



Date: 09/03/2021
My Ref: CT/ESPO
Please ask for: Cat Tuohy
Direct Dialling: (0116) 305 5483
e-mail: cat.tuohy@leics.gov.uk

To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 17 March 2021 at 10.30 am via Microsoft Teams.

Yours faithfully,

Cat Tuohy
for Consortium Secretary

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 25 November 2020.	(Pages 3 - 6)
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. Items referred by the Finance and Audit Subcommittee.	

There are no specific items referred. The issues considered by the Subcommittee are covered in items 5 and 9 which appear elsewhere on the agenda.

- | | | | |
|----|------------------------------------|-------------------------|-----------------|
| 5. | Internal Audit Plan 2021/22. | Consortium
Treasurer | (Pages 7 - 14) |
| 6. | Director's Progress update. | Director | (Pages 15 - 26) |
| 7. | Exclusion of the Press and Public. | | |

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

- | | | | |
|-----|--|---|-----------------|
| 8. | Supplementary Information Informing the Progress Report of the Director's Progress Update. | Director | (Pages 27 - 44) |
| 9. | Forecast Outturn 2020/21 and Draft MTFS 2021/22-2024/25. | Director and
Consortium
Treasurer | (Pages 45 - 64) |
| 10. | Public Procurement Rules Update from 1 January 2021. | Director | (Pages 65 - 70) |

11. Date of Next Meeting.

The next meeting of the Committee is scheduled to take place on 23 June 2021.

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



Minutes of a meeting of the ESPO Management Committee held via Microsoft Teams on Wednesday, 25 November 2020.

PRESENT

Cllr. M. Howell (in the Chair)

Cambridgeshire County Council

Cllr. I Bates

Peterborough City Council

Cllr D. Seaton

Leicestershire County Council

Dr. R. K. A. Feltham CC

Mr. R. Shepherd CC

Lincolnshire County Council

Cllr A. Hagues

Cllr. S. Rawlins

Warwickshire County Council

Cllr. P. S. Birdi

Cllr. P. Butlin

Apologies

Apologies were received from Cllr. S. Clancy and Cllr. M. Smith-Clare from Norfolk County Council and Cllr John Holdich OBE from Peterborough City Council.

In attendance

ESPO

Kristian Smith - Director

Richard Benner – Assistant Director

Maurice Campbell – Assistant Director

David Godsell – Assistant Director

Matt Selwyn Smith – Assistant Director

Leicestershire County Council

John Sinnott – Consortium Secretary

Lauren Haslam – Director of Law and Governance on behalf of Consortium Secretary

Declan Keegan – Assistant Director Strategic Finance and Property on behalf of

Consortium Treasurer

Mo Seedat – Head of Democratic Services

Matt Davis – Audit Manager

Cat Tuohy – Democratic Services Officer

15. Minutes.

The minutes of the meeting held on 24 June 2020 were taken as read following an amendment to the Declarations of interests:-

*“Mr R. Shepherd CC and Dr K. Feltham CC declared a personal interest **which could lead to bias** as members of Leicestershire County Council who owned the Leaders Farm site which was being recommended as the location of a new warehouse site - Agenda Item ‘9’ (minute 25 refers).”*

16. Urgent Items.

There were no urgent items for consideration.

17. Declarations of interests.

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

Mr R. Shepherd CC and Dr K. Feltham CC declared a personal interest which could lead to bias as members of Leicestershire County Council who owned the Leaders Farm site to be discussed under the Director's Supplementary Progress Update.

19. Director's Progress update.

The Committee considered a report of the Director which provided an update of the actions and progress made since the last ESPO Management Committee held on 16 September 2020. A copy of the report marked 'Agenda Item 4', is filed with these minutes

It was noted that a small number of staff who could not work from home and were clinically vulnerable had been re-furloughed following the second full nationwide lockdown.

The Committee took the opportunity to thank all ESPO staff who had been working hard to keep ESPO running and continued to respond to emerging and changing priorities.

RESOLVED:

That the report be noted and supported.

20. Dates of Future Meetings.

It was noted that future meetings of the Committee would be held at 10.30am on 17 March 2020.

21. Exclusion of the Press and Public.

RESOVLED:

It was agreed that under Section 100(A) (iv) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that it will involve the likely disclosure of exempt information during consideration of the following items of business as defined in paragraphs 3 and 10 of Schedule 12A of the Act; and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

23. Director's Supplementary Report.

The Committee considered an exempt report of the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the report, marked 'Agenda Item 7', is filed with these minutes. The report was not for publication by

virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12 (A) of the Local Government Act 1972.

The Director set out plans for future development and advised that updates would be brought to Members once plans had advanced and/or opportunities arose.

Members were assured that ESPO was aware of and looking to mitigate risks affecting the business, such as COVID-19, the United Kingdom's exit from the European Union and its impact on ports and markets and cyber security.

