new capital expenditure	156	0
Use of the Repairs and Renewals Earmarked Reserve to finance new capital expenditure	369	331
Statutory provision for the financing of capital investment charged against the General Fund	621	611
Capital Expenditure charged against the General Fund	18	17
	1,164	959
Balance at 31 March	**4,412**	**5,963**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2015/16	2016/17
	£000	£000
Balance at 1 April	**(100)**	**(108)**
Settlement or cancellation of accrual made at the end of the preceding year	100	108
Amounts accrued at the end of the current year	(108)	(103)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(8)	5
Balance at 31 March	**(108)**	**(103)**

Notes to the Accounts

17. Unusable Reserves (continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits in accordance with statutory provisions. The organisation accounts for post – employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflations, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the organisation makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the organisation has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

	2015/16	2016/17
	£000	£000
Balance at 1 April	(15,550)	(11,987)
Remeasurements of the net defined benefit liability	4,847	(5,661)
Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(2,728)	(2,276)
Employer's pension contributions and direct payments to pensions payable in the year	1,444	1,523
Balance at 31 March	**(11,987)**	**(18,401)**

18. Reconciliation of the Surplus on the Comprehensive Income and Expenditure Statement to Revenue Activities Cashflow

	RESTATED 2015/16	2016/17
	£000	£000
Non cash Transactions:		
Depreciation of non-current assets	(394)	(407)
Movement on short-term accumulating compensated absences adjustments	(8)	5
Movement in Pension Liability	(1,284)	(753)
	(1,686)	**(1,155)**
Revenue items on an accruals basis:		
Increase / (decrease) in stocks	(859)	510
Decrease in debtors	(941)	(353)
Decrease in creditors	796	1,631
Increase in tax creditor	(58)	(173)
Increase in other current liabilities	(2,430)	(2,520)
	(3,492)	**(905)**
Total adjustment to net surplus on the provision of services for non-cash movements	**(5,178)**	**(2,060)**
Adjustments for items included in the net surplus on the provision of services that are Investing and financing activities		
Interest payable (net)	(317)	(288)
Surplus on disposal of non-current assets	23	74
	(294)	**(214)**

19. Cash Flow Statement – Adjustments to Operating Activities

The cash flows for operating activities include the following items:

	2015/16	2016/17
	£000	£000
Interest Received	(39)	(37)
Interest paid	356	325
Dividends paid	1,457	2,358
Net cash flows generated from operating activities	**1,774**	**2,646**

20. Cash Flow Statement – Investing Activities

	2015/16	2016/17
	£000	£000
Purchase of Property, Plant and Equipment and intangible assets	581	347
Proceeds from the sale of property, plant and equipment and intangible assets.	(38)	(225)
Net cash flows generated from investing activities	**543**	**122**

21. Cash Flow Statement – Financing Activities

	2015/16	2016/17
	£000	£000
Cash payments for the reduction of outstanding finance lease liabilities	121	111
Repayment of short and long-term borrowing	507	509
Net cash flows generated from financing activities	**628**	**620**

Notes to the Accounts

22. Officers' Remuneration

(a) The following table sets out the remuneration disclosures for senior officers whose salary is more than £50,000 per year who have the power to direct or control the major activities of the organisation:

2016/17

Post holder Information (Post Title)	Salary (inc fees and allowances)	Compensation Payments	Benefits in Kind (e.g. Car Allowances)	Total Remuneration excluding pension contributions	Employer's Pension contributions	Total Remuneration including Employer's pension contributions
	£	£	£	£	£	£
Director	128,966	0	5,953	134,919	28,759	163,678
Deputy Director (& Chief Commercial officer)	87,504	0	0	87,504	19,513	107,017
Assistant Director (Finance & Governance)	78,098	0	524	78,622	17,416	96,038
Assistant Director (Operations)	78,098	0	4,072	82,170	17,416	99,586
	372,666	**0**	**10,549**	**383,215**	**83,104**	**466,319**

2015/16 Comparatives

	Salary (inc fees and allowances	Compensation Payments	Benefits in Kind (e.g. Car Allowances)	Total remuneration excluding pension contributions	Employers Pension Contributions	Total remuneration including Employers Pension contributions
	£	£	£	£	£	£
Director	127,689	0	1,745	129,434	27,198	156,632
Deputy Director (& Chief Commercial Officer)	81,545	0	1,888	83,433	17,369	100,802
Assistant Director (Finance & Governance)	77,325	0	0	77,325	16,470	93,795
Assistant Director (Sales and Marketing)	53,836	4,446	3,237	61,519	11,467	72,986
Assistant Director (Operations)	77,325	0	3,479	80,804	16,470	97,274
	417,720	**4,446**	**10,349**	**432,515**	**88,974**	**521,489**

Note: Due to an organisational restructure the Assistant Director (Sales and Marketing) was made redundant on the 15 December 2015. The new Leadership team consisted of the above senior officers.

There were no payments for bonuses, expense allowances or other payments.

22. Officers' Remuneration (continued)

(b) The organisation's other employees whose remuneration, taxable expenses and severance (if applicable), was £50,000 or more are detailed below. This information does not include employer's pension contributions.

Remuneration Band	2015/16	2016/17	2015/16	2016/17
	Including Severance		**Excluding Severance**	
£50,000 - £54,999	0	0	2	4
£55,000 - £59,999	0	0	1	2
£60,000 - £64,999	0	0	1	1
Total	**0**	**0**	**4**	**7**

Exit Packages

The number of exit packages with the total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package Cost Band

	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit packages by Cost Band		Total Cost of Packages in Each Cost Band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£000	£000
£0 - £20,000	1	0	2	2	3	2	21	22
Total	**1**	**0**	**2**	**2**	**3**	**2**	**21**	**22**

23. External Audit Costs

Eastern Shires Purchasing Organisation incurred the following audit fees:

	2015/16	2016/17
	£000	£000
Fees payable to external auditors with regard to external audit services. The external auditors are PricewaterhouseCoopers LLP.	25	25

24. Related Parties

ESPO is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the organisation or to be controlled or influenced by ESPO. Disclosure of these transactions allows readers to assess the extent to which ESPO might be constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with ESPO.

