



EASTERN SHIRES
PURCHASING
ORGANISATION

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: JOHN SINNOTT, MA, Dipl. P.A.,
CHIEF EXECUTIVE, LEICESTERSHIRE COUNTY COUNCIL

Date: 16/11/2021
My Ref: CT/ESPO
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To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 24 November 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 15 September 2021.	(Pages 3 - 8)
2. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.	
3. Declarations of interests in respect of items on this agenda.	
4. Items referred by the Finance and Audit Subcommittee.	

There are no specific items referred.

- | | | | |
|----|--|-----------------------------------|-----------------|
| 5. | Proposed Updates to the Standard Financial Instructions and Delegations to the Director of ESPO. | Director and Consortium Treasurer | (Pages 9 - 16) |
| 6. | Director's Progress update. | Director | (Pages 17 - 32) |
| 7. | Date of Next Meeting. | | |

The next meeting of the Committee is scheduled to take place on 16 March 2022 at 10.30am.

8. Exclusion of the Press and Public.

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

- | | | | |
|-----|---|----------|-----------------|
| 9. | Supplementary Information Informing the Progress Report of the Director's Progress Update | Director | (Pages 33 - 48) |
| 10. | Update on the Build Programme for Additional Warehouse Capacity for ESPO. | Director | (Pages 49 - 54) |
| 11. | Energy Update. | Director | (Pages 55 - 60) |

There will be a presentation for this item.

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



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Wednesday, 15 September 2021.

PRESENT

Cllr P. Butlin CC – Warwickshire County Council (in the Chair)

Dr. K . Feltham CC	Leicestershire County Council
Mr. R. Shepherd CC	Leicestershire County Council
Cllr. S. Rawlins	Lincolnshire County Council
Cllr. A. Coles (arrived at 10:55am)	Peterborough City Council

In attendance via Microsoft Teams

Cllr Clancy – Norfolk County Council
 Cllr Birmingham – Norfolk County Council
 Cllr Ferguson – Cambridgeshire County Council
 Cllr Fitzgerald (left at 11.45am) – Peterborough City Council

Apologies

Apologies were received from Cllr Hagues (Lincolnshire County Council), Cllr Goodliffe (Cambridgeshire County Council) and Cllr Watson (Warwickshire County Council)

In attendance

ESPO

Kristian Smith - Director
 David Godsell – Assistant Director
 Maurice Campbell – Assistant Director
 Matt Selwyn Smith – Assistant Director
 David Goodacre – Financial Controller

Avtar Sohal – Grant Thornton Director

Leicestershire County Council

Declan Keegan – Assistant Director Corporate Resources on behalf of Consortium Treasurer
 Lauren Haslam – Director of Law and Governance on behalf of Consortium Secretary
 Mo Seedat – Head of Democratic Services
 Matt Davis – Audit Manager
 Cat Tuohy – Democratic Services Officer

19. Minutes.

The minutes of the meeting held on 23 June 2021 were taken as read, confirmed, and signed.

20. Urgent Items.

There were no urgent items for consideration.

21. Declarations of interest.

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.

22. Items referred by the Finance and Audit Subcommittee.

There were no items referred by the Finance and Audit Subcommittee.

23. Change to Order of Business.

Having sought the permission of the Members present, the Chairman varied the order of business to that set out on the agenda.

24. Director's Progress update.

The Members present considered a report of the Director which provided an update of the actions and progress made since the previous ESPO Management Committee held on 23 June. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

Arising from the discussion the following points were raised:-

- i. Payment to staffing agencies were on days worked, payment was not linked to staff productivity.
- ii. The Director acknowledged issues globally regarding container pricing. However as ESPO was cash rich it had the opportunity to stock up and store relevant product lines and use cash available for extra capacity in external storage. ESPO had also ensured it communicated with its customers clearly regarding item availability via its website.
- iii. Concerning the driver shortage, while it had affected both inbound and outbound delivery, existing ESPO's drivers had stepped up and helped avoid any disappointment to customers. ESPO were working with Leicestershire County Councils Human Resources department for support regarding appropriate employment packages.

Members presented welcomed the positive report and asked the contents of the report be noted.