An update was provided on 'Leaders Farm' the preferred site for investment for ESPO's new warehouse that had been agreed at a previous Management Committee meeting. It was noted that Leicestershire County Council held a dual role as Developer and Planning Authority for the site and that further discussions needed to be held internally by the Authority. It was requested that a report be made to members regarding progress on the matter.

RESOLVED:

- a) That the report be noted.
- b) That an update report be submitted to members regarding Leaders Farm.

24. Personal Protective Equipment Update

The Committee received a report from the Director on Personal Protective Equipment Update during Covid-19. A copy of the report marked Agenda Item '8' is filed with these minutes. The report and presentation were not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

Members considered the challenges and lessons learnt in relation to procurement of Personal Protective Equipment during Covid-19 and noted that ESPO's Leadership Team would consider future opportunities that could be developed in line with partner authorities needs.

The Director assured Members that ESPO looked to ensure there was an adequate mix between overseas and UK supply. Members recognised that often there was reliance on parts manufactured abroad with UK suppliers which could still result in delays within the chain if there was port disruption.

Members were pleased to note that during the crisis ESPO continued to maintain its internal control on PPE procurement and that it did not lower its standards, or pay over the odds for PPE.

RESOLVED:

That the content of the report be noted and that the development of a new product availability strategy be supported.

25. Financial Update Report.

The Committee considered a report of the Director which set out the an update on ESPO's financials. A copy of the report marked Agenda Item '9' is filed with these minutes. The report and presentation were not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972

RESOLVED:

That the report be noted and supported.

26. 'My School' Fund

The Committee received a presentation from the Director regarding the 'My School Fund'. A copy of the report is marked 'Agenda Item 10' and is filed with these minutes.

The Committee thanked officers for the presentation and the good work undertaken to progress the My School Fund scheme/

RESOLVED:

That the presentation be noted.



ESPO MANAGEMENT COMMITTEE – 17 MARCH 2021

REPORT OF THE CONSORTIUM TREASURER

ANNUAL INTERNAL AUDIT PLAN 2021-22

Purpose of Report

1. The purpose of this report is to provide information on the work undertaken to create the annual Internal Audit Plan (the Plan) for 2021-22.
2. The Finance and Audit Subcommittee considered the Plan for 2021-22 at its meeting on 3 February and its decision is reflected in the recommendations in this report.

Background

3. 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.
4. 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 (the PSIAS) which were last revised in April 2017.
5. 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 (its framework of governance, risk management and control). 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.
6. The HoIAS' opinion helps to inform either the traditional Annual Governance Statement (a requirement under the Accounts and Audit Regulations 2015, which apply to the Member Authorities comprising ESPO), or any alternative report following ESPO's adoption of International Financial Reporting Standards (IFRS).
7. The Finance & Audit Subcommittee (the Subcommittee) is responsible for receiving and reviewing audit and governance

reports and it acts as ‘the Board’ for PSIAS purposes. The Subcommittee received and noted the Plan at its meeting on 3 February 2021. However, the Subcommittee does not have any decision-making authority and the Plan has to be approved by Management Committee (the Committee) given it has overall strategic responsibility for the management oversight and direction of and being the sole decision maker for ESPO.

Planning methodology

8. 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 Plan is aligned with the Corporate Risk Register, the Business Strategy and the Annual Governance Statement.
9. 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 and the Consortium Treasurer and Secretary. The External Auditor will be consulted.
 - 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. 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
10. 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 to assist in their planning of their annual audit to form an opinion that ESPO's financial accounts are not materially misstated. In the past, the External Auditor has determined that the quality and scope of LCCIAS work is sufficient to contribute positively to ESPO's overall control environment.
11. Any other significant projects for example ICT or Business Growth developments would be targeted for audit. GDPR compliance will be

covered as part of Leicestershire County Council's audit but any findings of relevance will be reported to ESPO members. A contingency is retained for consulting (advisory), unforeseen risks, special projects and investigations. An allocation is reserved for the HoIAS' role in governance requirements (attendance at committees, form opinions and reports etc) and progressing any high importance recommendations.

The internal audit plan 2021-22

12. The attached Plan for 2021-22 (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 a competitor of ESPO.
13. A small amount of resource will be required to finalise 2020-21 audits.
14. The first column indicates which component of the control environment the audit primarily matches (there is quite often overlap).
15. The 2021-22 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 stressed 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 Committee.
16. It is likely that the 2021-22 plan will be more fluid than normal as a result of the continuing impact of the pandemic on ESPO's operations. The HoIAS has taken account of new audit priorities to cover the new risks and changes from the impact of COVID-19 and that work will provide support for the annual opinion. The impact of COVID-19 and the capacity of ESPO to respond will likely continue to vary as a result of a number of factors for instance further operational disruptions that impact on the access of internal auditors to key staff, information or systems.
17. Detailed Terms of Engagement covering each audit's scope, timing and any areas for exclusion are agreed with the relevant risk owners (Assistant Director) in advance of each audit.

