



Date:
My Ref SB/ESPO
Please ask for: Sara Brennan
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To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 29 November 2017 at 10.30 am in the County Hall, Glenfield, Leicestershire.

A buffet lunch will be provided after the meeting. Please telephone or email me (details above) to confirm that you require lunch and, if so, whether you have any special dietary requirements.

Yours faithfully,

Sara Brennan
for Consortium Secretary

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 20th September 2017	(Pages 3 - 8)
2. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.	
3. Declarations of interests in respect of items on this agenda.	
4. Director's Progress update.	(Pages 9 - 18)
5. Interim Leadership Team - Update	(Pages 19 - 24)

6. Exclusion of the Public

The public are likely to be excluded from the meeting during consideration of the following items of business in accordance with the provisions of Section 100 (A) (4) of the Local Government act 1972.

7. Supplementary Information on the Director's Progress Update (Pages 25 - 56)

8. MTFs Monitoring for the first 7 Months of 2017-18 (Pages 57 - 66)

9. Date of Next Meeting.

The next meeting of the Committee is scheduled to take place on 28th February 2018 at 10.30am at County Hall.

10. Any other items which the Chairman has decided to take as urgent.



Minutes of a meeting of the ESPO Management Committee held at ESPO, Room 203, Grove Park, Leicester on Wednesday, 20 September 2017.

PRESENT

Dr. K. Feltham – Leicestershire County Council (in the Chair)

Cambridgeshire County Council

Mr. M. Howell CC
Mr. R. Hickford CC

Norfolk County Council

Mr. J. Fisher CC

Leicestershire County Council

Dr. R. K. A. Feltham CC
Mr. R. Shepherd CC

Peterborough City Council

Mr. D. Seaton CC

Lincolnshire County Council

Mrs. S. Rawlins CC

Warwickshire County Council

Mrs. H. Timms CC

Apologies

Apologies were received from Cllr Brenda Jones (Norfolk), Cllr John Holdich (Peterborough), Cllr Richard Butroid (Lincolnshire) and Cllr Ian Bates (Cambridgeshire). Cllr Mark Howell substituted for Cllr Ian Bates.

79. Chairman's Announcement - John Doherty

The Chairman reported that John Doherty would be leaving his post as Director of ESPO to take up a new role as Chief Executive of Loughborough College where he will have responsibility for supporting 11,000 learners and employing 600 staff.

John joined ESPO as Director in September 2012 at a difficult time. Under his Leadership, ESPO has developed robust governance arrangements and has had tremendous success in trading; this year generating a profit in excess of £4 million. ESPO has also been nominated Supplier of the Year 2017.

John has represented ESPO on the Executive Council of the British Education Suppliers Association (BESA) and more recently on its Management Committee as its Treasurer.

The Chairman thanked John for his enormous contribution to the success of ESPO and to wish him well in his new role. Members of the Management Committee echoed the Chairman's comments. John Doherty thanked the Chairman and members for their kind words and for their support over the years

80. Minutes of the meeting held on 21st June 2017

The minutes of the meeting held on 21st June 2017 were taken as read, confirmed, and signed.

81. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

There were no urgent items for consideration.

82. Declarations of interests in respect of items on this agenda.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

83. External Audit of the 2016/17 Financial Statements

The Committee considered a report from the external auditors, Price Waterhouse Coopers (PWC) covering the 2016/17 Financial Statements together with a letter of representation from the Consortium Treasurer. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

Arising from the discussion the following points were made:

- i) The audit of the pension liability has now been completed and there were no significant issues raised in relation to the actuarial assumptions, the baseline sampling data or the work undertaken by KPMG, the pension fund auditors.
- ii) No material accounting issues were identified but the following three matters resulting from the audit were drawn to member's attention.
 - Reference Rebate Recognition
 - Gas Accruals
 - Direct Sales Cut Off
- iii) No significant deficiencies in internal control were identified though the report identified a number of matters which members noted.
- iv) Members of the Committee in the governance role were asked to declare whether there were any known or suspected instances of fraud. No such declarations were made.

RESOLVED

That the external audit of the financial statements for 2016/17 be approved.

