EASTERN SHIRES PURCHASING ORGANISATION
A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM
CONSORTIUM SECRETARY: JOHN SINNOTT, MA, Dipl. P.A.,
CHIEF EXECUTIVE, LEICESTERSHIRE COUNTY COUNCIL

Meeting:	**ESPO Management Committee**
Date/Time:	**Wednesday, 28 February 2018 at 11.00 am**
Location:	**Guthlaxton Committee Room, County Hall, Glenfield**
Contact:	**Cat Tuohy (Tel. 0116 305 5483)**
Email:	**Cat.Tuohy@leics.gov.uk**

AGENDA

The issues considered by the Subcommittee are covered in items 6 and 10 on the agenda. The Finance and Audit Subcommittee noted the MTFS monitoring report and supported the proposed MTFS.

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.

The next meeting of the Committee is scheduled to take place on 13 June at 10.30am am at County Hall.

Meeting Dates – 2018

a) Wednesday, 13th June

b) Wednesday 12th September

(Note- this meeting was originally scheduled for 1st October but has been moved to ensure that the accounts are signed off before the end of September).

c) Monday 28 November

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Wednesday, 29 November 2017.

PRESENT

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

Cambridgeshire County Council
Mr. M. Howell 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

Apologies

Apologies were received from Cllr Heather Timms and Cllr Peter Butlin (Warwickshire), Cllr Brenda Jones (Norfolk), Cllr John Holdich (Peterborough), Cllr Richard Butroid (Lincolnshire) and Cllr Roger Hickford and Cllr Ian Bates (Cambridgeshire). Cllr Mark Howell substituted for Cllr Ian Bates.

93. Minutes of the meeting held on 20th September 2017

The minutes of the meeting held on 20th September 2017 were taken as read, confirmed, and signed.

94. 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.

95. 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.

96. 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 September2017. A copy of the report marked 'Agenda Item 4' is filed with the minutes.

The Management Team was advised as follows:-

- The renewal of the lease on the Welsh depot had now been completed;
- The current sickness absence figures using the BI method showed a decrease for 11.47 to 11.13;
- The sprinklers were now due for replacement in December;
- The ICT Strategy was reported annually to the Finance and Audit Committee.

Members of the Management Committee welcomed the actions proposed to ensure drivers were fit to drive.

With regard to Street Lighting the Interim Director undertook to investigate the energy supply market and report back.

RESOLVED

That the update now provided be noted.

97. Interim Leadership Team - Update

The Committee considered a report which set out details of the Interim Leadership Team, their respective responsibilities and priorities for the next six months. A copy of the report marked ‘Agenda Item 5’ is filed with these minutes.

RESOLVED

That the formation of an Interim Leadership Team and realignment of responsibilities be noted.

98. 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 they 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

99. Supplementary Information on the Director's Progress Update

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 7’, 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).

In response to questions from members the Interim Director advised as follows:-

- the details of the number of Multi Academy Trusts (MATs) traded with would be circulated to members separately;
- ESPO had not undertaken any review of the use of plastics within the business. However given the recent environmental concerns this would be looked at.

With regard to the Trading Company the Management Committee conclude that:-

a) ESPO Trading Limited should have a permanent chairman of the Board of Directors and that role shall be filled by the Acting Director or Director of ESPO from time to time;

b) The Category C, Director nominated by the ESPO Chief Officer Group (COG), should serve for a period of office of two years with an option to continue as Director for a further period if ESPO COG so determine;

c) The two Non-Executive Directors with industrial and business experience be nominated by the Board and appointed by the Shareholders;

d) The quorum for meetings of the Board of Directors of ESPO Trading Limited should be four Directors one from each of the Category A, B, C and D Directors.(*see note below*);

e) The Shareholders be entitled to nominate non-voting observers to attend Board meetings to keep abreast of the activities of the Company;

f) Each member authority to nominate one of its members on the ESPO Management Committee to serve as its Shareholder Representative of ESPO Trading Limited;

g) The general meetings of the Shareholders of ESPO Trading Limited should be chaired by the Chairman of ESPO's Management Committee.

[Note. Following the meeting concerns were raised that if the presence of the Non-Executive Director (the proposal being to appoint one to start with) was made a requirement it might create problems in the event that the person nominated was unable to attend because of illness or holidays and would hinder the discharge of business. To reflect the views of the Management Committee, balanced against the need for the Board to be able to take timely decisions, the Consortium Secretary consulted with members of the Management Committee and agreed the following revised resolution in respect of (d) above and is reflected in the decisions below:-

d) the quorum for meetings of the Board of Directors of ESPO Trading Limited shall be four Directors (as at present) and, in addition, seek attendance from each of the Category A, B, C and D Directors, to the extent with the Board's need to make decisions in order to manage the company.