Progressing the Audit Plan

18. 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.

19. 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 & Audit Subcommittee at its scheduled meetings, with any urgent matters in the interim periods being brought to the attention of the Management Committee.
20. If any audit produces a 'high importance' recommendation, then the full report would be shared with the Subcommittee and/or Management Committee dependent on timing, and specific re-testing is undertaken later in the year to prove that control has actually improved and is embedded.

Resource Implications

21. 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 2021-22 plan has been agreed on an indicative 150 days. This level of coverage should enable the HoIAS to provide overall reasonable assurance to the Consortium Treasurer the risks that ESPO is facing are being managed.

Conclusion

22. The detail of the 2021-22 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

23. That the Finance and audit Subcommittee having considered the Internal Audit Plan 2021-22 in detail recommends the Management Committee
 - a) Note and support the methodology used as a basis for developing the Internal Audit Plan 2021-22;
 - b) Approve the ESPO Internal Audit Plan for 2021-22

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 and Assurance Service
Tel: 0116-305-7629
Email: neil.jones@leics.gov.uk

Appendices

Appendix - ESPO Internal Audit Plan 2021-22

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ESPO Internal Audit Plan 2021-22		
Control env't component	Entity	The indicative audit objective is to ensure that...
Various	Continuation of work commenced in 2020-21	To complete any outstanding audits that overlap the financial year
Governance	Annual Governance Requirements 2020-21	Review of the management self assessments of assurance in the 2020-21 AGS or any subsequent FRS equivalent
Governance	Counter Fraud - Cyber Security	Adequate Cyber Security arrangements are in place in accordance with nationally issued good practice guidance and associated self-assessment <i>(note this also addresses a key potential risk highlighted in the ESPO Fraud risk assessment work undertaken in 20/21).</i>
Governance	Export/ESPO International	Benefit of current developments materialise/proposed future developments are supported through robust business case sign off
Governance	Frameworks	Developing any new/developed mirrored offerings/Time taken
Governance	Key Projects - Strategic alliance(s)	Benefit of current developments materialise/proposed future developments are supported through robust business case sign off
Risk Management	Risk Management	Risk management policies and procedures are fit for purpose and being consistently applied allowing for an evaluation of ESPO's current level of risk management maturity.
Risk Management	Warehouse	Robust Governance and Management of Risk in the conversion of the Business Case to a Project Initiation Document and associated timetable for delivery.
Risk Management	Credit control	Follow up recommendations from the 2020/21 report
Risk management	Counter Fraud - NFI specific	Results (due end of January 2021) are correctly interpreted and investigated
Risk Management	Website Development	Post go live benefits realisation is achieved/'to be' working practices afford adequate internal control and management of risk
Risk Management	IT Developments	Work to be conducted in accordance with ESPO IT Key Deliverables 21/22 <i>(not yet published but known to include some deliverables carried over from 20/21 e.g. Replacing e-mail servers into the cloud; future delivery methods etc)</i>
Risk Management	Emerging risks	ESPO identification and preparedness for any emerging risks e.g. climate change requirements, continued adjustments as a result of existing the EU/COVID-19 requirements inc service recovery, Supply Chain implications & Compliance with revised procurement regulations, significant loss of business, MTFS targets not being met, Failure to retain staff, M Star framework issues
Internal control	General Financial Systems (*)	To discuss with the External Auditor and the ESPO Financial Controller/Consortium Treasurer, 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 - focus will be on site visits
Internal control	Servicing Authority	Key Performance Indicators for services provided by the Servicing Authority are adhered to
	Contingency	Unforeseen events brought to the attention of the Head of Internal Audit Service by either ESPO Leadership Team or the Consortium Officers - may include business growth; new legislative
	Client management	Planning & research; progress meetings; servicing Committees; HoIAS requirements; confirming implementation of HI recommendations; External Audit liaison; advice
		Total days = 150
		(*) 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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MANAGEMENT COMMITTEE – 17 MARCH 2021

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of the Briefing Note

- The purpose of this update is to inform Management Committee of the actions and progress made since the last Management Committee meeting held 25 November 2020.