25. Date of Future Meetings.

It was noted that future meetings of the Committee were scheduled to take place on the following dates at 10.30am.

Wednesday 24 November 2021

Wednesday 16 March 2022

Wednesday 29 June 2022

Wednesday 14 September 2022

Wednesday 16 November 2022

26. Exclusion of the Press and Public.

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 3 Agenda Item 1 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

[At this point during the meeting Cllr Coles was present in the room, thus the meeting became quorate]

27. Supplementary Information Informing the Progress Report of the Director's Progress Update.

The Committee considered a report of the Director which provided supplementary information to the progress report of the Director. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

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

Arising from the discussion the following points arose:-

- i. Members received an update on action being taken arising from the Internal Audit report where a few weaknesses had been highlighted, Members were assured that processes had been strengthened to reduce the potential for human error.
- ii. ESPO recognised the difficult market conditions within the Energy Sector. The Director assured Members that ESPO employed a knowledgeable team and worked closely with officers in each authority area to understand what risk strategy was appropriate for each.
- iii. Price inflation was a risk. To protect the business ESPO 'forward bought' to minimise this risk. It was clear price inflation would affect all companies and would be an issue for the consumer, to that end it was important that this was communicated to customers. The price inflation risk would be included on the Corporate Risk Register.
- iv. Members were pleased with school's willingness to engage with the My School Fund and the increase in take-up across the authority areas.

RESOLVED:

That the report be noted.

28. Grove Park Modification and Future Ways of Working Update.

The Committee received a report of the Director of ESPO updating Members on the Grover Park Modification and Future ways of working. A copy of the report, marked 'Agenda Item 12', 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).

The Committee welcomed the report that set out the modifications that had been made to Grove Park's office space, and plans for future ways of working post-covid,

The Director advised that a separate report would be brought to the November Management Committee meeting to consider options regarding warehouse capacity.

RESOLVED:

That the report be noted.

[The meeting resumed in Public Session]

29. External Audit of the 2019/20 Financial Statements.

The Committee considered a report from the external auditors, Grant Thornton covering the 2019/20 Financial Statements, together with a letter of representation from the Consortium Treasurer. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

The Chairman welcomed Avtar Sohal from Grant Thornton, to the meeting.

Arising from the discussion the following points were noted:-

- i. It was acknowledged that due to the impact of Covid-19 the audit had been completed later than usual. The audit had also been affected by a number of staff changes at ESPO, and the change in accounting standards from CIPFA to RFS 102.
- ii. ESPO had received an unqualified opinion as Grant Thornton (GT) had not been able to attend the stock check in person due to Government guidance at the time. This meant GT were unable to apply what was required by the Audit Standards. Members were reassured that the unqualified opinion was not unique to ESPO, and had occurred on other audits across businesses
- iii. The inability to take the 2019/20 stock take meant the 2020/21 and 2021/22 audit would also be affected, resulting in an unqualified opinion as there would not be an opening balance position. The Director assured Members that ESPO undertook frequent rolling counts throughout the year and in March 2021 completed a count of the warehouse as normal, that had been attended by GT, with no issues to report.
- iv. From testing GT had found one unadjusted misstatement which was not considered material, so an adjustment was not required. ESPO had completed the work to correct the issue however. GT also found some control weakness within the journal system, though errors were not found.

ESPO undertook the audit to give assurance to the Authorities and Members to ensure they were comfortable with the quality of the accounts.

Members felt it was unfortunate to have an unqualified report due to circumstances and as a result of the Government directive at the time rather than any failure on the part of the business. Members requested that a form of wording be added to external audit to express the opinion was unavoidable, and not due to any fault attributable to ESPO.

RESOLVED:

That the External Audit for 2019/20 be approved subject to qualification on the headline of the audit as discussed.

30. 2019/20 Financial Statements and Annual Governance Statement.

The Committee considered a report of the Director and Consortium Treasurer which reported on the 2019/20 Accounts and Annual Governance Statement. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The 2020/21 External Audit was scheduled for November so ESPO would expect the financial statements to be ready in early 2022. It was recognised that was quite delayed in comparison to local government schedules. This was primarily due to issue of capacity with the auditor who was focussed on local government deadlines, whereas ESPO was not governed by submission to a certain deadline.
- ii. The reference to bank interest payable related to the original purchase of Barnsdale Way. The bank loan repayment was managed through Leicestershire County Council Treasury team.
- iii. The Senior Management Team at ESPO were working through the Annual Governance Statement Self-Assessment and would evidence progress in the 2020/21 statement.