84. Statement of Accounts and the Annual Governance Statement for 2016/17

The Committee considered a report of the Director and Consortium Treasurer which reported on the 2016/17 Accounts and Annual Governance Statement. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

In response to a question, members were advised that there would be a 1% increase in employer pension contributions in 2017/18, 2018/19 and 2019/20.

RESOLVED

That the Statement of Accounts and Annual Governance Statement for 2016/17 be approved.

85. Director's Annual Report 2016-17

The Committee considered the Annual Report of the Director for 2016/17. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

RESOLVED

That the Annual Report of the Director be noted.

86. Director's Progress Update

The Committee considered a report of the Director which provided an update of the actions and progress since the previous Management Committee meeting in June 2017. A copy of the report marked 'Agenda Item 7' is filed with the minutes.

RESOLVED

That the update now provided be noted.

87. Date of Future Meetings.

It was noted that the following dates for meetings of the Management Committee were as follows:

29th November 2017 at 11.00am
 28th February 2018 at 10.30am
 13th June 2018 at 10.30am
 1st October 2018 at 2.00pm
 26th November 2018 at 2.00pm

88. Exclusion of the Public

Exclusion of the Public

RESOLVED

That under Section 100 (A) (iv) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that it will involve the disclosure of exempt information as define in the Act and that in all of the circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

- Director's Progress Update
- MTFs Monitoring Report
- ESPO Trading Company Business Case
- ESPO – Interim and Future Management Arrangements.

89. Supplementary Information Informing the Director's Progress Update Report.

The Committee received an exempt report from the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 10', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial business affairs of a particular person (including the authority holding that information).

RESOLVED

That the supplementary information informing the Director's Progress Update be noted.

90. MTFS Monitoring for the first 5 months of 2016/17

The Committee considered an exempt joint report of the Director and Consortium Treasurer monitoring the Medium Term Financial Strategy against the first four months of trading in the 2017/18 financial year. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

RESOLVED

That the report and financial position at the end of the first four months of trading be noted.

91. Trading Company Business Case

The Committee considered an exempt report of the Director covering progress towards the creation of an ESPO trading company. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

The report was not for publication as it contained personal information relating to the financial business affairs of a particular person (including the authority holding that information).

In response to questions and comments, members of the Committee were advised as follows:

- i) The shareholders of the company (i.e. six elected members of the Management Committee) would be responsible for strategic decisions and reserved matters as set out in the shareholders agreement. As such they would define the scope and objects of the company.
- ii) The issue of the means of appointing the fifth director - representing the other member authority - had not been determined. One option was for this to rotate on an annual basis.

- iii) The concerns now expressed regarding the engagement of member authorities other than Leicestershire County Council was recognised and the suggestion put forward regarding the appointment of up to two non-executive directors to the Board would seem to address this concern.
- iv) The prime objective of the new company was to legally trade outside of ESPO's current boundaries. As such the new company would not be an employment vehicle but this could be reviewed at a future date if appropriate.

RESOLVED

92. ESPO - Interim Management Arrangements Oral Update

Following advice from the Consortium Secretary, the Management Committee discussed interim and future management arrangements as a result of the resignation of the current Director, John Doherty.

RESOLVED

- a) That Mr Kristian Smith be offered the post of Interim Director of ESPO for a period of six months or until such time as a permanent appointment is made.
- b) That the post of Director of ESPO be advertised, internally and externally.
- c) The Consortium Secretary make the necessary arrangements to engage specialist recruitment consultants to advise and assist in the recruitment process.
- d) That each member authority be invited to appoint one representative to serve on the Employment Panel – Recruitment of Director of ESPO.

11.00am – 12.50pm
20th September 2017

CHAIRMAN

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MANAGEMENT COMMITTEE – 29 NOVEMBER 2017

PROGRESS UPDATE

REPORT OF THE ACTING DIRECTOR

Purpose of Briefing Note

- The purpose of this update is to inform Members of the actions and progress made since the last Management Committee meeting held on 20 September 2017.