Overall Financial Performance

COMBINED PRELIMINARY RESULTS	YEAR TO DATE Jan-21			
	ACTUAL		BUDGET	
	£000	%	£000	%
SALES				
STORES	36,177.5		39,110.7	
DIRECT	12,650.3		16,113.4	
GAS	9,705.8		11,591.8	
CATALOGUE ADVERTISING	798.7		796.4	
REBATE INCOME	7,112.5		6,555.2	
MISCELLANEOUS INCOME	(3.1)		128.3	
TOTAL SALES	66,441.7		74,295.7	
Cost of Sales				
STORES	25,148.7		27,455.0	
DIRECT	10,913.7		13,851.9	
GAS	9,450.4		11,286.8	
TOTAL COST OF SALES	45,512.8		52,593.7	
Margin				
STORES	11,028.7	43.9%	11,655.7	42.5%
DIRECT	1,736.6	15.9%	2,261.4	16.3%
GAS	255.4	2.7%	305.0	2.7%
CATALOGUE ADVERTISING	798.7		796.4	
REBATE INCOME	7,112.5		6,555.2	
MISCELLANEOUS INCOME	(3.1)		128.3	
TOTAL MARGIN	20,928.9		21,702.0	
TOTAL EXPENDITURE	16,722.8	25.2%	16,964.9	22.8%
As % of Total Sales Excluding Gas		29.5%		27.1%
TRADING SURPLUS	4,206.0	6.3%	4,737.1	6.4%

- For January 2021 YTD catalogue sales were £48.8m which was £6.4m or 11.6% below budget and 9.8% below last year. Within this, stores sales were 7.5% below budget and direct sales were down 21.5% versus budget.
- For the remainder of the financial year, it is anticipated that due to the Covid restrictions introduced in January 2021, that are due to end in regards to schools in March 2021, the sales revenue will continue to be lower than budget and combined with the level of fixed costs, this will mean that trading losses are forecasted to occur in February 2021 and March 2021.
- Rebate income January 2021 YTD is £7.1m, which was £0.56m (+8.5%) ahead of budget. The full year outlook for rebate income remains in-line with forecast at approx. £8.3m.
- The Miscellaneous Income is virtually nil due to the level of interest paid by Federated Bank (currently 0.01% versus 0.75% pre-pandemic). Also, LCC took the decision to divest from money market funds between 18th March 2020 and 12th June 2020 until there was more clarity in the markets. After 12th June 2020 the funds were then re-invested in stages; the funds were fully invested by mid-July 2020.
- The forecast for the year end has been reduced to £50k based on the above.
- The gross margin % in catalogue sales has been ahead of budget, but despite this, the shortfall in overall catalogue sales has resulted in a £1.2m shortfall in catalogue gross margin compared to budget.
- Opex costs January 2021 YTD at £16.7m were £0.2m below budget.
- The effect of all of the above is that the trading surplus for January 2021 YTD was £4.2m versus a budget of £4.7m.
- The full-year re-forecast of ESPO's P&L presented at the June Management Committee for 2020/21 indicated a full year surplus in the range of £3.5 to £4.0m. Given the continuing risks around Covid, it is anticipated that the full year surplus will be at the lower end of the range.
- The balanced scorecard is attached at Appendix 1.

ESPO Operational Progress

2. Against the backdrop of the third national lockdown ESPO's distribution centre in January processed 89,000 order lines, down 50% on January 2020, valued at £2.456m. The transport fleet made 12,936 deliveries with fewer deliveries being made on external couriers to help manage school closure issues. Warehouse picking was performed at a rate of 31 lines per hour.

Covid-19 related social distancing measures, reduced shift lengths have continued to impact on productivity throughout the period. The error rate detected by QA was 2% against the target of 3%. The average order value for stock orders in January was £133.72 which is £9.70 higher than this time last year, reflecting fewer but larger orders. Operational and supply chain YTD costs were £8.163m against a budget of £8.379m, which is £217k below budget. Stores margin was 30.50% which is 0.7pp above budget reflecting a beneficial change in the mix of products sold. We took the opportunity to furlough staff in operations and customer services to help mitigate costs during the lock-down.

3. The customer services team processed 16,446 customer orders, down 49% on January 2020, valued at £2.220m. Online and electronic converted orders in January were at 57.9%. Direct orders currently valued at £806k are being managed from suppliers to customers, a total of £224k are overdue and the late suppliers are being expedited by the customer services team. The team handled 5,175 telephone calls, with an average waiting time of 7 seconds against a target of 30 seconds and an 5.9% abandon rate. The Directs team received significant contacts with customers chasing orders as a result of supply chain delays. Lockdown three and the closure of schools saw a reduction in demand across all customer channels.
4. We received 43 service ratings on FEEFO, averaging 4.9/5 providing a 98% satisfaction rating. Most positive ratings relate to service and delivery. In conjunction with ESPO's IT team CS are introducing a cloud-based VOIP telephony solution to replace the current infrastructure. This will enable calls to be diverted and handled by all ESPO staff working remotely through a variety of devices such as lap-tops, tablets, desk tops and smart phones. The solution provides improved resiliency for ESPO as well as improved management and performance information. The use of call recording in the contact centre will enable service improvements through root cause analysis and staff training.
5. The stock optimisation team improved product availability to 98.3% with 173 lines out of 9,871 temporarily unavailable; stock value was £7.371m with a stock turn of 5.74. Stock values increased when product sales in January fell way due to the lockdown and school closure programme. The ordering patterns have been adapted to the new demand profile. ESPO continues to rely on external storage to manage its stock holding requirements. This includes exercise book stock held at KCS in Maidstone and by its printer in Poland.
6. Facilities management in January included annual approved contractor checks on the warehouse sprinkler system, powered pallet trucks, the warehouse pallet racking and pallet weighing calibration. Appropriate remedial actions were then taken on a small number of recommendations. As part of the site legionella control system the cold-water system was cleaned and chlorinated.
7. In terms of health and safety there was one minor accident where a member of the warehouse team sustained a small cut to the ankle whilst unloading a