RESOLVED

a) That the supplementary report of the Interim Director be noted;

b) That with regard to the incorporation of the trading company the following be agreed:-

    i. That ESPO Trading Limited should have a permanent chairman of the Board of Directors and that role shall be filled by the Acting Director or Director of ESPO from time to time;

    ii. That the Category C Director nominated by the ESPO Chief Officer Group (COG), should serve for a period of office of two years with an option to continue as Director for a further period if ESPO COG so determine;

    iii. That the two Non-Executive Directors with industrial and business experience be nominated by the Board and appointed by the Shareholders;

    iv. That the quorum for meetings of the Board of Directors of ESPO Trading Limited shall be four Directors (as at present) and, in addition, seek attendance from each of the Category A, B, C and D Directors, to the extent with the Board's need to make decisions in order to manage the company;

    v. That the Shareholders be entitled to nominate non-voting observers to attend Board meetings to keep abreast of the activities of the Company;

    vi. That each member authority to nominate one of its members on the ESPO Management Committee to serve as its Shareholder Representative of ESPO Trading Limited;

    vii. That the general meetings of the Shareholders of ESPO Trading Limited should be chaired by the Chairman of ESPO's Management Committee;

    viii. That officers be authorised to finalise the various legal documents required in order to incorporate ESPO Trading Limited.

100. <u>MTFS Monitoring for the first 7 Months of 2017-18</u>

The Committee considered an exempt joint report of the Director and Consortium Treasurer monitoring the Medium Term Financial Strategy against the first seven months of trading in the 2017/18 financial year. A copy of the report, marked 'Agenda Item 8', 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 seven months of trading be noted.

101. 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, Leicestershire.

10.30am – 11.35am CHAIRMAN
29th November 2017

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ESPO MANAGEMENT COMMITTEE – 28 FEB 2018

REPORT OF THE CONSORTIUM TREASURER

ANNUAL INTERNAL AUDIT PLAN 2018-19

Purpose of Report

1. The purpose of this report is to provide information on the work undertaken to create the annual internal audit plan 2018-19.

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO’s financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs.

3. The Treasurer arranges for Leicestershire County Council’s Internal Audit Service (LCCIAS) to provide internal audit for ESPO. LCCIAS must conform to the Public Sector Internal Audit Standards 2013 (the PSIAS) which were most recently revised with effect from April 2017.

4. The PSIAS require the Head of Internal Audit Service (HoIAS) to form an annual opinion on the overall adequacy and effectiveness of ESPO’s control environment (the framework of governance, risk management and control). The HoIAS’ opinion should inform the Annual Governance Statement which supports ESPO’s financial accounts. In order to form an opinion, the scope of internal audit work needs to be wide. The PSIAS require the HoIAS to prepare a risk based internal audit plan to determine the priorities of the internal audit activity, consistent with the organisation’s goals.

5. Whilst the Finance & Audit Subcommittee (the Subcommittee) is responsible for receiving and reviewing audit reports, the Management Committee, having overall strategic responsibility for the management oversight and direction of, and being the sole decision maker for ESPO, should approve the annual internal audit plan and regular progress reports against it. The Management Committee acts as ‘the Board’ for PSIAS purposes.

Planning methodology

6. The Director of ESPO and the Leadership Team identify and manage risk and where it is required, design, implement and operate robust internal control systems. Targeted internal audits have identified continuing improvements to governance and risk management at ESPO. So to ensure that current and emerging risks are adequately covered the audit plan is primarily based on the contents of the Corporate Risk Register, Major Risk Records, governance arrangements for achieving the Four Year Business Strategy and the Annual Governance Statement.

7. To further develop the scope of audit coverage, the HoIAS researches and evaluates where other/additional risk might occur to ESPO using methods including: -

    a. Consulting on emerging risks, planned changes and potential issues with the Director and the Leadership Team, the Consortium Treasurer and Secretary and the External Auditor
    b. Evaluation of governance arrangements e.g. plans, committee reports, accounts, risk register and governance statements
    c. Identification and evaluation of the robustness of other forms of assurance received
    d. Where possible comparisons against similar purchasing consortia audit plans
    e. ‘Horizon scanning’ new and emerging risks from professional and industry sources
    f. The risks to critical ‘business as usual’ systems when focus shifts elsewhere

8. Part of the plan requires annual audits on key elements of the financial and IT systems. These audits are undertaken in consultation with ESPO's External Auditors (currently PWC) to assist in their responsibility to form an opinion that ESPO's financial accounts are not materially misstated. PWC determines that the quality and scope of LCCIAS work is sufficient to contribute positively to ESPO’s overall control environment and to allow them to place reliance on LCCIAS work.

9. Any other significant projects including ICT or information governance developments would be targeted for audit. A contingency is retained for consulting (advisory), unforeseen risks, special projects and investigations and an allocation is reserved for the HoIAS’ role in governance requirements (attendance at committees, form opinions and reports etc).

10. For 2018-19, based on high importance recommendations from last year, there will be a requirement to follow up the 2017-2018 audit work in respect of the managed services for temporary agency resources and Information Commissioner Office (ICO) readiness.