Overall Financial Performance

- Overall financial performance to October 2017 year to date is outlined below:

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
SALES						
STORES	26,993.8		27,317.6		27,269.7	
DIRECT	10,703.4		11,954.7		11,376.2	
CATALOGUE ADVERTISING	804.8		854.4		798.5	
REBATE INCOME	3,276.7		2,671.4		2,671.6	
MISCELLANEOUS INCOME	64.7		128.5		30.5	
TOTAL SALES	41,843.4		42,926.6		42,146.5	

- Total 'controllable' sales are 2.5% down on budget and 0.7% down on prior year. The primary driver for being down versus budget is direct sales.
- Rebate income is £3.3m which is £0.6m up on prior year
- Total gross margin is £13.2m, which is up on budget by £0.3m and up on prior year by £0.7m helped by rebate income being ahead of budget & prior year

- Total expenditure is £10.5m compared to a budget of £10.8m, a saving of £0.3m. This is primarily down to carrying vacancies in Operations and Commercial structures, further compounded by recruitment challenges in Procurement.
- Consequently, surplus is £2.7m compared to a budget of £2.1m, a positive variance of £0.6m.

3. Where ESPO is responsible for trading in Gas, performance is as follows:

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
GAS	6,068.4		7,114.1		7,043.6	
Margin on Gas.	206.1	3.5%	210.0	3.0%	111.2	1.6%

In all other energy activity, the impact is realised through rebates.

The difference in gas sales compared to the prior year is due to lower usage and reduced wholesale prices. Below is a comparison of kWh invoiced:

- April 2016 to September 2016: 268,074,296 kWh invoiced;
- April 2017 to September 2017: 230,520,305 kWh invoiced (-14%)

4. The balanced scorecard for September is attached as Appendix 1.

ESPO Operational Progress

- From April to the end of September 2017, ESPO processed £24.52m of customer orders making 101,632 deliveries. Warehouse picking was performed at a rate of 37 lines per hour, improving on the target of 28 lines per hour. The average order value of £166.04 is £11.86 higher than last year. Operational costs were £4.261m against a budget of £4.461m, a reduction of £200k on budget and a reduction of £161k on last year.
- ESPO successfully delivered the September back-to-school peak maintaining on-time delivery throughout the period.
- Year to date, Customer Services has handled 54,076 telephone calls with an abandonment rate of 4% against a target of 3%. Lines keyed to date is 1.250m. On-line orders accounted 23% of all orders processed.
- The stock optimisation team maintained product availability of 98.8% and stock value was £5.660m with a stock-turn of 7.34.

9. Having been approved by Management Committee on 20 September 2017, the lease on the Welsh depot is being renewed.

Staffing

10. ESPO's Director has been part of the People Strategy Board which has recently approved a new People Strategy for Leicestershire County Council. ESPO's Leadership Team has reviewed this document and over the forthcoming months will engage with its workforce and embed accordingly. Year One of the People Strategy will focus on strengthening our skills and competencies and build on and improving the fundamentals: compliance, consistency, capability and confidence. This will be under the following four key themes:
 - Leadership
 - Skilled, Resilient and Flexible Workforce
 - Performance Management
 - Enablers

11. ESPO is adopting a new Managing Attendance Policy and Procedure (sponsored by Leicestershire County Council) to assist employees to improve, achieve and maintain the standard of attendance expected and ensure managers are applying the policy in a fair, consistent and sympathetic manner. ESPO has implemented this HR policy with immediate effect. The key changes to the policy are:
 - The procedure now consists of three stages rather than four;
 - Stress-related absence has been removed from the 'trigger' list, however managers are still required to offer support as early as possible;
 - The requirement for employees to report in on days 1, 4 and 8 has been removed; the frequency of contact should now be agreed by the manager on the first day of absence;
 - Employees should be given five working days' notice of meetings at Stages 1 and 2; however ten working days' notice is still required for the hearing at Stage 3;
 - The majority of phased returns should last between one and four weeks; however this can be extended up to six weeks (and beyond in certain circumstances) if necessary;
 - Support plans are still a requirement under the policy unless it can be justified that the use of a plan will have no benefit in supporting the employee to improve their attendance or return to work;
 - The hearing panel will now consist of one manager and an HR representative.

12. On 1st April 2017, ESPO changed its sickness absence reporting system from using Business Objects (BO) to Business Intelligence (BI) to align with Leicestershire County Council. As such, ESPO's sickness absence increased from 9.75 days lost per FTE as at 31st March 2017 (using BO) to 11.47 days lost per FTE as at 30th April 2017 (using BI).