RESOLVED:

That the Statement of Accounts and Annual Governance Statement for 2019/20 be approved.

31. Proposed Changes to the Contract Procedure Rules.

The Committee considered a report of the Director, seeking approval to revised Contract Procedure Rules for ESPO which had been updated to align with those of the Servicing Authority. A copy of the report marked 'item 7', is filed with these minutes.

RESOLVED:

That the recommended revisions to ESPO's Contract Procedure Rules contained in Appendix B to the report, be approved.

CHAIRMAN

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MANAGEMENT COMMITTEE – 24 NOVEMBER 2021**PROPOSED UPDATES TO THE STANDARD FINANCIAL INSTRUCTIONS AND DELEGATIONS TO THE DIRECTOR OF ESPO****JOINT REPORT OF THE DIRECTOR AND CONSORTIUM TREASURER****Purpose of Report**

1. Management Committee are asked to approve the proposed updates to selected elements of the Constitution of the ESPO Management Committee, being:
 - a. Appendix 4 to the Constitution of the ESPO Management Committee - Functions of, and delegations to, the Director of ESPO
 - b. Appendix 6 to the Constitution of the ESPO Management Committee – Financial Regulations of the ESPO Management Committee (Including the Standard Financial Instructions)

Background

2. The ESPO Consortium Agreement, signed 14th July 2014, sets out the powers delegated to the Director of ESPO and also the Financial Regulations / Standard Financial Instructions applicable to ESPO.
3. These documents have been reviewed by the Commercial Financial Controller in consultation with the Consortium Treasurer and a small number of changes are proposed to enable smoother day to day operations.

Proposed Revisions

4. The changes delegate greater authority to the ESPO Director in a small number of specific areas and bring the delegation into line with other activities within ESPO. The changes also remove the need for Management Committee approval of commercial/operational decisions which are within budget. They still retain the need for reporting any irregularities, or deviations from budget, to the Consortium Treasurer and Management Committee.
5. The changes relate to the ESPO Director sign off level and writing off/disposing of inventories and the writing off of customer debts.
6. Currently the ESPO Director has the authority to approve inventory write offs of up to £20k, and debt write offs of up to £10k, with amounts greater than this requiring approval from Management Committee. (The Consortium Treasurer is able to approve debt write offs where the customer has legally ceased trading.) In many cases a decision is not required by Management Committee as there is

no alternative. The ESPO Director also currently has the power to incur capital or revenue spend under the value of £50k.

7. As an example, the writing off of inventory or debt may be necessary:
 - During a count of the inventory on the ESPO premises missing stock was identified (or additional stock might be identified)
 - When a decision is made to discount stock below its original cost in order to sell it or facilitate its disposal
 - When amounts owed by customers are be deemed irrecoverable, either due to dispute or the customer ceasing trading
8. The proposed changes remove these specific financial limits and link the Director's delegation to the Standard Financial Instructions. This does not give an unlimited financial limit to the Director, as the Standard Financial Instructions already contain numerous controls such as Management Committee's budget approval and then the ESPO Director controlling spend in line with that budget/getting approval for budget virements.
9. The need for the reporting of any irregularities or expenditure which affects the overall surplus to the Consortium Treasurer and/or Management Committee remains a requirement. This ensures that the reporting of issues by exception will still apply and allow Management Committee to exercise scrutiny over ESPOs controls and activities.
10. These revisions have been reviewed and are supported by ESPO's Consortium Treasurer, the ESPO Director, and ESPO's Commercial Solicitor.
11. The full revisions are included in the appendices.