Members

Members of the Management Committee have a direct control over ESPO financial and operating policies. No payments are made by ESPO to any members of the Management Committee. During 2016/17 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 2016/17 no officers declared a pecuniary interest in any contractual or financial transactions.

Notes to the Accounts

24. Related Parties (continued)

Other Public bodies [subject to common control by central government]

Debtors:

ESPO provides goods and services to all Member Authorities and as a consequence amounts due from Member Authorities including Local Education Authorities (LEA) schools for such transactions amounted to £1,754k as at 31 March 2017 (£1,686k as at 31 March 2016) and are included in 'Sundry Debtors' as detailed in note 13 to the Statement of Accounts. The amounts owing from each Member Authority are as follows:

Analysis of Sundry Debtor Balances

	31 March 2016	31 March 2017
	£000	£000
Member Authorities		
Cambridgeshire County Council	213	214
Leicestershire County Council	262	294
Lincolnshire County Council	409	525
Norfolk County Council	412	370
Peterborough City Council	107	117
Warwickshire County Council	283	234
Total	**1,686**	**1,754**

Sales:

The value of sales to Member Authorities, including LEA schools, for services provided by ESPO are included within the value of Gross Income in the Comprehensive Income and Expenditure Statement and amounted to £31,094k for 2016/17 (£35,232k for 2015/16). The following is a breakdown by individual Member Authority:

Analysis of sales to Member Authorities

	2015/16	2016/17
	£000	£000
Member Authorities		
Cambridgeshire County Council	5,758	5,396
Leicestershire County Council	5,958	5,181
Lincolnshire County Council	6,784	6,140
Norfolk County Council	9,073	7,657
Peterborough City Council	2,083	1,834
Warwickshire County Council	5,576	4,886
Total	**35,232**	**31,094**

Creditors:

Amount due to Member Authorities for services they provided to ESPO amounted to £159k as at 31 March 2017 (£253k at 31 March 2016) and are included within the value of 'Supplier Account Balances' as detailed in the Short-Term Creditors note to this Statement of Accounts.

Analysis of Supplier Account Balances

	31 March 2016	31 March 2017
	£000	£000
Member Authorities		
Leicestershire County Council	234	159
Warwickshire County Council	19	0
Total	**253**	**159**

Purchases:

The value of purchases from Member Authorities for services they provided to ESPO are included within the value of Gross Expenditure in the Comprehensive Income and Expenditure Statement and amounted to £1,875k for 2016/17 (£1,499k for 2015/16). The following is a breakdown by individual Member Authority:

Analysis of purchases from Member Authorities

	RESTATED 2015/16	2016/17
	£000	£000
Member Authorities		
Cambridgeshire County Council	14	26
Leicestershire County Council	1,477	1,757
Warwickshire County Council	8	23
Peterborough City Council	0	4
Norfolk County Council	0	65
Total	**1,499**	**1,875**

25. Capital Expenditure and Capital Financing

ESPO finances the purchase of routine replacement non-current and intangible assets from the Repairs and Renewals Reserve or the Property Maintenance Reserve.

Purchases of additional non-current and intangible assets may be financed from Earmarked Reserves when these form part of development projects approved by the Management Committee. Other purchases of additional non-current and intangible assets are financed from revenue.

Financing of capital expenditure on non current and intangible assets:				
	2015/16		2016/17	
	Intangibles	Vehicles, plant and Equipment	Intangibles	Vehicles, plant and Equipment
	£000	£000	£000	£000
Financed from Revenue	0	18	0	17
Financed from Earmarked Reserves	46	111	46	57
Financed from Vehicle and Equipment Reserves	0	369	0	227
	46	**498**	**46**	**301**

Capital expenditure commitments:		
	31 March 2016	31 March 2017
	£000	£000
The organisation had no commitments during 2016/17 for the purchase of non-current assets in the following financial year, 2017/18.	0	0

Notes to the Accounts

26. Leases

Finance Leases

The organisation has acquired its motor car fleet and selected office copiers under finance leases and operating leases. Copiers below the minimum capital purchase value of £5,000 continue to be treated as operating leases.

The assets acquired under these finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2016	31 March 2017
	£000	£000
Vehicles, Plant and Equipment	227	61

The organisation is committed to making payments under these finance leases comprising of the long-term liability for the interest in the property acquired by ESPO and finance costs that will be payable by ESPO in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2016	31 March 2017
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
• Current	0	0
• Non current	407	40
Finance costs payable in future years	50	0
Minimum lease payments	**457**	**40**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
Not later than one year	122	40	111	40
Later than one year and not later than five years	335	0	296	0
	457	**40**	**407**	**40**

Operating Leases

ESPO has acquired office copiers and vending machines by entering into operating leases, with a typical life of 5 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	2015/16	2016/17
	£000	£000
Not later than one year	21	75
Later than one year and not later than 5 years	30	106
Minimum lease payments	**51**	**181**

The expenditure charged to the Equipments line in the Comprehensive Income and Expenditure Statement during the year in relation to these operating leases was:

	2015/16	2016/17
	£000	£000
Minimum lease payments	**51**	**181**

27. Buildings Revaluation

During this financial year ESPO has recognised a Revaluation Gain of £1.2M in relation to its premises at Grove Park, Enderby. The premises have been valued on a fair value basis of £12.06M by the Property Services Department of Leicestershire County Council at 31March 2017. The organisation continues to utilise the premises as its operational headquarters, warehouse and distribution centre.

28. Pensions

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 at 31 March 2016 identified that the funds assets were sufficient to meet approximately 76% 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 2016/17 ESPO paid an employer's contribution of £1,511k (2015/16 - £1,433k), into the Pension Fund, representing an average 21.3% 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 2016/17 these amounted to £12k (2015/16 - £12k), representing 0.2% of pensionable pay.