pallet. No further action was required. Following the national lockdown, it was decided to take further safety measures to protect staff at Grove Park. Face coverings were made mandatory when entering and exiting the site. This helps to manage the risk of transmission at the start and finish of shifts when there is the most staff congestion.

8. ESPO's building remains Covid-19 secure and monthly Covid-19 self-assessments are returned to the LCC recovery group. There is continued monitoring and increased cleaning schedules by in-house staff and external cleaning contractors. The Health & Safety team are managing the access to site for any staff who need to visit the site for any reason. A joint consultative committee meeting was held with unions with no significant issues raised. A Covid-19 lessons learnt log was completed and shared with the Silver Team for business continuity planning.
9. The IT helpdesk handled 157 enquiries ranging from locked orders to proxy settings in Outlook. The Helpdesk and infrastructure team have had training on Office 365 in January and will be providing further support to the business on how best to utilise the software. More web cams have been deployed following discussion by Silver Team to support the wellbeing of employees to have video interactions with their line managers. The annual pricing exercise was undertaken which comprises uploading the new buying price and selling prices onto System 21 in preparation for the new web site and catalogue launch on 1st April.
10. A system refresh is being prepared on the Infor ERP system in 2021 to ensure that the operating system and middleware are on the latest version and fully supported. A business case and project plan are being created.
11. We signalled in November 2020 to staff that we were looking at means to manage payroll costs in the light of the business downturn. An action plan was launched on 25th January that impacted staff within the IT function at ESPO. This created a new structure which reflects the roles and responsibilities required to meet the changed needs of the business. Sadly, this has resulted in three positions being deleted and unless alternative roles are found these roles will be made redundant.
12. ESPO have been tasked with the storage and distribution of emergency PPE to local authority and educational settings agreed by the LRF as part of a national initiative through the Department of Health. ESPO are facilitating the distribution of PPE to district and city councils for onward processing.

Staffing

13. Sickness absence still continues to be well managed over this period, despite some small increases in our overall levels being seen recently due to the impact of the covid-19 pandemic. Over the month of January 2021, ESPO's average 12-month rolling figure slightly grew to 6.60 days of sickness absence per person (from a record low of 6.35 days the previous month). However, due to our recent successful reductions in sickness absence, this

still remains below the target set by Leicestershire County Council of 7.50 days. 20.70% of all sickness absence in the last 12 months was due to coronavirus, with a total of 460.27 working days lost. This was the second highest contributor to the total sickness absence, with musculo-skeletal reasons being the highest at 23.10% of all absence (an annual total of 513.96 days lost).

14. Regular interaction with managers and staff has continued through manager forums, Heads of Service Meetings, Team Meetings and Director briefings. Regular discussions with our Trade Union meetings have also continued over this period, alongside our Employee Engagement Group. Weekly staff bulletins have also included a range of communications on issues such as wellbeing practices and assistance. All of these have all ensured that vital messages and updates are disseminated throughout the organisation and that staff are also fully supported in their role.
15. Around 80 individuals have been placed on furlough leave, under the government's Coronavirus Job Retention Scheme, following the start of the January lockdown. The majority of these staff are either operations staff and reflect the down turn in demand, or colleagues who are classed as being clinically extremely vulnerable, and undertake duties that are unable to be completed at home. This situation will continue to be reviewed in line with the planned reopening of schools on 8 March 2021, and the revised definition of being clinically extremely vulnerable, to ensure that staff are being supported in line with the national guidance.
16. A number of staff have also now received confirmation that they successfully completed qualifications via the national apprenticeship route. This includes ILM Level 3 qualifications for some of our Category Managers and Shift Managers, and CIPS qualifications for our Trainee Procurement Officers. New cohorts are currently in the process of being recruited which will ensure that staff have the necessary skills to succeed in their roles.

ESPO Risk and Governance Update

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

17. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) and the top risks are attached at Appendix 2.

Resources Implications

None arising directly from this report.

Recommendation

Members are asked to note and support the contents of this report.