Powers

12. Under the Consortium Agreement, clause 24.1 allows the Management Committee to amend the Appendices to the consortium agreement by majority agreement of the Management Committee:

24.1 This Agreement may be varied or appended to by the Member Authorities at any time and due to any circumstances by the unanimous agreement of the Member Authorities other than where this Agreement provides otherwise. For the avoidance of doubt, variation of the overarching Consortium Agreement and Constitution of the Management Committee require the unanimous agreement of the Member Authorities. Variation of the following documentation appended to the Constitution may be varied at any time by the majority agreement of the Management Committee:

24.1.1 Appendix 1: Terms of Reference of the ESPO Finance and Audit Committee;

24.1.2 Appendix 2: Terms of Reference of the ESPO Chief Officers' Group;

24.1.3 Appendix 3: Delegations to the ESPO Consortium Secretary and ESPO Consortium Treasurer;

24.1.4 Appendix 4: Functions of, and Delegations to, the Director of ESPO;

24.1.5 Appendix 5: Procedural Standing Orders of the ESPO Management Committee;

24.1.6 Appendix 6: Financial Regulations of the ESPO Management Committee (including the Standard Financial Instructions); and

24.1.7 Appendix 7: Contract Procedure Rules of the ESPO Management Committee

Recommendation

13. Management Committee are asked to approve the changes to:

- a. Appendix 4 - Functions of, and delegations to, the Director of ESPO
- b. Appendix 6 – Financial Regulations of the ESPO Management Committee (Including the Standard Financial Instructions)

Equal Opportunities Implications

14. None

Officer to Contact

Kristian Smith, Director

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Chris Tambini, Consortium Treasurer

Chris.Tambini@leics.gov.uk

0116 305 7831

Appendices

Appendix 1 - Proposed Revisions to - Appendix 6 to the Constitution of the ESPO Management Committee – Financial Regulations of the ESPO Management Committee (Including the Standard Financial Instructions)

Appendix 2 - Proposed Revisions to - Appendix 4 to the Constitution of the ESPO Management Committee - Functions of, and delegations to, the Director of ESPO

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Appendix 1: Proposed Changes to APPENDIX 6 TO THE CONSTITUTION OF THE ESPO MANAGEMENT COMMITTEE – FINANCIAL REGULATIONS OF THE ESPO MANAGEMENT COMMITTEE (INCLUDING THE STANDARD FINANCIAL INSTRUCTIONS)

Standard financial Instructions

INSTRUCTION 11

Stocktaking and consequential action for ESPO Central Stores stocks held for resale.

(a) Stocks and stores records must be kept in such cases and in a form as may be agreed by the ESPO Director and subject to approval by the Servicing Authority's internal audit on behalf of the Consortium Treasurer. There must be a complete physical stocktaking at the closure of every financial year following procedures approved with the Servicing Authority's internal audit and approved by ESPO external auditors. The exception to this is where continuous stocktaking arrangements, agreed with the Consortium Treasurer (or their authorised representative), are operating. Test checks will also be made from time to time.

(b) The value of stocks held at 31 March each year must be certified by ESPO's Assistant Director - Operations or their authorised representative and supplied to ESPO's Assistant Director - Finance for inclusion in the Statement of Accounts

(c) Surpluses or deficiencies revealed during stocktaking must be reported to the ESPO Director, or their authorised representative, who can approve all write-ons/off. Deficiencies due to irregularity, or where a write on/off results in out of budget spend, should be raised with the Consortium Treasurer (or their authorised representative) and reported to the Management Committee if the Consortium Treasurer (or their authorised representative) considers this appropriate.

d) Surplus or obsolete items of stocks and stores may be disposed of by the ESPO Director or their authorised representative. A record should be kept of all details relating to disposals.

INSTRUCTION 12 Inventories and consequential action

(a) All inventories will be kept in a form approved by the Consortium Treasurer (or their authorised representative). Where a computerised inventory is in use, its method of operation should conform to standards set down by the Consortium Treasurer (or their authorised representative).

(b) The ESPO Director will be responsible for ensuring that an annual check of all items on the inventory is carried out and for taking action in relation to any surpluses or deficiencies and noting the inventory accordingly. Deficiencies due to irregularity, or where a write on/off results in out of budget spend, should be raised with the Consortium Treasurer (or their authorised representative) and reported to the Management Committee if the Consortium Treasurer (or their authorised representative) considers this appropriate.

(c) The Consortium Treasurer or their representative may at all reasonable times have access to all property of ESPO and may make such checks and tests as he or she deems reasonable.