13. Due to the variation from month to month, the Director of ESPO requested that an investigation should be carried out to determine the differences between both calculations and to ensure that the new reporting system was correct.
14. A joint investigation was undertaken by ESPO's Finance Team, LCC's Finance Team and ESPO's HR Business Partner and the detailed analysis was shared with ESPO's Leadership Team in September 2017.
15. The key differences between the two calculation methodologies which impacted on additional average days lost per FTE are as follows:
 - The BO calculation does not take into account working pattern and made assumptions about working hours. Whereas the BI calculation takes into account the working pattern and exact hours lost.
 - The BO calculation uses the FTE figure on the last day of the reporting figure; whereas the BI calculation averages the FTE figure over the 12 month rolling period.
 - Due to the BI reports being run retrospectively, this picked up additional sickness absences due to late submission of absence returns. These sickness absences would not have been included within the BO reports
16. The investigation has determined that as technology has been enhanced to take into account working patterns, both methods of calculating sickness absence were fit for purpose and correct at that point in time.
17. Due to the exact precision of the new BI calculation along with capturing sickness absence data that was input after a reporting period has resulted in ESPO's new sickness absence being greater than initially thought. However the sickness absence trend line is continuing to decrease.
18. The next steps are for the HR Business Partner to work with ESPO to ensure that all sickness absence returns are captured on time and to refine processes if required.

ESPO Risk and Governance Update

Health, Safety, Wellbeing and Facilities Management & Corporate Risk Register

19. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) on 26 September 2017.
20. Following an audit by Leicestershire County Council's Internal Audit, ESPO has streamlined its reporting documentation, allowing a more detailed overview of its risk profile. There are five high risks which are reviewed monthly and these are attached in the new format at Appendix 2.

21. A new risk will be added to reflect the potential impact and mitigation in place regarding the establishment of ESPO Trading Ltd. This is related to the credit risk exposure that comes with these new customers.
22. As the Government's position is now more certain and includes transitioning arrangements, the risk identified within MRR63: Exit from the European Union is now within accepted tolerance. This had previously been reported as a high risk.
23. In October, the annual disaster recovery exercise took place at Daisy in Nottingham with procedures updated accordingly. All servers are backed up with tapes stored at Iron Mountain and when loaded at Daisy, the systems can be configured to successfully communicate with each other on the new network; recovery took 16 hours. Daisy has provided the disaster recovery service to ESPO for a number of years and is familiar with ESPO's recovery processes.
24. Next year, the exercise will be extended to two weeks to test the upgrade of the iSeries operating system to v7.3 before implementing this on the live system. Staff from all areas of the business will perform extensive testing to ensure that systems are still working as expected after this upgrade.
25. IBM undertook an audit of licences at ESPO (as part of their worldwide audit of licences) and now has all the proof of entitlement certificates it requires. ESPO has sufficient licences for all its users. There are however issues raised by IBM pertaining to ESPO's legal structure, headcount and ownership. This is being handled by Leicestershire County Council's legal team. The maximum risk to ESPO is a penalty equal to two years licence fees, approximately £40k.
26. In November, Hall Fire Protection is replacing the sprinkler-heads in the bulk store area of the Leicester warehouse with heavy duty units. This was recommended by ESPO's insurers. They will be invited to update their report on completion. New internal fire doors have been installed to the staff entrance foyer and ground floor kitchen.
27. A representative from the LCC property department and Focus Consultants conducted a review of the safety properties of the external cladding on the ESPO building on 9th October 2017. A report has been submitted and the conclusions and recommendations are that the building was constructed in accordance with the relevant legislative requirements in place at the time, and continues to meet these. In addition, the existence of active fire safety installations (sprinkler systems) within the premises are seen as a major benefit to life safety. There is a "built up" area of cladding, accounting of less than 1% of the surface area that is filled with fiberglass insulation and, if replaced with mineral wool, would offer greater fire resistance but this would not achieve any significant improvement in terms of life safety.
28. To enhance security of the building, a new security door system has been installed at the south entrance stairwell from the warehouse. The CCTV has also now been upgraded so that all cameras are converted to digital.