The IAS 19 balance sheet position as at 31 March 2017 is £18.4M (2015/16 – £12M).

Notes to the Accounts

28. Pensions (continued)

The following transactions have been made in the Comprehensive Income and Expenditure Statements and the Movement in Reserves Statement during the year:

	2015/16	2016/17
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current service cost	2,218	1,851
Past service costs	0	0
Settlements and Curtailments	0	0
Financing and Investment Income and Expenditure:		
Net Interest expense	510	425
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,728**	**2,276**
Other Post Employment Benefit Charged to the Comprehensive Income and expenditure Statement		
Remeasurement of the net defined benefit liability compromising:		
Return on planned assets (excluding the amount included in the net interest expense)	411	(3,204)
Actuarial gains/(losses) arising from changes in demographic assumptions	0	0
Actuarial gains/losses arising from changes in financial assumptions	(5,258)	8,865
Other	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(4,847)**	**5,661**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services of post-employment benefits in accordance with the code	1,284	753
Actual amount charged against the balance for Pensions in the year		
Employers contributions payable to the scheme	1,433	1,511
Unfunded benefits	0	0
Total amount charged against the Fund Balance for Pensions in the year	**1,433**	**1,511**

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line at 31 march 2017 was a loss of £18.4M (2015/16 - £12M).

28. Pensions (continued)

Pension Assets and Liabilities in Relation to Post-employment Benefits

The present value of the liabilities (defined benefit obligation) of the organisation as at 31 March is as follows:

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	(30,193)	(27,948)
Current service cost	(2,218)	(1,851)
Interest cost	(998)	(1,011)
Contributions by scheme participants	(451)	(456)
Remeasurement (gains) and losses:		
• Changes in demographic assumptions	0	0
• Changes in financial assumptions	5,269	(8,853)
Other	0	0
Past service costs:		
• (Losses)/Gains on curtailments	0	0
• Benefits paid	643	388
Liabilities extinguished on settlements	0	0
Balance at 31 March	**(27,948)**	**(39,731)**

The fair value of the assets of the organisation as at 31 March is as follows:

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	14,643	15,961
Interest Income	488	586
Remeasurement gain/(loss):		
• Return on plan assets	(411)	3,204
Employer contributions	1,433	1,511
Contributions by scheme participants	451	456
Benefits paid	(643)	(388)
Contributions in respect of unfunded benefits	0	0
(Losses) / Gains on settlements	0	0
Balance at 31 March	**15,961**	**21,330**

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:

	ESTIMATED 31 March 2016		31 March 2017	
	£000	% of total assets	£000	% of total assets
Equity Securities:				
Other	479	3%	551	3%
Debt Securities:				
UK Government	798	5%	1,837	9%
Other	638	4%	234	1%
Private Equity	638	4%	805	4%
Real Estate:				
UK Property	1,596	10%	1,714	8%
Investment Funds and Unit Trusts				
Equities	7,821	49%	10,216	48%
Bonds	1,757	11%	1,913	9%
Hedge Funds	638	4%	716	3%
Commodities	319	2%	503	2%
Infrastructure	479	3%	955	4%
Other	479	3%	534	3%
Derivatives				
Foreign Exchange	0	0%	(10)	0%
Cash and Cash equivalents	319	2%	1,362	6%
	15,961	**100%**	**21,330**	**100%**

The scheme history of the pension fund is as follows:

	2015/16	2016/17
	£000	£000
Present Value of liabilities	(27,948)	(39,731)
Fair value of assets	15,961	21,330
Surplus / (Deficit)	**(11,987)**	**(18,401)**

Notes to the Accounts

28. Pensions (continued)

The liability shows the underlying commitment that the organisation has in the long run to pay post- employment - retirement benefits. This total liability of £18.4M 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.

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, estimates for the pension fund being based on the latest full valuation of the Pension Fund as at 31 March 2016.

The principle assumptions used by the actuary have been:

	31 March 2016	31 March 2017
Mortality assumptions (in years):		
Longevity at 65 for current pensioners:		
Men	22.2	22.1
Women	24.3	24.3
Longevity at 65 for current pensioners:		
Men	24.2	23.8
Women	26.6	26.2
Rates of inflation	2.2%	2.4%
Rates of increases in salaries	3.2%	3.4%
Rates of increase in pensions	2.2%	2.4%
Rates for discounting scheme liabilities	3.5%	2.6%
Proportion of employees opting to commute part of their annual pension to a retirement lump sum:		
Pre April 2008 Service	50%	50%
Post April 2008 Service	75%	75%

The estimation of the defined benefit obligation is sensitive to actual assumptions set out in the table above. 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 2017.

	Approximate % Increase in Employer Liability	Approximate Monetary Amount
		£000
0.5% decrease in Real Discount Rate	12%	4,871
0.5% increase in the Salary Increase Rate	3%	1,222
0.5% increase in the Pension Increase Rate	9%	3,537

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 cashflows.

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.

28. Pensions (continued)

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 2016. Increases in employer's contribution rate that are required within the valuation will be phased in over a three year period commencing 1 April 2017. The contributions payable by ESPO will be 23.3% in 2017/18, 24.3% in 2018/19 and 25.3% in 2019/20.

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 anticipated to pay £1.6M expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 22.1 years.

29. Contingent Liabilities

There are no contingent liabilities.

30. Nature and Extent of Risks Arising from Financial Instruments

The organisation's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amount due to ESPO.
- Liquidity risk – the possibility that ESPO might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial losses might arise from changes in such measures as interest rates.

The organisation only generates income through its commercial activities therefore risk management focuses on the unpredictability of customer demand and on maintaining its reputation for service quality and value for money. The effective risk management of financial instruments is vital to ensure the necessary funding and resources are available to support these activities.

Risk management is carried out by the Leadership Team under policies approved by the ESPO Management Committee and in compliance with the financial regulations and policies of Leicestershire County Council, the organisation's servicing authority.

Credit Risk

Credit risks arise from deposits with banks and from credit exposures to the organisation's customers. Deposits are made with banks that are approved by the servicing authority and that meet Leicestershire County Council rating requirements.