(d) ESPO's property must not be removed from the premises except in the ordinary course of business, or used otherwise than for business purposes except in accordance with specific directions issued by the ESPO Director or her authorised representative and agreed by the Consortium Treasurer (or their authorised representative). A record of such removals will be maintained at the establishment concerned.

(e) none

(f) The ESPO Director or her authorised representatives should follow standard corporate procedures for the redistribution, sale or disposal of surplus items of computer and ICT equipment. These procedures will be subject to approval by the Consortium Treasurer (or their authorised representative).

INSTRUCTION 14

Write-offs of amounts owed to ESPO

(a) An amount due to ESPO must only be discharged by payment or by write-off

(b) Any amounts to be written-off must be approved by the ESPO Director or their authorised representative.

(d) Deficiencies due to irregularity, or where a write off results in out of budget spend, should be raised with the Consortium Treasurer (or their authorised representative) and reported to the Management Committee if the Consortium Treasurer (or their authorised representative) considers this appropriate.

Appendix 2 – Proposed Changes to APPENDIX 4 TO THE CONSTITUTION OF THE ESPO MANAGEMENT COMMITTEE FUNCTIONS OF, AND DELEGATIONS TO, THE DIRECTOR OF ESPO DELEGATIONS TO THE DIRECTOR OF ESPO

DELEGATIONS

1. **Appointment of staff:** Power to appoint (within the approved ESPO budget) all staff below director level in accordance with the Servicing Authority's recruitment and HR policies and procedures. The appointment may be at any point within the approved salary scale of the Servicing Authority as appropriate.
2. **Personnel procedures:** Power to take decisions in relation to employment matters delegated to him from time to time in accordance with the local conditions of service and other HR policies and procedures in place at the Servicing Authority. The Chief Executive of the Servicing Authority may determine at any time those matters which may be exercised by the Director of ESPO without the prior consultation with the Chief Executive.
3. **Power to Incur Expenditure:** Power to incur capital or revenue expenditure in accordance with the Financial Regulations and the Standard Financial Instructions of the Management Committee.
4. **Contracts:** The Director of ESPO may negotiate and agree tenders and quotes and the entering into contracts on behalf of ESPO (subject to the Contract Procedure Rules of the Management Committee at **Appendix 7** of this Constitution and any restrictions in the Consortium Agreement) and request that the Servicing Authority formally enter into such contracts if this is legally required.
5. **Surplus Equipment:** Power to dispose of surplus or obsolete item vehicles apparatus or other equipment in accordance with the Financial Regulations and the Standard Financial Instructions of the Management Committee.
6. **ESPO Stock:** Power to 'write off' (or adjusting surpluses or deficits) ESPO stock in accordance with the Financial Regulations and the Standard Financial Instructions of the Management Committee.
7. **Irrecoverable Items:** Power to 'write off' other irrecoverable amounts in accordance with the Financial Regulations and the Standard Financial Instructions of the Management Committee.
8. **Lost or uncollected property:** Power to deal with items under Section 41 of the Local Government Miscellaneous Provisions Act 1982 in relation to lost and uncollected property on ESPO premises.

RESPONSIBILITIES

[No changes proposed]

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MANAGEMENT COMMITTEE – 24 NOVEMBER 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 on 15 September 2021.

Overall Financial Performance

Financial Performance – 6 months to end of September 2021

Summary

Year to September 2021 – Period 6					
£m	Actual	B/(w) than Budget		B/(w) than LY	
Stores Sales	27.7	1.2	4.4%	3.6	14.9%
Direct Sales	10.0	0.2	2.5%	2.8	39.3%
Rebate plus fee income	4.7	1.0	26.4%	0.7	18.0%
Total Sales (Exc Gas)	42.4	2.4	5.9%	7.1	20.2%
Stores Margin %	31.6%	0.3%		1.0%	
Directs Margin %	14.0%	(0.6%)		(0.7%)	
Total Gross Margin	15.6	1.3	9.4%	2.4	17.9%
Total Expenditure	11.1	(0.3)	(2.8%)	(1.0)	(7.9%)
Trading Surplus	4.5	1.0		1.4	
Trading Surplus %	10.7%	2.0%		1.9%	

Expenditure % of sales excl Gas	30.2%	1.7%	3.5%
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Full Year Outturn - Estimate £m	Outturn	B/(w) than Budget	B/(w) than LY
Full Year Surplus	5.1 - 5.7	0 - 0.6	0.4 - 1.0

- Up to the end of September 2021, 6 months into the year, a surplus of £4.5m has been made which is £1.0m better than budget. Trading has remained strong after schools reopened more fully in early March 2021 and we have once again seen strong demand through our peak summer trading period and the September return to school period.