29. In the second quarter, the reported incidents and accidents included two cuts, one bruise, and three near misses. All injuries were minor.
30. An incident occurred on 16 October 2017 when a driver of an LGV momentarily lost control of his vehicle and the vehicle was brought to a safe stop by his co-driver. The driver is under medical suspension until his condition is reviewed by the occupational health team on 1 November 2017. As a result of the incident, four recommendations have been made which have either been implemented or are currently under consideration. These are:
 - A. Drug and alcohol testing: ESPO is consulting Leicestershire County Council's Health & Safety Manager and Corporate HR about its progress on a policy for this.
 - B. Annual Medical Screening for Class C & C1 drivers: This has been agreed and ESPO is drafting an implementation plan.
 - C. Driver fit to drive declaration: This declaration has been added to the daily vehicle checklist and is in use. Routine communication to drivers will reinforce this message.
 - D. Escalation channels: This has been discussed at the Warehouse Management Team operations meeting and is being documented by ESPO's Operation Manager.

Resources Implications

31. None arising directly from this report.

Recommendation

32. Members are asked:
 - a) To note and support the contents of this report.

Officer to Contact

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0116 265 7887

Appendices

Appendix 1: Balanced Scorecard
Appendix 2: Corporate Risk Register (excerpt)

Management Summary & Key Projects Sep 17

Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£4,035,454	£4,390,359	↓ -8.1%	£24,520,635	↓ -1.4%
Direct Sales	£2,133,468	£2,183,064	↓ -2.3%	£9,227,547	↓ -10.7%
Rebate plus fee income	£418,300	£417,200	↑ 0.3%	£2,443,300	↑ 27.3%
Total Sales (inc Gas & Rebates)	£7,210,139	£7,656,510	↓ -5.8%	£42,340,702	↓ -4.9%
Stores Margin %	28.29%	26.50%	↑ 1.79pp	27.23%	↑ 0.29pp
Directs Margin %	13.06%	14.00%	↓ -0.94pp	13.19%	↓ -0.41pp
Total Gross Margin inc Consumables Cost	£1,887,128	£1,949,902	↓ -3.2%	£11,357,866	↑ 1.8%
Total Expenditure	£1,503,249	£1,499,953	↓ -0.2%	£8,782,982	↑ 3.4%
Surplus	£383,878	£449,949	↓ -£66,071	£2,574,884	↑ £513,063
Net Profit Margin %	5.32%	5.88%	↓ -0.55pp	6.08%	↑ 1.45pp
Operations cost as a proportion of sales	18.8%	17.9%	↓ -0.92pp	17.4%	↑ 0.56pp
Expenditure as a proportion of Gross Margin	79.7%	76.9%	↓ -2.73pp	77.3%	↑ 4.18pp

MOV

	TY YTD	LY YTD	Var
AOV	£166.04	£154.18	↑ £11.86
Prop of orders over £15	96.9%	96.2%	↑ 0.70pp