The maximum exposure to credit risk in relation to ESPO's investments in banks and building societies is 100% of its investments, but this cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of ESPO's deposits but there was no evidence at 31 March 2017 that this was likely to crystallise.

Customers are assessed, taking into account their legal status, past experience and other factors with individual credit limits being set for catalogue customers in accordance with internal ratings. Due to the nature of the transactions, limits are not enforced on energy billing and on turnover rebates due from contracted suppliers. As at the Balance Sheet date no customers' credit terms have been renegotiated that would otherwise be past due.

The following analysis summarises the organisation's potential maximum exposure to credit risk, based on default and un-collectability over the past 6 years, adjusted to reflect current market conditions.

Notes to the Accounts

30. Nature and Extent of Risks Arising from Financial Instruments (continued)

Credit Risk (continued)

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and un-collectability 31 March 2017	Estimated maximum exposure at 31 March 2016
				£000	£000
Bank Deposits	167				
Investments (see Note 14)	11,545				
Customers	5,647	0.72	0.83	47.1 47.1	42.1 42.1

Where applicable, no credit limits were exceeded during the reporting period and ESPO does not expect any losses from non-performance in relation to bank deposits. ESPO's standard terms of trade are 30 days.

A total of £1,295k of the balance of £5,780k was overdue at 31 March 2017 and can be analysed as follows:

Aged Analysis of financial assets that are past due as at the reporting date but not impaired (Overdue debtors):

	31 March 2016	31 March 2017
	£000	£000
Less than one month overdue	855	1,047
Between one and three months	365	208
More than three months overdue	83	40
	1,303	**1,295**

Impairment of financial assets:

A bad debt provision is established following a review of individual customers' debts as at the balance sheet date and a proportionate value of impairment is determined according to the individual circumstances including customers' legal status. Debts are usually considered 100% impaired when customers have entered into liquidation. A summary of the provision is included within Note 15 – Short Term Debtors.

Liquidity Risk

In order to support seasonal trade variations ESPO has an informal treasury arrangement with Leicestershire County Council (its servicing authority) that provides ready access to liquid funds for short-term borrowing at market interest rates.

ESPO moved to new premises at Grove Park, Enderby, Leicestershire in February 2006. This property is owned by Leicestershire County Council on behalf of the organisation as a consequence of ESPO's status which does not permit the legal ownership of assets.

Leicestershire County Council financed the purchase with long term borrowing from the Public Works Loan Board which ESPO, as the beneficial owner of the property, has committed to recompense to the council in instalments that equal their repayments to the PWLB for the duration of the loan. The loan is subject to interest rates charged between 4.4% to 4.65% pa.

Maturity analysis of financial liabilities:

	Total Long-Term Outstanding at 31 March 2016	Total Long-Term Outstanding at 31 March 2017
Lender:	£000	£000
Leicestershire County Council	7,000	6,500
Analysis of Maturity of this loan:		
Between one and two years	500	500
Between two and five years	1,500	1,500
Between five and ten years	2,500	2,500
In ten years or more	2,500	2,000

30. Nature and Extent of Risks Arising from Financial Instruments (continued)

Market Risks:

Interest Rate Risk:

ESPO is exposed to interest rate risk in terms of its exposure to rate movements on its investments and short-term borrowings. The impact on the Income and Expenditure Account of rate changes on interest receivable and interest payable on such transactions is nominal in relation to ESPO turnover. For example, the effect of a 1% increase in rates would be an increase in income on investments of £115k. The effect of a 1% decrease would have the opposite effect. 1% has been used for this analysis as this reflects the maximum expected movements in market rates over the next 12 months.

The effect of interest rate exposure is recognised within the annual budget and regularly monitored by management.

Foreign Exchange Risk:

The organisation has no assets or liabilities denominated in foreign currencies as imports and exports are priced in sterling. Movements in exchange rates may impact on the sterling prices quoted by overseas suppliers although the extent of this influence is not calculable.

31. Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a new 2016/17 requirement. ESPO does not report on a segmental basis and has no resource allocation information to present and therefore this is not relevant to the to the organisation's Statement of Accounts.

Annual Governance Statement 2016/17

1. Scope Of Responsibility

ESPO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. ESPO also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, ESPO is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

ESPO has approved and adopted a code of corporate governance as best practice, which is consistent with the principles of "The new Delivering Good Governance in Local Government Framework" (CIPFA/Solace, 2016). This statement explains how ESPO has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6 (1a and 1b) which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement. The overall aim of the new Delivering Good Governance Framework (which must be applied to annual governance statements prepared for the financial year 2016/17 onwards) is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes.

2. The Purpose Of The Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Organisation is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of ESPO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at ESPO for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts. ESPO's governance environment is consistent with the seven core principles of the Delivering Good Governance Framework, within each principle we have identified the sources of assurance.

Annual Governance Statement 2016/17

(continued)

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

Under this principle, there is a requirement to:

- Behave with integrity
- Demonstrate a strong commitment to ethical values
- Respect the rule of the law

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Annual Governance Statement • Performance appraisals • Anti-fraud and anti-corruption policies • Whistleblowing arrangements • Code of Corporate Governance • Financial regulations • Members and Officers Codes of Conduct • Decision making practices/framework • Register of Interests and Gifts and Hospitality • Ethical awareness training and dealing with conflicts of interest • Procedures for responding to behaviour complaints • Protocols for partnership working • Communicating shared values with members, staff, the community and partners	• Registers of Interests and Gifts and Hospitality maintained by the Directorate office. • Adopted LCC Employee Code of Conduct. 'Dignity At Work' Policy and Procedures provides employees with examples of unacceptable behaviour, and is complimented by other HR policies. • Constitution sets out financial rules and regulations. • Adopted LCC Anti-Fraud & Corruption Policy, Strategy and Procedures. • Whistle blowing policy in place on the intranet. • Members of individual authorities are subject to their own Code of Conduct. • Various training rolled out through-Learning, certain courses are now mandatory to complete. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. • Annual Governance Statement produced by compiling and scrutinising information from departmental Self Assessments. • Organisational values considered during PDR, complimented by regular communications displaying the vision and mission statements. • New induction process implemented in 2017.	