Officer to Contact

Kristian Smith, Director
k.smith@espo.org
Tel: 0116 265 7887

Appendices

Appendix 1: Balanced Scorecard
Appendix 2: CRR extract

Management Summary Jan 21

Management Summary

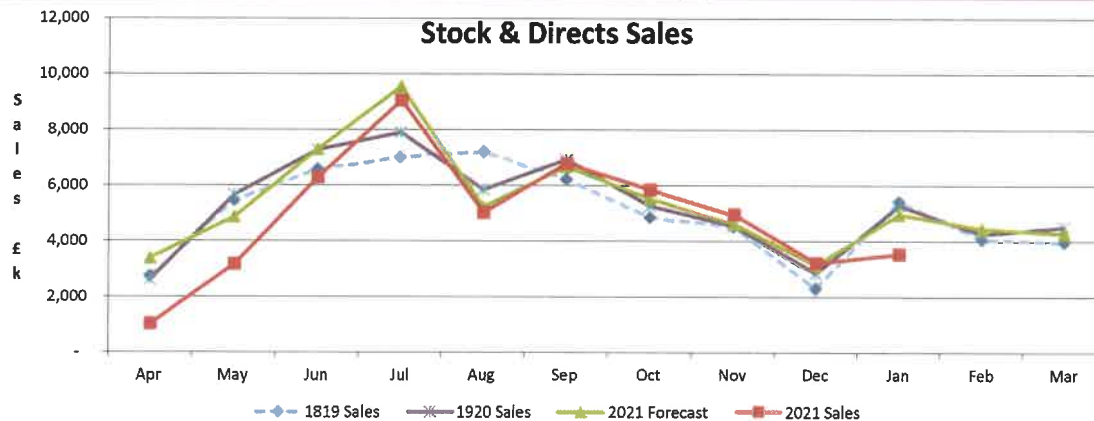
	Actual	Budget / LY	Var	YTD Actual	YTD Var
Stores Sales	£2,455,338	£3,582,610	↓ -31.5%	£36,177,453	↓ -7.5%
Direct Sales	£1,075,364	£1,375,791	↓ -21.8%	£12,650,323	↓ -21.5%
Rebate plus fee income	£1,278,010	£1,177,082	↑ 8.6%	£7,112,471	↑ 8.5%
Total Sales (Exc Gas)	£4,894,784	£6,224,107	↓ -21.4%	£56,735,891	↓ -9.5%
Stores Margin %	29.78%	30.00%	↓ -0.22pp	30.49%	↑ 0.68pp
Directs Margin %	9.03%	13.57%	↓ -4.54pp	13.81%	↓ -0.23pp
Total Gross Margin inc Consumables Cost	£2,216,444	£2,558,045	↓ -13.4%	£20,939,727	↓ -3.5%
Total Expenditure	£1,647,950	£1,642,575	↓ -0.3%	£16,722,840	↑ 1.4%
Surplus	£568,494	£915,470	↓ -£346,976	£4,216,887	↓ -£520,240
Net Profit Margin %	11.61%	14.71%	↓ -3.09pp	7.43%	↓ -0.12pp
Operations cost as a proportion of sales	44.3%	31.1%	↓ -13.24pp	28.2%	↓ -1.98pp
Expenditure as a proportion of Gross Margin	61.3%	62.8%	↑ 1.48pp	76.0%	↑ 3.88pp

	Actual	Budget / LY	Var	YTD Actual	YTD Var
Eduzone Sales	£68,584	£66,604	↑ 3.0%	£510,332	↓ -24.5%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£153.41	£157.87	↓ -£4.45
Prop of orders over £15	97.3%	97.0%	↑ 0.32pp

Graph - Sales vs. Forecast



HR

	Actual	Target	Var
Sickness Absence Rates *	6.6	7.5	↑ -0.9
No. of Apprentices	8	7	↑ 1.0

*Average days lost per FTE in a 12 month rolling period

Mandatory Training Completion	Actual	Target	Var
Fraud	93%	90%	↑ 2.65pp
Data Protection	81%	90%	↓ -9.17pp
Equality & Diversity	88%	90%	↓ -2.14pp
Health & Safety	85%	90%	↓ -5.05pp
GDPR	76%	90%	↓ -13.96pp