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ESPO

Risk Ref	Risk Description	Consequences / Impact	Risk Owner	Original Risk Score Impact	Original Risk Score Likelihood	Original Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Current Risk Score (as at 31/12/17) Impact	Current Risk Score (as at 31/12/17) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q3 Comments / Updates
0.3	Capacity to focus on development	1. Inability to deliver projects to timelines 2. Loss of engagement due to burn-out 3. Capacity and skills not in place to address new projects and activities 4. Project delivery is delayed by BAU taking precedence, benefits are postponed 5. Project delivery is perceived to be less important in the business with staff and customers losing faith in the brand 6. Senior capacity required to pursue new initiatives. 7. Multiple senior retirements in first half of 2018.	Director	5	3	15		1. Director-level support enables project members to be drawn from across business 2. Leadership Team support project leads in setting priorities 3. Key business developments are outlined within the strategy giving them prominence within the organisation 4. Consultant project managers can be engaged where required 5. Recruitment Head of Sales & Marketing to release incumbent earlier to supporting commercial projects	1. Timelines not being met 2. Changes in allocated people resource 3. Elements of projects being shed	5	2	10	Treat	1. Overview plan should flag staff that are committed to multiple projects and shows milestones reflecting the timeline of how their commitment to a number of projects might be spaced out 2. Review of skills and capacity and organisational approach required to deliver the MTFS laid out in 2018 – needs Servicing Authority engagement and support	Director	1. Ongoing 2. April 2018	
25	Increased competition	1. Possible implications on business volume, reputation, new business and on trading results in the Catalogue business 2. Through collaboration with CCS and YPO; CCS is dominating the management of such contracts (MFDs) including the management of the rebates; ensuring security of the income stream is becoming a major threat to ESPO's business model.	Director	5	4	20		1. Working with suppliers and customers to improve the 'offering', facilitating this relationship through capturing and using business intelligence and managing this 'knowledge'. 2. Continue seeking efficiencies through international sourcing	1. Changes to key customers' buying (as highlighted at Weekly Trading) 2. Fluctuations in rebate income (as highlighted at Weekly Trading) 3. Stalling of e-commerce uptake trends (as highlighted in IT update)	5	2	10	Treat	1. Review loyalty scheme – increased requirement on income streams 2. Robust sales and marketing strategy to be developed to reflect the heightened competition in this sector and to support the revised MTFS in 2017	Director		
38	Optima (potential failure/customer impact)	1. Failed or delayed implementation – risks 2, 3, 4 and 5 become 'active' 2. Inability to pay supplier – supplier cash flow impact, and potential breach of contract 3. Unable to invoice customers – negative cash flow exposure and customer service impact 4. Loss of access to energy data – service impact, could also have consequences for tendering if it occurred during procurement cycle, and volume forecasting (supporting trading activity) 5. Degradation in service performance likely to result in higher volume of customer support calls and response	Head of Procurement & Commercial	5	4	20		1. Phased implementation – limit impact in event of any problems or failures 2. Implement during off peak period (summer) as far as possible – lower values transacted, majority of customers in summer recess 3. See also Project Risk Register 4. Business Continuity measures – see MRR34: Business Continuity and MRR42: Reliance on Technology 5. AD Finance is actively engaged on Project Board 6. Project Board at LT level	1. Project Risk Register and Issues Log 2. High Risks requiring action escalated as appropriate (in the form of "Issue Reports") 3. Project Highlight Reports to Leadership Team by Project Sponsor and AD Finance	4	3	12	Treat	1. Developments to accommodate consolidated billing on first being tested; this is critical to implementation of the final (more complex) portfolios 2. Concerns relating to system upgrade process and aspects of financial control in system discussed with Optima and key developments/enhancements undertaken, now in final stages of testing. Resumption of migration proposed from 11/2017 (subject to conclusion of testing and IA) 3. Internal audit to review revised financial controls (10/2017)	Head of Procurement & Commercial		
48	Strategic IT Succession Planning	1. Commercial risk in the market advancing ahead of ESPO 2. Pace of change and delivery may stall the delivery of MTFS 3. What is our potential? 4. Succession planning risk	Director	4	4	16		1. Recruited project manager with broad skill set to lead the Infor upgrade, and add broader exposure to the IT team 2. Test plans, recruit broader experience and delivery capacity has been achieved 3. Review IT strategy and set out IT ambitions in context of business planning and review skills and organisation in IT accordingly.	1. Strategy review 2. Process mapping and IT support/automation 3. Delivery of change projects linked to IT	4	3	12	Treat	1. Perform 'service review' of IT function to ensure fit for purpose in Short/Medium/Long Term.	Director		