The internal audit plan 2018-19

11. The attached plan for 2018-19 (Appendix) contains a wide scope of audits that should allow the HoIAS to form an opinion on the overall adequacy and effectiveness of ESPO's control environment. The overall scope of the plan is comparable to that of one of ESPO's competitors.

12. A small amount of resource will be required to finalise 2017-18 audits.

13. The first column indicates which component of the control environment the audit primarily matches (there is quite often overlap).

14. The 2018-19 plan aims to give the optimum audit coverage within the resources available. Though it is compiled and presented as a plan of work, it must be recognised that it is only a statement of intent, and there is a need for flexibility to review and adjust it as necessary in response to changes in ESPO's business, risks, operations, programs, systems, and controls. The HoIAS will discuss and agree any material changes with the Director of ESPO and Consortium Treasurer and these would be reported to the Management Committee.

15. Detailed Terms of Engagement covering each audit's scope and any areas for exclusion are agreed with the relevant risk owners (Assistant Director) in advance of each audit.

Progressing the Audit Plan

16. Responsibility for the evaluation and management of risk and the design and consistent operation of internal controls rests with ESPO management. LCCIAS' role and responsibility is to carry out independent and objective audits and give an opinion on the extent to which risk is being managed and (where appropriate) make recommendations to improve controls.

17. On completion of each audit, findings will be discussed with the appropriate risk owner before issuing a report to the Director and the Treasurer. The opinions reached, along with summary findings are reported each quarter to the Director and the Treasurer and will be reported more formally to the Finance and Audit Subcommittee at its spring and early summer meetings.

18. If any audit produces a 'high importance' recommendation, then the full report would be shared with the Subcommittee, and specific re-testing is undertaken later in the year to prove that control has actually improved and is embedded.

Resources Implications

19. The budget for the provision of the internal audit service is contained within ESPO's Medium Term Financial Strategy under charges by the Servicing Authority. The 2018-19 plan has been agreed on an indicative 175 days. This level of coverage should enable the HoIAS to provide overall reasonable assurance to the Consortium Treasurer that risks ESPO is facing are being managed.

Conclusion

20. The details of the 2018-19 internal audit plan is attached in the Appendix to this report. The plan has been presented to the Consortium Treasurer, Consortium Secretary and the Director of ESPO for comments and approval.

Recommendation

21. Management Committee is requested to:

    a) Support the methodology used as a basis for developing the internal audit plan;

    b) Approve the ESPO Internal Audit Plan for 2018-19

Equal Opportunities Implications

At this stage there are no known direct implications resulting from the internal audit plan strategy, although 'human resource' elements will be audited.

Background Papers

None.

Officer to Contact

Neil Jones, Head of Internal Audit Service
Tel: 0116-305-7629
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Appendices

Appendix - ESPO Internal Audit Plan 2018-19

ESPO Internal Audit Plan 2018-2019

Control env't component	Entity	The indicative audit objective is to ensure that…
Various	Continuation of work commenced in 2017-18	To be completed
Governance	Annual Governance Statement	Management self-assessments of assurance in the 2017-18 AGS were founded and conformance to the revised CIPFA framework is planned and demonstrated
Governance	Limited Company	Key Risks are effectively identified and managed - likely to focus on either business being processed through the correct operations (ESPO Limited not ESPO) and/or work undertaken by ESPO is in accordance with the articles
Governance	People Management	Likely to include topic(s) as follows: succession planning (e.g. re drivers), brexit considerations (for example warehouse staff), staff retention & attraction (particularly IT) and business continuity e.g. through industrial action, widespread sickness etc
Governance	Performance Reporting - Balanced Scorecard	Balanced scorecard is linked to the key objectives of the operation and is accurately reported
Risk management	Business Growth	To incorporate the management of risk in any acquisitions
Risk management	Business Continuity	Gap analysis has been addressed and then business continuity arrangements have been planned, communicated and are tested in accordance with the external consultant report
Risk management	Counter Fraud - NFI specific	Co-odination of reports (for October 18) Interpretation and investigation of outputs (Jan 19 onwards)
Risk management	Counter Fraud	Specific area(s) of counter fraud will be addressed - likely to include controls in relation to serious and organised crime and/or risk mitigation in respect of cyber crime.
Risk management	Energy Billing	Migration of all supplies onto a single system & decommisiionisng and archiving of GEMS (work intended to be completed by June 2018)
Risk management	Supply Chain Management	Factors potentially affecting the supply chain are promptly identified and mitigated - to include Brexit considerations
Risk Management	IT Developments	Key Risks and issues are effectively identified and managed - specific project(s) to be agreed but may include payables scanning solution, new website and e-commerce
Internal Control	Supply Chain & Ops Productivity Plan	A plan has been produced, communicated and implemented in a timely manner (note this plan replaces the warehouse automation project and therefore is subject to this project being formally cancelled at management committee)
Internal control	General Financial Systems (*)	To discuss with the External Auditor and Assistant Director (Finance), but typical coverage includes reconciliations; receivables; payables; payroll and stock
Internal control	IT general controls (*)	The range of controls expected by the External Auditor are well designed and consistently applied.
Internal control	Rebates income	Annual audit to evaluate whether rebates received conform to estimates of supplier business generated
Internal control	Managed services for temporary agency resources	Contractual requirements are adhered to by the Managed Service Providers - to ensure the high importance recommendations in the 2017/18 report have been addressed
Internal control	Servicing authority	The servicing authority is providing service in line with the agreement - likely to focus on revisions to the scheduled (SLA's)
	Contingency	Unforeseen events
	Client management	Planning & research; progress meetings; servicing Committees; HoIAS requirements; confirming implementation of HI recommendations; External Audit liaison; advice
		Total days = 175