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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 06/10/2020) Impact	Current Risk Score (as at 06/10/2020) Likelihood	Current Risk Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner
25	Increased competition including Amazon & CCS	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 threat to ESPO's business model. 3. Amazon: moving deliberately into the public sector space, and focussing on education as a key area, Amazon have expressed interest widely within the market place at becoming more than an ad hoc supplier to schools of all levels, expressing their intention to partner with, or secure suppliers who have tailored offering for the sector.	AD Commercial	4	4	16	Treat	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 3. Amazon: Continue to market our 'not for private profit' credentials and continue to craft our ranges to offer the very best solution to all tiers of education from our stock and directs position. To explore collaboration with our PBO neighbours to ensure opportunities are not missed in securing market share dominance on key lines such as paper, glue sticks and exercise books. 4. Website Development. 5. Use of BESA benchmarking for ongoing market share data. 6. Continue to make frameworks easier to access. 7. Develop ETL framework offering for diversity of customer base.	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) 4. Amazon: Reduction in traditional stationery and direct electrical item sales at category level. 5. Termly customer research and feedback 6. Competitive mapping for frameworks, including new threats from Bloom and CCS expansion. 7. Staff migration to competitors.	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. 3. Review of Customer Offer 4. MATs package 5. Review termly research. 6. Keep a close eye on developments in the market & particularly on CCS & Amazon. 7. Continue to look out for member authority frameworks that duplicate ESPO's offering. 8. Keep abreast of speculative frameworks that could take business from ESPO frameworks. 9. Continue to explore and maximise exporting opportunities. 10. Review approach to recruitment and retention of	AD Commercial
33	Health and Safety compensation claims and fines.	Substantial claim made as a result of a Health and Safety event. Given the nature of the warehouse environment and the customer premises we operate in etc. it is possible these claims could be substantial. This could result in ESPO being placed at substantial risk of continuing in business due to level of damages paid and reputational impact.	Director	4	4	16	Treat	1. Ownership by the Director 2. Dedicated Health and Safety Officer & Senior H&S Advisor. 3. Risk assessments, safe systems of work. 4. Incident, accident and near miss reporting recorded on Assess-net allowing for overview and enhancing ability to determine actions to mitigate future risk 5. Investment in safety equipment 6. Regular Health and Safety Committee meetings (Director to review minutes) 7. Internal Audit assessment 8. Regular Health and Safety walkabouts 9. Standard update item at monthly Leadership Team (LT) Officer at quarterly LT Risk Meetings	1. Health and Safety Walkabout actions 2. Internal Audit reports 3. Staff Surveys 4. Record of Health and Safety events and actions taken and recorded on Servicing Authority's Assess-net 5. On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC.	4	3	12	Treat	1. 3rd Party Independent Assessment 2. Health and Safety culture embedded throughout the organisation 3. Response to public ' ' to be considered in Health and Safety planning e.g. Grenfel Towers 4. Appoint H&S advisor via LCC SLA. 5. Investment in new reach trucks with additional safety features and more driver aids. 6. Plans to recruit more permanent reach truck drivers. 7. Programme of H&S training courses implemented 8. Look to ammend policies in future 9. Mock trials held on 6th & 13th Feb in conjunction with LCC.	AD Operations & IT

ESPO

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51	Space constraints in the context of ESPO growth ambitions - options for mitigating short and long	1. Unable to operate safely 2. Unable to process customer orders 3. Unable to store sufficient stock 4. The exercise book supply chain will require ESPO to purchase and store stock at an earlier stage in the cycle. This is estimated at circa 2,000 pallets. There is insufficient space at the ESPO warehouse.	AD Operations & IT	4	4	16	Treat	1. Use of peak warehouse 2. Rationalise supplier base 3. Create more efficient storage regime 4. Create more efficient picking regime 5. Outside storage of exercise books at Felixstowe 6. Assess supplier holding stock 7. Extend the mezzanine floor 8. Introduce warehouse automation 9. Assess use of modular buildings on the ESPO site. 10. Modified supply chain for exercise books with production in Poland requiring less storage space at the Leicester Warehouse 01/08/218 11. Mitigation is through pursuing an off-sit, shared-user warehousing agreement with the supplier. 12. Medium/ Long Term Solution the provision of additional ESPO bulk warehousing space	1. Racked space utilisation 2. Lines picked/packed per person per hour c.f. budget 3. Overall lines picked per day c.f. budget 4. Business Case being prepared.	4	3	12	Treat	LCC discussions. Visibility at LT on a regular basis. 19/02/2020 LTFS Away Day planning 03/03/2020 Space meeting with LCC 05/03/2020 Logistics consultants appointed to validate assumptions. Paper subsequently presented and findings validated. August/ September 2020 Business case prepared proposing an ESPO Bulk store warehouse. This was subsequently presented to both COG and the Management committee	AD Operations & IT
63	Exiting EU	1. 'Within year' increases in buying prices due to higher import costs could reduce margins – possible failure to suppress 'cost of sales' target and impact on international sourcing programme 2. Year on year buying price increases put pressure on margins/competitiveness 3. Inflation could reduce discretionary spend by customers – reduced sales 4. Extension to austerity or further cuts in public finances – impact on customer spending 5. Threat to achieving MTFS 6. Competition benchmark reset 7. Post Brexit tariffs 8. Supply chain disruption 9. Potential increase in business failures 10. Changes to EU procurement law 11. Additional LT meeting/monitoring sessions to be diarised 12. Liason @ AD level between ESPO & LCC	Director	4	4	16	Treat	1. Aim to resist price increase 'within year' 2. Mitigate increases through competition, re-sourcing, extensions 3. Support sales through targeted promotion and marketing 4. Factor in changes to the MTFS 5. Competition position on pricing and Brexit pass through 6. Strategic supplier engagement 7. Enhance catalogue T&Cs 8. Make website default price reference point 9. Create Brexit planning group 10. Promotion of settlement scheme to staff	1. Review YPO catalogue to consider market reaction to price increases 2. Seek to pass through but still observe pricing position 3. Top 30 suppliers accounting for 50% of catalogue business on Creditsafe weekly 'alert' (automatic notification of change in status) 4. Turnover and vacancy rates	4	3	12	Treat	1. Workforce Strategy agreed 2. Yearly commercial plan in place. 3. Understanding of where goods come from EU through supplier engagement. Identify all goods directly imported from EU. Engage customs agent to meet our obligations as a 'declarant' for goods entering the UK from the EU. Identify commodity codes of all goods directly imported from EU to review WTO terms for tariffs. Ensure Finance team are aware of relevant HMRC protocols for VAT deferral and payment of quarterly VAT for imported goods. EU import sub-group formed to manage and monitor progress.	Director