3. In our catalogue business, sales across virtually all categories have returned to more normal, pre-Covid levels. Across frameworks and rebates, the business continues to perform well and grow.
4. The surplus is £1.4m better than last year, as a result of the Covid pandemic and last year's national 'Stay at Home' order which saw most of our customer base close physical offices/schools to all except for key workers/children of key workers.
5. Costs continue to be tightly controlled with expenditure of £11.1m slightly higher than budget due to the cost of servicing higher sales volumes. Staff costs are in line with budget overall. (Costs are £1.0m higher than last year due to additional warehouse and distribution costs needed to service the significantly greater level of sales).
6. Trading through October has been in line with budget.
7. For the full year, the budget is a surplus of £5.1m. Now we have emerged through our peak trading period with a good financial performance we have additional confidence. We are however, mindful of specific unbudgeted costs which will materialise in the second half of the year and a continued risk of Covid/Winter Flu affecting schools and staff. Considering all this, our latest guidance for the full year is a trading surplus in the range of £5.1m - £5.7m. This assumes that we do not experience any significant winter Covid disruption.

Sales and Margin

Sales and Margin						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Stores Sales	27.7		1.2	4.4%	3.6	14.9%
Direct Sales	10.0		0.2	2.5%	2.8	39.3%
Rebate income	4.7		1.0	26.4%	0.7	18.0%
Total Sales	42.4		2.4		7.1	
Stores Margin	8.8	31.6%	0.5	0.3%	1.4	1.0%
Directs Margin	1.4	14.0%	(0.0)	(0.6%)	0.3	(0.7%)
Rebate income	4.7		1.0	(0.6%)	0.7	(0.7%)
Gas Margin	0.1	2.4%	(0.0)	0.0%	(0.1)	(1.2%)
Catalogue Advertising	0.7		(0.0)		(0.0)	
Misc	(0.0)		(0.0)		(0.0)	
Total Gross Margin	15.6	36.9%	1.3	1.2%	2.4	(1.9%)

Gas						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Gas Sales	5.5		(0.6)	(9.6%)	0.5	9.7%
Gas Margin	0.1	2.4%	(0.0)	0.0%	(0.1)	(1.2%)

8. Total sales for the 6 months to September 2021 reached £42.4m, which was £2.4m better than budget and £7.1m better than last year. Even though some

government restrictions remained in place in the UK in spring/summer 2021, schools returning from 8th March 2021 resulted in trading returning to more normal levels. Trading over the summer was also strong with 'peak' sales comparable to previous years.

9. Stores sales were £27.7m and £1.2m / +4% better than budget. Sales across virtually all product categories are higher compared to last year and returning to more normal levels.
10. Comparing to pre Covid levels (2019/20), at a product level:
 - a. Sales within our Cleaning and Catering section are +22% on pre-Covid levels, with enhanced hygiene procedures continuing in schools and driving greater sales of soaps and paper towels.
 - b. Curriculum sales are +22% with greater across most subjects, but in particular spend on Sport and Leisure with schools looking to do more outside.
 - c. Sales of copier paper are down 17%, likely to be a long-term shift away from printing following the impact of remote working during Covid.
11. Reported gross profit margin % for Stores at 31.6% is slightly ahead of budget due to accounting timing adjustments. Looking ahead, we see some possible risk to gross profit margin from global challenges affecting our supply chain such as the lack of availability of shipping containers in the Far East and the continued impact of Covid globally. We are starting to see some requests from suppliers for price rises and there is some risk to 2021/22, although we anticipate a greater risk to next year.
12. Global supply challenges also impacted stock availability, which remained at c94% in September and we finished September with outstanding back orders of £0.3m. This is being closely monitored and managed to fulfil customer orders as promptly as possible. These issues affect the entire market, not just ESPO, and we have seen competitors affected in a similar way. We have been careful in keeping customers up to date and where necessary raising awareness of the issues in global supply.
13. Directs sales were £10.0m were in line with budget. Sales over the summer slowed although we have seen an improvement in late September after schools returned following the summer vacation. Products within our 'Sports and Leisure' and our 'Parks and Amenities' categories are performing particularly well linked to a government bodies encouraging the use of outdoor space and seeing greater usage. Furniture related sales remain slightly below pre-Covid levels (-7%) with some longer lead times currently seen – linked to the global supply chain challenges above.
14. Reported gross profit margin % for Directs at 14% is largely in line with budget.