(*) Annual audits undertaken to assist the External Auditors to form an opinion that ESPO's financial accounts are not materially mis-stated

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ESPO

MANAGEMENT COMMITTEE – 28 FEBRUARY 2018

MTFS MONITORING FOR THE FIRST 9 MONTHS OF 2017-18

REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER

Purpose of Report

1. This report sets out the results for the first nine months of trading April to December 2017 as per the management accounts with explanations for the more significant variances to budget.

Background

2. The Management Committee are updated quarterly on the financial performance of ESPO compared to budget and the targets set out in the four year Medium Term Financial Strategy.

Financial Performance for the first 9 Months of 2017-18 compared to the MTFS.

Sales

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
SALES						
STORES	32,286.0		32,557.9		32,384.8	
DIRECT	13,141.6		14,733.0		13,955.1	
GAS	8,281.1		9,601.3		9,506.2	
CATALOGUE ADVERTISING	806.0		854.6		798.6	
REBATE INCOME	4,019.3		3,475.0		3,475.4	
MISCELLANEOUS INCOME	80.6		163.7		163.7	
TOTAL SALES	**58,614.6**		**61,385.5**		**60,283.8**	

3. Total sales at £58.6m are £2.8m behind budget of £61.4m down to lower gas sales which are showing a negative variance of £1.2m and Directs which are down £1.6m. Gas is due to lower wholesale prices, the benefit of which has been passed on to our customers. The impact on profit is negligible as ESPO's income is derived from a fixed charge per meter

4. Store sales are £300k behind budget and £100k adverse compared to last year. The key area of decline has been in our non-education store sales, our education business is holding up

well compared to the BESA data.

5. Direct sales are £1.6m behind budget. Once again the principal decline is in non-education.

6. Rebates are £544k ahead of budget and last year. The key framework contracts such as MSTAR continue to perform strongly. The growth is down to better enforcement and data collection.

7. Catalogue advertising is £48k down on budget and £8k up on the prior year.

Margin

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
STORES	8,895.5	38.0%	8,864.2	37.4%	8,814.9	37.4%
DIRECT	1,739.8	15.3%	1,984.5	15.6%	1,828.2	15.1%
GAS	275.0	3.4%	272.4	2.9%	262.0	2.8%
CATALOGUE ADVERTISING	806.0		854.6		798.6	
REBATE INCOME	4,019.3		3,475.0		3,475.4	
MISCELLANEOUS INCOME	80.6		163.7		163.7	
TOTAL MARGIN	**15,816.3**		**15,614.4**		**15,343.0**	

8. Overall margin is £202k above budget. This is due to slightly higher gross margins and higher rebates.

9. Stores mark-up is 38.0% compared to a budget of 37.4% and a prior year of 37.4%. The reasons being, lower discounting, lower consumable costs and higher prices.

Expenditure

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
EXPENDITURE						
EMPLOYEES						
Staff	7,535.1		7,918.5		7,670.9	
Agency/Contract	939.9		873.4		886.4	
Total	**8,475.0**		**8,791.9**		**8,557.4**	
OVERHEAD EXPENSES						
Transport	1,359.1		1,370.4		1,377.0	
Warehouse	1,493.4		1,495.2		1,636.5	
Commercial	609.8		679.6		611.4	
	3,462.3		**3,545.2**		**3,624.9**	
Finance and IT	797.7		759.4		702.8	
Directorate	327.3		318.1		177.3	
	1,125.0		**1,077.5**		**880.2**	
Total	**4,587.4**		**4,622.8**		**4,505.1**	
TOTAL EXPENDITURE	**13,062.4**	**22.3%**	**13,414.7**	**21.9%**	**13,062.4**	**21.7%**
As % of Total Sales Excluding Gas		**26.0%**		**25.9%**		**25.7%**

10. Total expenditure is £352k lower than budget mainly driven by lower staff costs and a reduction in FTE's.

11. Overhead expenses are £35k better than budget down to lower warehouse and commercial costs.

12. The key metric of overheads as a percentage of sales is 0.1% adverse to budget (excluding gas).

FTE numbers are as follows

COMBINED PRELIMINARY RESULTS	YEAR TO DATE		
	ACTUAL	BUDGET	PRIOR YEAR
EMPLOYEES NUMBERS (Full-time equivalents):			
Operations	154		172
Commercial	115		115
Finance, IT and Directorate	40		40
TOTAL EMPLOYEES	**309**		**327**

13. The total number of employees has thus fallen by 18 year on year. This reflects the increased competition from the private sector for the skilled staff in ESPO, generally leaving for higher salaries and vacancies in the warehouse, procurement and commercial departments.