ESPO

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78	Coronavirus	<p>1. 'Stock supply shortages for products or components that are made in China. With consequential effects in UK manufacturers production capability.</p> <p>2. 'Staff shortages in all ESPO functional areas due to high sickness rates.</p> <p>3.'School closures to reduce infection spread.</p> <p>4. 'Overall economic impact on ESPO's business activities due to sluggish restoration of international supply chain..</p> <ul style="list-style-type: none"> • Staff complacency and not adhering to controls in place. • All risks as identified previously coming to fruition due to further restrictions introduced. • Supply chain disruption in the event of further lockdowns both in UK and Worldwide. • On-going school closures / partial closures. 	Director	4	4	16	Treat	<p>1. 'Set up an internal team tasked with managing ESPO's activities and communications in response to the health crisis.</p> <p>2. 'Monitor updates and advice from WHO and UK government .</p> <p>3. 'Maintain regular communications with customers, staff and stakeholders.</p> <p>4. ESPO continue to promote good handwashing and hygiene practices and have increased the availability of antibacterial wipes and cleaning equipment.Contractured cleaning contractors disinfect door handles and hand rails as part of our contract.</p> <p>5.Should a member of staff contract coronavirus EPSO will liaise with PHE directly at County Hall and follow any recommendations.</p> <p>6. Should isolation be required our Smarter Working Policy provides guidance on staff working from home and where necessary individual risk assessments will be completed. In the event there is a requirement for an extended number of staff to work from home all available lap-tops provide to staff across the business will be recalled and distributed accordingly..</p> <p>7. Assess suppliers shortages through daily phone contact by Stock Optimisation team.</p> <p>8. <i>Work closely with staff agency</i></p>	<p>1. Weekly stock availability reports with supplier shortages and failed customer orders.</p> <p>2. Weekly 'staff sickness records attributable to the coronavirus.</p> <p>3. Weekly trading analysis</p> <ul style="list-style-type: none"> • Continued enforcement of existing controls by managers • Continued staff briefings and reminders. • On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC. 	4	3	12	Treat	<p>1. Align staff policies to LCC guidelines.</p> <p>2. Assess trading impact on financial forecasts.</p> <p>3. Understanding of alternative sources of catalogue products.</p> <p>4. Regular meetings of the internal team</p> <p>5. Ongoing communications with all relevant parties through web site, weekly comms and formal reports.</p> <p>04.03.2020 ESPO update on Coronavirus Report discussed at Mngmnt Committee.</p> <p>06.03.2020 Teleconference with LCC.</p> <ul style="list-style-type: none"> • All risk assessments and guidance fully aligned with LCC. • Internal meetings took place regularly during height of pandemic. Frequency reduced due to new 'BAU'. Would resume if required. • Comms on-going 	Director
79	IT Cyber Security. Range of cyber security threats	Failure to adequately protect ESPO networks, systems and data from malicious attack could lead to a range of potential consequences, including; financial; reputational; operational; legal impacts or other losses.	AD Operations & IT			20	Treat	<p>Range of protections/controls in place, including (but not limited to):</p> <ol style="list-style-type: none"> 1) Firewalls 2) Automated Threat Protection system 3) Antivirus software 4) Authentication systems 5) Staff education 6) Anti-Ransomware backup solution 7) External security controls Audit 8) Penetration testing. <p>(Needs further expansion/detail)</p>	<ol style="list-style-type: none"> 1) Firewall logs 2) External security support partner monitoring 3) various event logging (Needs further expansion) 			14	Treat	<ol style="list-style-type: none"> 1) Multi-factor Authentication for remote access 2) PKI server for device authentication 3) Revised password policy 4) New Remote Working Policy . <p>(Further Expansion required for this Risk)</p>	AD Operations & IT

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