Annual Governance Statement 2016/17

(continued)

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

Under this principle, there is a requirement of ESPO to:

- Display openness
- Engaging comprehensively with institutional stakeholders
- Engaging stakeholders effectively

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Annual Report • Freedom of Information Act publication scheme • ESPO website • Clear policies on consulting and involving staff in decision making. Full Public meetings protocol observed as advised by LCC Democratic Services (observing requirements of public reporting, and private session routines for commercially sensitive subject matter) • Annual financial statements • Database of stakeholders • Communication Strategy • Calendar of dates for submitting, publishing and distributing timely reports • Decision making protocols / records of decisions and supporting materials	• The Statement of Accounts are published every year. The Statement of Accounts have been produced in line with various regulations. • Freedom of Information (FOI) and Environmental Information Regulations Policy underpin the key principles of the Information Management Strategy in that ESPO embraces a culture that is open, accessible and accountable, aiming to publish as much information as possible. FOI practices are in place to enable ESPO to meet obligations and aid understanding of public interests. • ESPO website is frequently used as a medium to inform and engage with the stakeholders and updates on the homepage direct users to key information including ESPO's vision and mission statement. • Full public annual report providing information on outcomes and achievements. • ESPO recognises the importance to consult, involve and listen to stakeholders so that the organisation can be improved and future plans made. • Regular customer surveys are carried out to ensure feedback mechanisms are in place to take in to account stakeholder views. • Alignment of key decision making to the key protocols and delegated powers set out in the ESPO constitution. • Regular staff briefings take place be it via the Employee Engagement Group, Director's briefing, or the Senior Officers Enablers group. • The medium term financial strategy is communicated to all.	

Annual Governance Statement 2016/17

(continued)

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Under this principle, there is a requirement of ESPO to:

- Define outcomes
- Ensure sustainable economic, social and environmental benefits

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Business Strategy and supporting projects (delivery and strategic) • Service / Business Plans supported by relevant strategies • Communication Strategy • Performance trends and reports on the progress of service delivery • Business and financial planning process • Service Level Agreement in place with the Servicing Authority • Effective performance management system including Key Performance Indicators and identifying areas for improvement	• A strategy which sets out how efficiencies included within the MTFS will be achieved. • Outcomes are delivered through Assistant Director's plans and strategies which set out objectives and targets in relation to ESPO's priority outcomes. • Communication strategy that is based on a brand survey of our customers allowing us to provide a better service to our stakeholders. • Performance trends reported through balanced scorecard. Also trends identified in monthly and weekly financial reports. • Annual Report considered by members – supported by approved Medium Term Financial Strategy and Annual Statement of Accounts. • Industry benchmarking measures undertaken in some departments to determine value for money. For example, competitors' Annual reports are reviewed.	

Annual Governance Statement 2016/17

(continued)

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Under this principle, there is a requirement of ESPO to:

- Determine interventions
- Plan interventions
- Optimise achievement of intended outcomes

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Finance and Audit Subcommittee • Approved Risk Strategy/Policy • Legal advice provided by officers • Communications strategy • Service Level Agreement in place with the Servicing Authority • Service Business Plans supported by relevant strategies • Business and financial planning process • Effective performance management system including progress on Key Performance indicators and identifying areas of improvement • Quality of information provided which needs to support decision making • Decision making protocols / records of decisions and supporting materials	• Finance and Audit Subcommittee receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports. • Terms of References for Committees and decision making protocols are detailed in the Constitution - records of decisions, with supporting materials can be made available. • ESPO's risk management framework aligned with local government best practice – providing assurance to the Leadership Team, Members and public that ESPO is mitigating the risks of not achieving key priorities. This is further audited through the internal audit programme of work. • Members of the Management Committee actively engage and take interest in risk management, including detailed scrutiny of the Corporate Risk register. This is reported quarterly. • Chief Officer Group Assurance. • External audit assurance. • Mentoring of reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate. • Receiving professional advice and support as and when required to ensure that services are delivered effectively.	

Annual Governance Statement 2016/17

(continued)

PRINCIPLE E: Developing ESPO's capacity including the capability of its Leadership Team and all staff members

Under this principle, there is a requirement of ESPO to:

- Developing ESPO's capacity
- Develop the capability of ESPO's Leadership Team and all staff members

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Induction programme • Officer training and development plans • Availability and communication of L&D activities • Performance reviews of officers • Workforce Planning • Member training and development	• A new induction process and booklet has been introduced during FY 2016/17. This has been tailor made to ESPO and includes an HR induction followed by a quarterly corporate induction meeting which provides an overall overview of ESPO, the departments, key priorities, organisational values and behaviours along with the MTFS targets. • All staff are required to complete mandatory training and for new starters this is issued as part of the induction process. • The Wellbeing Charter for ESPO commenced in FY 2016/17 to support individuals in maintaining their own physical and mental wellbeing. This is led by the Health & Safety Advisor and the Employee Engagement Group provide strategic and operational direction. • Regular Performance Development Reviews are undertaken throughout the organisation on a regular basis and are aligned to the ESPO strategy. • Corporate Performance and Development Review (PDR) system in place to appraise the performance of all staff with completion rates monitored and reported. Managers at all grades assessed against behaviours which underpin the management competency framework. • Performance management and reporting systems in place at various levels,allowing outcomes to be cascaded and linked to individual development plans. • Member meetings with Director on quarterly basis. Also Members are invited to ESPO to review the business and meet officers. • Introductory briefings carried out for new members, with refresher insight days offered at regular intervals (normally coinciding with the on-site Management Committee meeting) • A workforce strategy will be completed for FY 17-18 and will include a workforce plan which will align to an Organisational Development Plan to enhance the strategic allocation of resources, skills and development and plan for future requirements. • Regular briefings and communications are in place so that all staff are kept informed of key operational, departmental and corporate objectives through the weekly staff update, Director's briefings, team meetings, Senior Officers Enabler's group and the Employee Engagement group. • Constitution sets out ESPO's political structure and roles and responsibilities of the Committees, the Chief Officers and the rules under which they operate. There are specific job descriptions in place for all members of staff.	