Surplus

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
TRADING SURPLUS	**2,753.9**	**4.7%**	**2,199.7**	**3.6%**	**2,280.6**	**3.8%**

14. Trading surplus is £554k ahead of budget and £473k ahead of last year.

15. The variance to budget is due to the following

- £202k higher overall margin
- £352k overhead savings

16. At this point we can be optimistic about achieving the £4.2m budget surplus forecast in the MTFS and expect the surplus to be in the range of £4.2-£4.5m. We are however only 9 months in to the year. The phasing of our surplus is historically back end loaded as that is when the majority of our rebates is collected.

Service Line

17. The detailed service line analysis is included in Appendix 1 showing performance compared to budget for the Stores, Directs, Energy and Procurement. All areas are making a net contribution.

Balance Sheet and Cash Flow

18. A detailed balance sheet and cash flow is included in Appendix 2.

19. Overall stock levels are £92k lower than at last year end. Stock availability remains over 98%.

20. Debtors are £32k lower than last year-end. This is completely seasonal and in line with prior years.

21. In December 2017 the dividend of £2.8m was paid to Members.

Resources Implications

22. None

Recommendation

23. The Management Committee is asked to consider and comment on the contents of the report and the attached appendices.

Equal Opportunities Implications

24. None

Risk Assessment

25. None identified

Officers to Contact

Mr K Smith – Director (Tel: 0116 265 7931)
Mr C Tambini – Treasurer to the Consortium (Tel: 0116 305 7831)

Appendices

Appendix 1 Service Line Analysis
Appendix 2 Balance Sheet and Cash Flow

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SERVICE LINE ANALYSIS

Dec-17 | Dec-17

ACTUAL	STORES	DIRECTS	ENERGY	PROCUREMENT	TOTAL	Warehouse	Commercial
	£000	£000	£000	£000	£000	£000	£000
STORES	32,286	0	0	0	32,286	32,286	0
DIRECT	0	13,142	0	0	13,142	0	13,142
GAS	0	0	8,281	0	8,281	0	8,281
CATALOGUE ADVERTISING	806	0	0	0	806	806	0
REBATE INCOME	0	0	712	3,308	4,019	0	4,019
MISCELLANEOUS INCOME	53	0	1	27	81	53	28
Total Sales	33,145.0	13,141.6	8,993.6	3,334.4	58,614.6	33,145.0	25,469.6
Less Cost of Sales	23,390	11,402	8,006	0	42,798	23,390	19,408
Surplus on Trading Account	9,754.6	1,739.8	987.6	3,334.4	15,816.3	9,754.6	6,061.8
Wages and Salaries	3,383	771	284	1,798	6,236	3,383	2,853
Agency Costs	896	7	0	17	920	896	24
Other Expenses	1,493	169	45	395	2,103	1,493	610
Transport	1,359	0	0	0	1,359	1,359	0
Total Expenditure	7,132	947	329	2,210	10,618	7,132	3,486
						21.5%	
Operating Surplus	2,622.8	792.5	658.9	1,124.0	5,198.3	2,622.8	2,575.5
%	7.9%	6.0%	7.3%	33.7%	8.9%	7.9%	47.1%
Contribution to Central Costs							
Finance and IT	822	411	82	329	1,643	822	822
Marketing	0	0	0	0	0	0	0
Directorate	401	200	40	160	801	401	401
Net Surplus	1,400.6	181.4	536.7	635.1	2,753.9	1,400.6	1,353.3
	4.2%	1.4%	6.0%	19.0%	4.7%	4.2%	26.4%
Check Balance					0		

BUDGET	STORES	DIRECTS	ENERGY	PROCUREMENT	TOTAL	Warehouse	Commercial
	£000	£000	£000	£000	£000	£000	£000
STORES	32,558	0	0	0	32,558	32,558	0
DIRECT	0	14,733	0	0	14,733	0	14,733
GAS	0	0	9,601	0	9,601	0	9,601
CATALOGUE ADVERTISING	855	0	0	0	855	855	0
REBATE INCOME	0	0	695	2,780	3,475	0	3,475
MISCELLANEOUS INCOME	85	0	0	43	128	85	43
Total Sales	33,497.7	14,733.0	10,296.3	2,822.6	61,349.6	33,497.7	27,851.9
Less Cost of Sales	23,694	12,748	9,329	0	45,771	23,694	22,077
Surplus on Trading Account	9,804.0	1,984.5	967.4	2,822.6	15,578.6	9,804.0	5,774.6
Wages and Salaries	3,716	771	288	1,799	6,573	3,716	2,857
Agency Costs	816	7	0	17	840	816	24
Other Expenses	1,495	185	62	432	2,175	1,495	680
Transport	1,370	0	0	0	1,370	1,370	0
Total Expenditure	7,397	963	350	2,247	10,958	7,397	3,561
						22.1%	
Operating Surplus	2,406.5	1,021.3	617.2	575.1	4,620.2	2,406.5	2,213.7
%	7.2%	6.9%	6.0%	20.4%	7.5%	7.2%	33.3%
Contribution to Central Costs							
Finance and IT	815	407	81	326	1,629	815	815
Marketing	0	0	0	0	0	0	0
Directorate	414	207	41	165	827	414	414
Net Surplus	1,178.3	407.2	494.4	83.9	2,163.9	1,178.3	985.6
	3.5%	2.8%	4.8%	3.0%	3.5%	3.5%	10.5%
Check Balance					0		