15. Rebate income of £4.7m is £1.0m better than budget and continuing to perform very well with a wide range of frameworks offered. The Strategic HR Services framework continues to see strong demand as employers looked to support their staff teams both during the pandemic and in preparation for returning to the workplace in some format. Similarly, the Total Cleaning Services Solution framework is also ahead of target linked to Covid.
16. Income from our gas service is in line with budget. This service relates to a customer bill validation service, and also acting as a procurement agent on behalf of customers where we buy their gas on their behalf. These attract a fixed charge and so ESPO's trading surplus isn't exposed to the price volatility seen in the gas market in Summer 2021. The customer ultimately bears this risk, but, part of the service involves ESPO using our expertise and size to forward buying gas to manage this risk more effectively and in line with the agreed risk profile for the service.
17. Our other income from selling advertising space in the catalogue and misc. income like bank interest are all largely in line with budget.
18. Overall gross profit margin at £15.6m is £1.3m better than budget, with the increased sales from good trading flowing through into profit.

Expenditure

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	6.2	0.2	(0.3)
Agency/Contract	1.0	(0.3)	(0.1)
Total	7.2	(0.1)	(0.4)
Overhead Expenses			
Transport	1.3	(0.1)	(0.2)
Warehouse	1.0	(0.1)	(0.1)
Procurement	0.1	0.0	(0.0)
Sales & Marketing	0.6	0.0	(0.1)
	3.0	(0.1)	(0.4)
Finance	0.2	(0.0)	(0.0)
IT	0.6	(0.0)	(0.1)
Directorate	0.2	0.0	0.0
	1.0	(0.0)	(0.1)
Total Overhead Expenses	3.9	(0.2)	(0.5)
Total Expenditure	11.1	(0.3)	(1.0)
As % of Total Sales Excluding Gas	30.2%	1.7%	3.5%

19. Total expenditure of £11.1m was slightly greater than budget (+£0.3m) as a result of greater costs needed to service the greater sales volumes – with the higher costs being seen within agency staff, warehouse and transport. We retain a continued focus on strong cost control across all areas. Costs are £1.0m higher than last year mainly from the cost of fulfilling the additional sales we have seen.
20. Expenditure as a % of sales is one KPI which allows us to measure cost control in relation to sales. At September, this KPI was 30.2%. This is 1.7% better than budget and 3.5% better than last year and shows costs are being controlled in relation to sales activity.

ETL/Eduzone

ETL and Eduzone Combined (YTD to Aug 21)			
£000	Actual	B/(w) than Budget	B/(w) than LY
Total Sales	380.1	-3.1	93.4
Trading Surplus	35.2	29.8	43.3

21. ETL and Eduzone are ESPOs limited companies which service the private sector. They are benefiting from a similar trading experience to ESPO and have seen sales ahead of budget and last year. Overall a small surplus has been generated which is slightly ahead of the budget target.

Full Year Expectation

22. After six months ESPO is £1.0m ahead of budget. Trading through October has been largely in line with budget but we are mindful of several unbudgeted costs which are likely to impact the second half of the year:
- The local Government pay award. The last 'offer' was +1.75%, which would be retrospectively applied from April 2021 and would have unbudgeted cost of c£0.2m. We note that this has been rejected by Unions and so could increase further. (The budget followed the guidance in the Autumn Spending Review which suggested a public sector increase of £250 for staff members earning less than £24k).
 - Additional costs relating to driver pay, agency drivers and courier costs. This could be in the region of £0.1m - £0.2m.
 - Product cost increases in some categories as a result of challenges in the supply chain and the additional shipping costs being seen globally.
 - Increased risk of not recovering some amounts owed from customers due to invoicing and order discrepancies, partly linked to Covid and remote working across customer sites.