Annual Governance Statement 2016/17

(continued)

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

Under this principle, there is a requirement of ESPO to:

- Manage Risk
- Manage performance
- Robust internal control
- Manage data
- Strong public financial management

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Approved Risk Strategy Policy • Scheme of delegation, standing orders and financial regulations • Constitution is regularly reviewed • Code of Corporate Governance • Annual Governance Statement • Decision making protocols / records of decisions and supporting materials • Medium Term Financial strategy • Statement of Accounts and Annual Report	• A Corporate Risk Register is maintained and review each quarter. This is regularly reported to the Management Committee. • Risk training has been completed in the FY 2016/17 for all Leadership Team members. • Established finance function maintains sound financial frameworks and supports delivery of MTFS. • Management Committee maintain oversight of management and stewardship of ESPO and the minutes of these meetings are available. • Constitution sets out "Responsibility for Functions" including scheme of delegation to the Director. Also includes financial regulations and contract procedure rules, which have been further updated to reflect current delegations and procedures at ESPO. • Monitoring officer and CFO are responsible for ensuring an appropriate framework exists to ensure procedures are followed. • Regular meetings take place with the Chairman, the Director and the Servicing Authority. • Assessment of compliance with the statement on the role of the Head of Internal audit. • The Code of Corporate Governance and Annual Governance statement is maintained and reviewed on a regular basis. • External audit assurance. • Terms of Reference for Committee and decision making protocols are detailed in the constitution – records of decisions, with supporting materials are available.	

Annual Governance Statement 2016/17

(continued)

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability to all our stakeholders

Under this principle, there is a requirement of ESPO to:

- Implementing good practice in transparency
- Implementing good practice in reporting
- Assurance and effective accountability

Description of Governance Mechanisms: Evidence and documents that demonstrate compliance/good practice	Assurances received	Weaknesses identified: Areas for improvement
• Approved Risk Strategy Policy • Code of Corporate Governance • Annual Governance Statement • Statement of Accounts and Annual Report • Local Government Transparency Code 2015 • Freedom of Information Scheme • External audit • Compliance to rules and regulations • Health and Safety • Safety certifications	• ESPO is adhering to the Local Government Transparency Code 2015 and the data is published under Leicestershire County Council's website as the Servicing Authority. • ESPO produces a Statement of Accounts and Annual report each year which is audited by external auditors. • ESPO adheres to Freedom of Information requests as appropriate. • The Service Level agreement is available for review. • Finance and Audit Subcommittee receive reports on the revenue budget and capital programme and performance reports in relation to targets and commitments and action plans arising from inspection and assessment reports. • Internal Audit Service annual plan of audits provides assurance that the governance, risk management and internal control systems of ESPO are operating effectively. • All statutory deadlines are adhered to on a regular basis. • Where necessary all inspection and certifications are carried out on a regular basis and certificates are available for review for example Gas safety certification, delivery vehicle services and Transport Management Inspection from FTA LOLER certification.	

Annual Governance Statement 2016/17

(continued)

3. Review Of Effectiveness

ESPO has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers and Leadership Team within ESPO who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit Service's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The CIPFA/SOLACE Delivering Good Governance Framework details the key sources of typical systems and processes that an organisation can adopt to ensure it has an effective system of internal control. Using this guidance ESPO can provide assurance that it has effective governance arrangements, which have been established through the following:

Code of Corporate Governance

The Director has a duty to monitor and review the operation of the Code of Corporate Governance and as part of this process the Director ensures an annual assessment of the Organisation's compliance with the Code of Corporate Governance is undertaken.

Internal Audit Service

Background

During the financial year 2016/17 Leicestershire County Council Internal Audit Service (LCCIAS) provided internal audit service to ESPO.

LCCIAS works to the principles of the Public Sector Internal Audit Standards (the PSIAS) which were revised in April 2016. Revisions to the PSIAS were reflected in an updated Internal Audit Charter for ESPO mandating the purpose, authority and responsibility of the internal audit activity. The Charter was approved by Management Committee in February 2017. As part of his Annual Report requirements, the HoIAS conducted a light touch self-assessment of LCCIAS' conformance to the PSIAS. The self- assessment identified that current practices generally sufficiently conform to the PSIAS. Whilst, a few specific areas have been identified where action is needed these are not significant deviations to the PSIAS. The HoIAS is continuing to state that LCCIAS abides by the principles of the PSIAS. The Service will be subject to an independent external assessment in the latter part of 2017/18.

In order to meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of ESPO's control environment i.e. the framework of governance, risk management and control, the HoIAS constructs an annual risk based plan of audits. Given the continuing improvements in risk management at ESPO, the plan is primarily based on the contents of Corporate Risk Register, Major Risk Records, the four year Strategy and the AGS, to ensure that current and emerging risks are adequately covered. Parts of the plan relate to audits of the key financial systems that are used by the External Auditor in their audit of the financial accounts. A contingency is retained for unforeseen risks, special projects and investigations.

Audit reports often contain recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained throughout the year (e.g. attendance at Committees, evaluations of the work of other assurance providers), facilitate the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of ESPO's governance, risk management and control framework (i.e. the control environment).

The HoIAS presents a detailed annual report to the Management Committee in June. The annual report incorporates the annual internal audit opinion; a summary of the work that supports the opinion; performance against the plan, a statement on conformance with the PSIAS and any matters to be raised in the AGS.

For 2016/17 based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, the following sub-opinions were reached:-

(a) Governance related audits

Nothing of significance, adverse nature or character has come to the HoIAS attention. As such reasonable assurance is given that ESPO's governance arrangements are robust.