ACTUAL V BUDGET VARIANCE	STORES	DIRECTS	ENERGY	PROCUREMENT	TOTAL	Warehouse	Commercial
	£000	£000	£000	£000	£000	£000	£000
STORES	(272)	0	0	0	(272)	(272)	0
DIRECT	0	(1,591)	0	0	(1,591)	0	(1,591)
GAS	0	0	(1,320)	0	(1,320)	0	(1,320)
CATALOGUE ADVERTISING	(49)	0	0	0	(49)	(49)	0
REBATE INCOME	0	0	17	528	544	0	544
MISCELLANEOUS INCOME	(32)	0	1	(16)	(47)	(32)	(15)
Total Sales	(352.7)	(1,591.4)	(1,302.7)	511.7	(2,735.0)	(352.7)	(2,382.3)
Less Cost of Sales	(303)	(1,347)	(1,323)	0	(2,973)	(303)	(2,669)
Surplus on Trading Account	(49.4)	(244.7)	20.1	511.7	237.8	(49.4)	287.2
Wages and Salaries	333	0	4	0	337	333	5
Agency Costs	(80)	0	0	0	(80)	(80)	0
Other Expenses	2	16	17	37	72	2	70
Transport	11	0	0	0	11	11	0
Total Expenditure	266	16	22	37	340	266	75
Operating Surplus	(315.1)	(260.6)	(1.4)	474.6	578.1	216.3	361.8
%							
Contribution to Central Costs							
Finance and IT	(7)	(3)	(1)	(3)	(14)	(7)	(7)
Marketing	0	0	0	0	0	0	0
Directorate	13	6	1	5	26	13	13
Net Surplus	222.3	(225.8)	42.3	551.2	590.0	222.3	367.7

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EASTERN SHIRES PURCHASING ORGANISATION

CONSOLIDATED MANAGEMENT BALANCE SHEET AS AT Dec-17

31st March 2017 £	31st March 2017 £		Dec-17 £	Dec-17 £
		FIXED ASSETS :		
	11,939,509	Net tangible Fixed Assets		**12,893,586**
		CURRENT ASSETS :		
5,043,040		Stocks	4,951,129	
6,855,055		Debtors	6,785,707	
265		Cash	435	
0		Short Term Investments	0	
11,711,582		Cash at Bank	9,612,188	
	23,609,942			**21,349,459**
		CURRENT LIABILITIES :		
620,901		Short Term Loan	500,000	
8,995,646		Creditors	6,868,487	
-1,119,682		Other current Liabilities	586,737	
	8,496,865			7,955,224
	15,113,077	**NET CURRENT ASSETS**		**13,394,235**
		LONG TERM LIABILITIES		
	7,000,000	Long Term Borrowings		6,500,000
	20,052,586	**NET ASSETS**		**19,787,821**
		REPRESENTED BY:		
	15,635,145	Usable Reserves		13,800,528
	4,417,444	Unusable Reserves		5,987,294
	20,052,589	Total Reserves		**19,787,822**

Cash Flow from 01/4/2017 to	**Dec-17**
Surplus	**2,564,438**
AFINIMOFS	
Allocations to Maintenance and Equipment Reserves	120,006
Movement in Fixed Assets	(954,077)
Non Surplus movement in reserves	1,569,850
Total	**3,300,217**
Movement in Long Term Borrowings	(500,000)
Payment of Dividend	(2,800,000)
Movement in Long Term Items	**(3,300,000)**
(Increase)/Decrease in Stock	91,911
(Increase)/Decrease in Debtors	69,348
Increase/(Decrease) in Creditors	(2,260,699)
Movement in Working Capital	**(2,099,440)**
Total	**(2,099,223)**
Movement in Cash Balances	**(2,099,224)**
	(1)

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Agenda Item 7

MANAGEMENT COMMITTEE – 28 FEBRUARY 2018

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of Briefing Note

1. The purpose of this update is to inform Members of the actions and progress made since the last Management Committee meeting held on 29 November 2017.

Overall Financial Performance

2. Overall financial performance to December 2017 year to date is as outlined in the MTFS monitoring report which appears elsewhere on the agenda.