ESPO

Risk Ref	Risk Description	Consequences / Impact	Risk Owner	Original Risk Score Impact	Original Risk Score Likelihood	Original Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Current Risk Score (as at 31/12/17) Impact	Current Risk Score (as at 31/12/17) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q3 Comments / Updates
58	Risk of loss of major supplier on MSTAR framework resulting in disruption and/or loss of supply for customers and loss on income for ESPO	1. Financial loss in terms of rebate outstanding from suppliers to ESPO. Also ESPO time in advising customers and helping them to migrate to new suppliers. 2. Reputational risk from stakeholders resulting from ESPO 'not having taken mitigating action' to minimise risk and impact. 3. Legal Risk in that stakeholders suffering financial loss may seek to hold ESPO liable in terms of negligence for 'not having taken mitigating action' to minimise risk and impact. 4. Operational Risk of customers not having a provider of services - PR risk to ESPO. 5. Business objectives risk of a reduction in choice for customers on the framework.	Head of Procurement & Commercial	4	4	16		1. Daily financial stability assessments on top 4 MSTAR suppliers (Comensura, Adecco, Matrix and Reed) using Creditsafe 'Bespoke Monitoring' report (& weekly on remaining 7). 2. Use of Creditsafe 'Risk Tracker' to flag any changes in suppliers' Creditsafe records, including publicity in the media for further investigation. Full Creditsafe reports run for suppliers (and parents where necessary) on a regular basis for review by ESPO Finance since May 2016. Training for Mstar contract managers provided (in confidence) by Creditsafe. Scope - signs to watch out for, what these might mean, possible actions to take, possible questions to ask, possible control measures. 3. Regular meetings with suppliers in the industry. 4. Meeting held with LCC legal on 19 May 16 for analysis of the legal risks facing ESPO and members, in terms of possible liabilities for managing the framework and migrating customers. Advice provided and fed into the migration flowchart in terms of risk. 5. Review of the above actions takes place at 1-2-1 meetings with Mstar contract managers.	1. Deterioration of financial stability metrics 2. Supply chain payment failures identified directly from sub-contractors or customers 3. Late provision of MI and/or late and/or understated rebate payment 4. Aggressive supplier behaviour and/or poor contract performance 5. Adverse publicity in the media or 'noise' in the industry for further investigation.	4	3	12	Treat	1. Increased frequency of rebate collection (subject to contractual constraints). 2. Audit of supplier framework business levels. 3. Audit of suppliers' supply chain payment practices. 4. Develop an emergency change management plan to migrate customers over to other suppliers in the event of failure of their existing supplier or supply chain. 5. Develop a 'balanced scorecard' of supplier 'framework management' performance in terms of provision of MI, payment of rebate and payment of agencies. A declining score may provide a lever for the parties 'to agree' to collect rebate more regularly. 6. Recruitment of CRM post to enhance customer management and free resource to increase SRM activities.	Head of Procurement & Commercial	2. on-going from Q1 2016 3. Summer 2017 5. end of Sept 2016 6. June 2017	
58.1		...above continued... 6. Business objectives risk for ESPO as there may be a reduction in customer confidence in other ESPO frameworks. 7. Loss of confidence/less attractive MSTAR offer results in customers moving to competitor solutions.	Head of Procurement & Commercial	4	4	16				4	3	12	Treat		Head of Procurement & Commercial		
68	ESPO's Legal Identity	if not clearly and correctly identified in contracts etc., risk of (1) contracts being ruled unenforceable (2) claims for losses arising (3) claims served against all six member authorities rather than servicing authority	Head of Procurement & Commercial	5	3	15	Treat	ESPO is a well established brand and the general perception is of contracts being with ESPO - and this has prevailed for over 30 years. As the number of disputes that result in legal action is so small, the perception has not been fully legally tested. In the case of frameworks, the risk is reduced/removed as the contract is between the customer and supplier.	size of risk >£750k = impact 5; rebate income from largest single frameworks is £800k ¹ , £400k, and £190k respectively. ¹ Note, total rebate income from single supplier of gas and electricity across 2 frameworks is £900k	5	2	10	Treat	(1) Revised definition of party to be inserted in ITTs, Contracts and Frameworks with immediate effect (2) review scope for retrospective application, where applicable/desirable and feasible and assess scale of remaining contracts and timescale to complete (3) other potential impacts include: catalogue Ts & Cs, Purchase Orders, Delivery Notes, website, marketing materials,	Head of Procurement & Commercial	commence Oct 17	



MANAGEMENT COMMITTEE – 29 NOVEMBER 2017

INTERIM LEADERSHIP TEAM

REPORT OF THE ACTING DIRECTOR

Purpose of Report

1. The purpose of this report is to inform Members of ESPO's priorities over the next six month period and to lay out the Leadership Team's responsibilities in supporting their delivery.

Background

2. Following the Management Committee meeting of 20 September 2017, I was offered the post of Acting Director of ESPO for a period of six months or until such time as a permanent appointment is made. I commenced in post on 16 October 2017.

Leadership Team interim structure

3. With the departure of the previous Director, the Leadership Team was reduced to the Acting Director, Assistant Director Finance, IT and Governance, Assistant Director Operations and the HR Strategic Business Partner.
4. At a meeting held on 4 October, the remaining members of the existing Leadership Team agreed to extend the Team in order to better manage the day to day and forward planning required by ESPO in order to meet its strategic and MTFS goals.
5. The Interim Leadership now comprises the existing members being; The Acting Director, Assistant Directors and HR Strategic Business Partner and are now joined by the Head of Sales & Marketing and Acting Head of Commercial & Procurement.
6. Responsibilities have been realigned across this Team in order to ensure that priorities are substantively met in the short term.