(b) Risk management related audits

An audit of the M-Star framework compliance contained a high importance recommendation and hence only partial assurance based on potential reputation damage to ESPO in respect of non- compliance to a specific contract obligation by some suppliers. ESPO management accepted that recommendation and other minor ones and promptly established a plan for remedial action including more in depth follow up audits in 2017/18.

All other internal audit recommendations which further mitigate risk were accepted, therefore reasonable assurance is given that risk is managed.

Annual Governance Statement 2016/17

(continued)

(c) Financial and ICT Control related audits
Reasonable assurance can be given that the operation and management of the core financial systems of ESPO are of a sufficient standard to provide for the proper administration of its financial affairs.

Risk management arrangements

Governance of Risk
ESPO's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. In order for risk management to be most effective and become an enabling tool, ESPO must ensure a robust, consistent, communicated and formalised process is established. The Risk Management Policy and Strategy is reviewed annually and approved by the Management Committee.

Risk management processes have been further entrenched into the management of the organisation with each member of the management team being responsible for reviewing changes in risk on a quarterly basis within their area of responsibility.

External Audit

ESPO's external auditors PricewaterhouseCoopers (PWC) gave detailed findings from their planned audit work of ESPO, to those charged with governance through:

Report to those charged with Governance
Under International Auditing Standards, external auditors are required to report to those charged with governance on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The report concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion.

Audit opinion for the 2015/16 Statement of Accounts,
The audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. For 2015/16, ESPO's statement of accounts presented a true and fair view, in accordance with the relevant codes and regulation.

ESPO's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Organisation which contribute to the production of the Annual Statement of Accounts and positive opinion presented by our external auditors.

Organisational Governance and Performance Framework

The Leadership Team and Management Committee receive a monthly Balanced Scorecard, which includes information relating to:

- Financial Information;
- Information issues;
- Procurement;
- Employee related information;

Annual Governance Assurance Statements

The annual review of effectiveness requires the sources of assurance, which ESPO relies on, to be brought together and reviewed from both a department and corporate view.

To ensure this Annual Governance Statement presents an accurate picture of governance arrangements currently in place, senior managers were required to complete a 'Governance Self- Assessment', which provided details of the measures in place within their area to ensure compliance (or otherwise) with the Revised Framework (2016). Where specific 'areas of improvement' were identified, these have been incorporated into an action plan for management to discuss and prioritise during the course of the next financial year.

In order to assist the HoIAS' opinion on the adequacy and effectiveness of ESPO's control environment, sample checking of the returns and supporting evidence was conducted. This included:

- Discussion on how the self-assessment was conducted, co-ordinated, discussed and signed;
- Follow up with the Director and Leadership Team two Assistant Directors to confirm their involvement;
- Selecting areas across the range of the six core principles to test if there was sufficient evidence to support the response.

Annual Governance Statement 2016/17

(continued)

The Role of the Chief Financial Officer (CFO) at ESPO this is the Consortium Treasurer

CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010) sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

The CFO (Consortium Treasurer) is able to bring influence to bear on all material business decisions, ensuring that immediate and long term implications, opportunities and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO, and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management at ESPO.

The Role of the Head of Internal Audit

CIPFA's Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010) sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. The Head of the Internal Audit Service for ESPO is also the Head of the Internal Audit Service for LCC.

ESPO's internal audit arrangements conform to the governance requirements of the CIPFA Statement. The HoIAS works with the Consortium Treasurer and Secretary, the Director of ESPO and other members of the Leadership Team to give advice and promote good governance throughout the organisation. The HoIAS attends the Finance and Audit Subcommittee and the Management Committee as and when required. The HoIAS also leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Organisation and external stakeholders, escalating any concerns and giving assurance on ESPO's control environment. The HoIAS has completed an assurance statement, providing evidence against core activities and responsibilities which strengthen governance, risk management and internal control across the Organisation.

The Role of the Consortium Secretary

The Consortium Secretary has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful
- ensuring that decisions taken are in accordance with ESPO's budget and it's Policy Framework
- providing advice on the scope of powers and authority to take decisions

Where in the opinion of the Consortium Secretary any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Management Committee accordingly.

In discharging this role the Consortium Secretary is supported by officers within the County Council's Legal and Democratic Services Teams

4. Governance Issues

This review of effectiveness has been informed by both Internal and External Audit and the conclusion of the review is that ESPO's overall financial management and corporate governance arrangements during 2016/17 were sound.

Progress on issues previously identified:

The table below describes the governance issues identified during 2015/16 and the progress made against this during 2016/17. These are not considered material governance issues:

Key Improvement Area	Update on position	Carry forward for 2017/18	Lead Officer
Business Continuity Up to date Business Continuity plans need to be implemented	Completed	Ongoing Training	Director

Whilst the review of effectiveness concluded ESPO's overall financial management and corporate governance arrangements during 2016/17 are sound, the assurance gathering process identified key corporate areas of improvement. Implementing actions to address these will ensure that identified weaknesses within ESPO's current control environment will be strengthened, and further enhance our overall governance arrangements.

The table below describes identified areas for improvements during the review period 2016/17 to carry forward for monitoring within 2017/18.

Key Improvement Area	Lead Officer	Deadline
Business Continuity Improvement in communication to members of staff. Implementation of training and scenario rehearsals.	Director	March 2018

Annual Governance Statement 2016/17

(continued)

5. Future Challenges

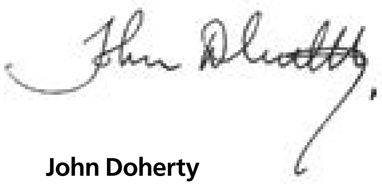
ESPO continues to face significant challenges in these times of austerity. All such significant risks are detailed within the Corporate Risk Register, which is regularly reviewed by the Leadership Team and presented to the Management Committee. Managing these risks adequately will be an integral part of both the strategic and operational planning for ESPO.

6. Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the above, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that ESPO has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.