3. The balanced scorecard for December is attached as Appendix 1.

ESPO Operational Progress

4. In January ESPO processed £4.042m of customer orders making 23,415 deliveries. Warehouse picking was performed at a rate of 39 lines per hour, improving on the target of 28 lines per hour. The YTD average order value for stock orders was £149.64 which is £7.84 higher than last year. Operational costs to December 2017 including Catalogue were £6.492m against a budget of £6.698m, a reduction of £205k on budget and a reduction of £128k on last year.

5. In January, Customer Services and the Catalogue Admin team handled 7,947 telephone calls with an abandonment rate of 6% against a target of 3%. This standard is being analysed using individual extension activity to improve the overall performance. Lines processed to-date by Data Entry is 1.895m. On-line orders in January have risen 40.4% of all orders processed helped by a new system introduced by IT for digitising pdf orders. ESPO's year-to-date FIFO rating is 4.6/5 (92%).

6. The stock optimisation team maintained product availability of 98.82% and stock value was £4.688m with a stock-turn of 8.92. There is £136,019 of direct orders over 2 months which are being expedited. In most cases these are part fulfilled orders where certain lines were unavailable from the supplier.

7. The Catalogue team are at the final stages of proof reading the 1,824 pages of the 2018/19 catalogue. We are producing 55,000 copies of the catalogue which is the same quantity as last year. The printing will be completed on 28th February with distribution to customers taking place from 5th March onwards.

8. There was one Health and Safety incident an accident in the goods inwards area where a member of staff tripped over a pallet and sustained an injury to her ribs. The individual has been re trained in the need to create a safe working environment whereby sufficient floor space is left between pallets.

9. Facilities management activity in January included water tank cleaning and samples tested for Legionella; replacement of faulty fire alarm sounders in the offices and the installation of two new break-glass call points on the mezzanine.

10. On 31st January three people entered the service yard at 23:40 hours caused damage to a Ford Fiesta lease car. The Police were informed and nothing was stolen. The service yard gates were open at the time of the incident because we were expecting the yard to be gritted. In future the gates will be closed at 7 pm. A Health & Safety Advisor is being recruited through a service agreement with LCC. It is expected that this position will be filled by April 1st.

11. An internal audit report on Obsolete Stock has been completed and recommendations for creating a written process for determining disposition routes is being followed. A Business Continuity update exercise has been carried out with Daisy our business continuity partner. This reflects changes to structure and contains a revised Impact assessment analysis.

12. A procurement has been conducted through a competitive tender for the replacement of the reach-truck fleet which is now over 12 years old and subject to increased maintenance costs. The new fleet will have additional safety features which include camera-guided put-away facilities and a blue light to warn pedestrians that the machine is in the vicinity.

Staffing

13. As at 31st October 2017, ESPO's sickness absence rate was at 11.78 days lost per FTE and this increased to 12.05 days lost at 30th November 2017 and 12.12 days lost as at 31st December 2018. An investigation into all current sickness absences was undertaken to ensure that they were all being managed in line with the policies and procedures. This investigation showed that sickness absence was input onto Oracle once a month and sickness absences were being managed in different ways within each department.

14. Therefore, an intensive absence management programme commenced in January 2018 whereby managers have to report all sickness absences to HR on the day of an employee's sickness absence / return to work. A weekly report is then provided to the Leadership Team to review every week to ensure that all sickness absences are being managed in line with the policy and procedures.

15. A two part training course has been developed for all line managers at ESPO. The first part will cover the basic principles, toolkits, policy and reporting requirements and the stages in managing sickness absence. This will be delivered internally at ESPO on a rolling programme commencing mid-February. Part 2 has been developed in conjunction with Leicestershire County Council

and will focus directly on spotting, proactively addressing and managing employee stress / mental ill health. It is intended that Part 2 will be rolled out in May 2018 and places will be made available for ESPO managers to join alongside LCC managers who are dealing with similar issues in order to get a wider perspective.

16. Workshops have been scheduled from mid-February 2018 to engage all of ESPO's employees in reviewing its values and behaviours as part of our People Strategy.

17. The Employment Engagement Group has agreed to work with HR on progressing the Employment Deal which will also link into the values and behaviours.

18. A People Dashboard has been drafted for Leadership Team which provides key people analytics such as headcount, staff turnover, number of vacancies etc. as well as HR service deliverables in terms of outcomes of the administration, operational and strategic HR activities in line with the HR work-plan.