Realignment of responsibilities

7. With the temporary removal from the structure of a Deputy Director & Chief Commercial Officer, much of the procurement led work has been cascaded to the **Acting Head of Procurement & Compliance** who will now look after Procurement Services, the Energy offer, the Catalogue procurement work plan and Procurement support services. There is also a particular focus on the Optima implementation, MSTAR³, the contract management framework and succession planning.
8. The **Assistant Director Operations** will now oversee the Catalogue Production team and management of the 'directs' supply chain within the Operations division where there is a natural crossover with Stock Optimisation and Customer Services. He will focus on driving improvements in the supply chain while also managing the implementation of warehouse automation.
9. In addition to pre-existing responsibilities, the **Assistant Director Finance, IT & Governance** will be managing the system processes required to support the implementation of ESPO Trading Ltd as well as reviewing the future direction of IT at ESPO and the people resource required to support this.
10. The **Head of Sales & Marketing** is responsible for account management, telesales, Marketing, bids and tenders, sales support, events and corporate communications. In addition to these day to day activities, he will review the future direction of sales and marketing at ESPO and the people resource required to support this. He will also ensure that the 2018/19 ESPO Trading Ltd sales plan is in place.
11. The role of the **HR Strategic Business Partner** has not changed, although the development of the People Plan is now more critical than ever in underpinning the reviews of future service including upskilling and succession planning.
12. A detailed list of the Interim Leadership Team's responsibilities is attached at Appendix 1.

Resources Implications

13. There is no adverse impact on resources as a result of the creation of the Interim Leadership Team or activity proposed.

Conclusion

14. The Interim Leadership Team will be responsible for ensuring that day to day activity and projects are sufficiently supported in the interim period.
15. The Interim Leadership Team will continue to fulfil its responsibilities of setting a clear direction for ESPO, working in partnership with our stakeholders to drive value-for-money for the public sector, and prepare ESPO for the future.

Recommendation

16. Members are asked to note:
 - a. The formation of an Interim Leadership Team;
 - b. The realignment of responsibilities.

Equal Opportunities Implications

17. There is no adverse impact on equal opportunities.

Risk Assessment

18. There is no adverse impact on risk management.

Background Papers

19. There are no background papers.

Officer to Contact

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Appendices

Appendix 1: Leadership Team Responsibilities

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INTERIM LT ROLES/RESPONSIBILITIES

DAVID GODSELL AD OPERATIONS	CLIVE PITT AD FINANCE/IT & GOVERNANCE	MATT SELWYN-SMITH HEAD OF SALES & MARKETING	DAVID KWIATEK (ACTING) HEAD OF PROCUREMENT & COMMERCIAL	ALYSON PODMORE HR Business Partner	DIRECTORATE OFFICE
<ul style="list-style-type: none"> • Warehouse stock/space management • Transport • Customer Services • Directs • Catalogue production & Supply Chain 	<ul style="list-style-type: none"> • Financial Management & Control • Governance • IT services • Commercial Analytics • Internal & External Audit 	<ul style="list-style-type: none"> • Account Management • Telesales • Marketing (digital & copy) brand product general • Bids & Tenders/Projects • Sales Support • Events • Corporate communications (internal and external) 	<ul style="list-style-type: none"> • Procurement Services (frameworks) Work Plan Compliance • Energy offer • Catalogue procurement work plan • Procurement support services 	<ul style="list-style-type: none"> • HR process • HR reporting 	<ul style="list-style-type: none"> • PA Director • PA support to LT • Reception

CORE

Internal lead for ESPO service delivery	Service Review IT	Service Review S&M	Optima Implementation	People/standards & strategy – link to LCC	DEVELOPMENT
Warehouse automation	ESPO Ltd incorporation + business processes	2018/19 Commercial Sales plan	MSTAR3		
Catalogue production	Website enhancements	2018/19 ESPO Ltd Sales plan	Contract management framework & communications to customers		
Improved supply chain management <ul style="list-style-type: none"> • Directs (furniture) • SLA & reporting • Strategic supplier forum 			Succession planning		

CROSS FUNCTIONAL SUPPORT



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