John Doherty
Director

DR. R. K .A.Feltham
Chairman, ESPO Management Committee

Independent Auditors' Report to the Consortium Members of Eastern Shires Purchasing Organisation (ESPO)

Report on the non-statutory financial statements

Our opinion

In our opinion, Eastern Shires Purchasing Organisation's (ESPO) non-statutory financial statements (the "financial statements"):

- give a true and fair view of the state of ESPO's affairs as at 31 March 2017 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2016/17.

What we have audited

The non-statutory financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 March 2017;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2016/17. In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the non-statutory financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Eastern Shires Purchasing Organisation Consortium's Responsibilities Statement and the Consortium Treasurer's Responsibilities Statement (set out on pages 8 and 9), the Consortium Treasurer is responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for ESPO as a body for your private use to assist you to discharge your stewardship and fiduciary responsibilities in accordance with our engagement letter dated 14 February 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of ESPO, save where expressly agreed by our prior consent in writing.

What an audit of non-statutory financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the non-statutory financial statements sufficient to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to ESPO's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the non-statutory financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We draw attention to the fact that these financial statements have not been prepared under section 394 of the Companies Act 2006 and are non-statutory financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Donington Court
Castle Donington

27 September 2017

Glossary of terms

Definitions	Description
Accounting Policies	The specific principles, bases, conventions, rules and practices applied in preparing and presenting accounts.
Accruals	Requires that costs and revenues are recognised in the accounts when incurred or earned not when money is received or paid.
Amortised Cost	The amortised cost of a financial asset or financial liability is the amount at which the asset or liability is measured at initial recognition (usually "cost") minus any repayments of principal, minus any reduction for impairment or un-collectability,and plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.
Balance Sheet	The Balance Sheet represents the organisation's financial situation as at the Balance Sheet date. The Balance Sheet is composed of two main parts: Net Assets and Total Reserves.
Cash And Cash Equivalents	Cash is represented by cash in hand and deposits with financial institutions repayable without penalty within 24 hours. Cash equivalents are investments of less than 3 months from acquisition that are readily convertible to known amounts of cash with insignificant risk of a change in value.
Capital Expenditure	Capital expenditure represents expenditure on the construction, acquisition, development or improvement of Property, Plant and Equipment and of Intangible Fixed Assets.
Capital Receipts	Income received from the sale of capital assets.
Comprehensive Income And Expenditure Account	A summary of the resources generated and consumed by the organisation in the year. It summarises trading income and expenditure for the relevant financial years of all functions for which ESPO is responsible.
Cash Flow Statement	The Cash Flow Statement summarises the inflows and outflows of cash and cash equivalents resulting from operations and from investing and financing activities. It also shows how the net cash flow from operations is related to the Net Surplus or Deficit on the Provision of Services.
CIPFA	The Chartered Institute of Public Finance and Accountancy is the lead body for setting standards in the public sector accounting practice.
Contingent Liabilities	Contingent liabilities are possible future liabilities that will only become certain on the occurrence of some future event. A contingent liability is less certain than a provision: the latter is expected to occur, a contingent liability might occur. Contingent liabilities are not shown in the Balance Sheet, but must be disclosed in the notes.
Creditors	Creditors are financial liabilities arising from goods or services that have been received but for which payment has not been made by the Balance Sheet date.
Current Assets / Liabilities	Current liabilities are the debts the organisation owes which must be paid within one year. They are the opposite of current assets. Current Assets are assets that can be convertible in to cash at short notice.
Debtors	Debtors are amounts owed to the organisation where the services and goods have been delivered but payment has not been received by the Balance Sheet date.
Depreciation	Depreciation is a non cash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence.
Fair Value	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
International Financial Reporting Standards (IFRS)	A statement of common accounting practice, devised by the International Accounting Standards Board, which is applicable to the majority of large organisations, both within the public and private sector.

Definitions	Description
General Fund	This is the organisation's main revenue fund. It provides the resources necessary to sustain the day-to-day business activities and thus pays for all administrative and operating expenses.
Impairment	A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value.
Intangible Fixed Assets	Non financial fixed assets that do not have any physical substance but are identifiable and are controlled by the organisation through custody or legal rights (e.g. purchased software licences).
Leasing	A method of financing the acquisition of assets for e.g. equipment, vehicles and plant etc. There are two forms of lease: A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset. An operating lease involves the payment of a rental by a lessee for a period, which is normally less that the useful economic life of the asset.
Long Term Borrowing	Loans raised to finance capital spending which have still to be repaid.
Movement In Reserves Statement	This statement represents the changes in the organisation's financial resources over the year and is analysed in to "usable reserves", those that can be applied to fund expenditure and "unusable reserves".
Net Book Value	This is the asset's original cost less the depreciation or amortisation.
Net Worth (Net Assets/Liabilities)	This is the value by subtracting the total liabilities from the total assets in the Balance Sheet.
Non Current Assets	An asset which is not easily convertible to cash within twelve months. Examples include Fixed and Intangible assets.
Provisions	A provision is a liability of an uncertain timing or an amount.
Public Works Loan Board (PWLB)	The Public Works Loan Board is a government agency which provides long term loans to local authorities, usually at advantageous interest rates.
Remuneration	All sums paid to an employee, including expenses, allowances and redundancy payments chargeable to UK income tax, and the monetary value of any other benefits received other than in cash.
Revenue	Expenditure that ESPO incurs on the day to day costs of its goods and services including purchases for resale, salaries, premises costs, vehicles and other running expenses as well as charges to provide funds for renewals of non-current assets. This expenditure is funded from income generated from the supply of goods and services to customers.
Unusable Reserves	Unusable reserves are those which do not represent funding that is available to support service delivery. These reserves generally arise from statutory adjustments and the treatment of unrealised changes in the value of assets or liabilities.
Usable Reserves	A usable reserve represents resources the organisation can control in making service delivery decisions. Each usable reserve may have different restrictions upon its potential use, dependent upon decisions made by the organisation.

The ESPO Annual Report 2016/17 is available
to view or download at www.espo.org

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