19. The Sales and Marketing restructure has been completed and the new structure will take effect from 1st April 2018.

20. The recruitment of Assistant Director – Commercial has been progressed via Gatenby and Sanderson.

Internal Communications

21. The ESPO Employee of the Year was launched on Friday 24 November and ran until Thursday 7 December. The winners were announced at the annual Christmas Close Down event which took place in the Warehouse on Friday 22 December. The overall winner was Marketa Overton, a Procurement Officer who was commended for always going that extra mile when providing assistance and advice to customers. Other staff recognised for outstanding contribution were Rachel Glover, Marketing Campaigns Manager, for her hard work and efficiency in running the Communications Team during a colleague's period of maternity leave and Sandra Sewell, National Account Manager for her dedication and having outstanding knowledge of ESPO frameworks and being a true ambassador of ESPO. Nicholas Deacon also received special recognition for his quick thinking and bravery in preventing an accident when the driver of an ESPO lorry collapsed at the wheel in which he was a passenger.

ESPO Risk and Governance Update

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

22. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) on 26 September 2017.

23. 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.

24. 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.

25. 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.

26. 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 took16 hours. Daisy has provided the disaster recovery service to ESPO for a number of years and is familiar with ESPO’s recovery processes.

27. 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.

28. IBM undertook an audit of licences at ESPO (as part of their worldwide audit of licences) in November and December 2017. ESPO purchased licenses consistent with its usage of our hardware. IBM are seeking to claim additional costs based on a contractual technicality and are seeking two years back maintenance and additional licenses. This is being handled by LCC Legal team. Throughout this process COG and Management Committee will be kept fully informed.

29. In the third quarter, the reported incidents and accidents. There was one Health and Safety incident an accident in the goods inwards area where a member of staff tripped over a pallet and sustained an injury to her ribs. The individual has been re trained in the need to create a safe working environment whereby sufficient floor space is left between pallets.

30. A report on a proposal to introduce random alcohol testing is being considered by the Chief Officers Team at Leicestershire County Council.

31. Facilities management activity in January included water tank cleaning and samples tested for Legionella; replacement of faulty fire alarm sounders in the offices and the installation of two new break-glass call points on the mezzanine.

32. A Health & Safety Advisor is being recruited through a service agreement with LCC. It is expected that this position will be filled by April 1st.

Resources Implications

33. None arising directly from this report.

Recommendation

34. Members are asked:

a) To note and support the contents of this report.

Officer to Contact

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Appendices

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

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Management Summary & Key Projects Dec 17

Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£1,514,438	£1,453,489	4.2%	£32,285,974	-0.8%
Direct Sales	£812,362	£856,315	-5.1%	£13,141,626	-10.8%
Rebate plus fee income	£174,600	£317,300	-45.0%	£4,019,200	15.7%
Total Sales (Exc Gas)	£2,505,100	£2,643,704	-5.2%	£50,329,862	-2.8%
Stores Margin %	27.93%	28.00%	-0.07pp	27.55%	0.33pp
Directs Margin %	12.91%	13.00%	-0.09pp	13.24%	-0.23pp
Total Gross Margin inc Consumables Cost	£740,961	£879,938	-15.8%	£15,812,670	1.3%
Total Expenditure	£1,260,219	£1,384,987	9.0%	£13,063,295	2.6%
Surplus	-£519,258	-£505,049	-£14,209	£2,749,375	£549,660
Net Profit Margin %	-20.73%	-19.10%	-1.62pp	5.46%	1.21pp
Operations cost as a proportion of sales	42.5%	49.8%	7.36pp	20.2%	0.45pp

MOV

	TY YTD	LY YTD	Var
AOV	£153.47	£145.17	£8.30
Prop of orders over £15	96.8%	96.2%	0.54pp

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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 flags 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		in event of supplier failure, the options would be: (1) acquisition of business by another supplier, subject to the terms of which and the new supplier's sttaus as a trading counterparty, the trades may be transferred to the new supplier and retained i.e. no impact, (2) if business is not acquired or trades do not transfer, they could be lost and we would have to re-purchase, at prevailing market rates - which could be higher, or lower, than the original transcations - there is a possbility of insurance in the form of a margin payment but the suggestion is that this would be very high - further info being sought, (3) explore the possibility of insuring separately.
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		15/12/17 Consolidated billing functionality still being tested, other issues delaying migration addressed. IA report on financial controls concluded "substantial assurance". Migration resumed Nov 17. 68% of sites now migrated to 'core'.
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 oiut 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	15/12/17 Supply chain audit completed, follow up actions in progress. Further Action/Additional Controls: 6. CRM recruited and in post, increasing rebate collection more than? Problematic at present due to contractual constraints and practicalities or more frequent collections.
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 unenforecable (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	commenced Oct 17	15/12/17 Reviewed no change
70	Driving over the alcohol limit	1. Impaired judgement leading to accident 2. Possible injury or death to other road users and pedestrians.	AD Operations	5	2	10		Relies on staff to spot obvious signs of excess alcohol e.g. slurred speech, glazed eyes, unsteady, smell of alcohol. Driver signs daily report to confirm he is fit to drive.	Road Traffic Accidents Injuries to customers or drivers Contact from the police	5	2	10		A recommendation is being made to the People Strategy Board in Jan 2018 in conjunction with LCC E&T division to introduce a regime for testing drivers for excess alcohol. This will be via a breath test device, using a random selection criteria.			

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