23. Considering all this, our latest guidance for the full year is a surplus in the range of £5.1m - £5.7m.

Dividend

24. Each year a dividend is paid out to members after ESPO has traded through its annual summer 'peak' activity period. For 2020/21 Using the approach previously agreed by Management Committee to calculate the dividend, a total dividend pool of £3,333,600 is payable.
25. Amounts payable to individual member authorities from the total dividend pool are determined by their relative spend through ESPO using the approach previously agreed by Management Committee.
26. Management Committee are asked to approve the payment of the dividend pool of £3,333,600.
27. It is proposed that the dividend is paid in early December 2021.

Audit 21/22 (To be completed in summer/autumn 2022)

28. Following a member question in the September Management Committee about audit timings we expedited enquiries about the 21/22 audit to allow a more prompt completion of the financial statements. We have been advised that public sector audits are taking much longer than pre-Covid. Our current auditors, Grant Thornton, have indicated that it will be very difficult, if not impossible, to bring the 21/22 audit to an earlier date.
29. ESPO having changed to 'company' accounting rules (from local government rules) opens up the market of available auditors, and this presents an opportunity to retender the audit contract which expires after the 20/21 audit. (There is an optional extension for 21/22). Retendering should enable more prompt reporting of financial performance and also (potentially) achieve better value given the wider range of providers that are able to audit under company accounting rules (FRS102).
30. Subject to support from Management Committee, support from the Chief Officers Group with a potential tender will be sought to give assurance to members over the process.

ESPO Operational Progress

31. In the back-to school period of September ESPO's distribution centre picked and despatched 216,300 order lines, valued at £5.325m and the transport fleet with couriers made 28,368 deliveries. Warehouse picking was performed at a rate of 27 lines per hour against our target of 32. Social distancing and a shortage of quality agency staff impacting on productivity. The error rate detected by QA was 1% against the budget of 3%. The average order value for stock orders in September was £154.05 against the budget of £162.35 with customer's placing slightly smaller top-up orders.

Operational and IT costs year to September were £6.648m against a budget of £6.254m. Courier costs that were taken in 2021/22 together with non-recurring IT payroll costs and hardware purchases account for the majority of this overspend. Stores margin YTD was 31.6% which is line with budget.

32. September was a busy month across customer services for orders and general enquiries. The Customer Services team handled 13,764 calls across the three customer service lines (customer services, directs and product enquiries) The average speed of answer 57 seconds against a target of 30 seconds reflecting the high number of calls relative to resources. The team processed 34,443 customer orders valued at £4.439m. Online and electronic converted orders in September were at 52% of the total. Direct orders currently valued at nearly £3m are being managed from suppliers to customers. The value of direct orders in transit is higher than the past two years at this time reflecting a reinvestment in the school's infrastructure. Late suppliers are being expedited by the customer services team.
33. We received 24 service ratings from customers on FEEFO providing a slightly disappointing 74% satisfaction rating. Most positive ratings relate to service and delivery with product availability being a source of ongoing frustration. A new contact centre telephony system has been implemented. This provides a number of benefits, including call recording which enables review of calls with staff to improve our customers experience. Improved management information provides a greater depth of information including the reasons for customers calling, helping to identify areas where improvements can be made and opportunities to reduce avoidable demand.
34. Stock availability averaged 94.5% in September with an average of 536 lines temporarily unavailable (£0.3m sales value); stock value was £7.8m with a stock turn of 5.75. Customers are being kept informed of the latest situation via the web site and we have seen an improvement in backorders coming through from suppliers. ESPO continues to rely on external storage to manage its stock holding requirements. This includes exercise book stock held at KCS in Maidstone, by its printer in Poland and at a local 3rd party warehouse.
35. Facilities management in September supported the programme of works to adapt ESPO's offices at Grove Park to meet the needs of the organisation and staff to work flexibly. A project team has been mobilised to deliver this on the ground with a phased return from 15 November in place. This will ensure that ESPO's workplace will be set up to better support collaboration, productivity, wellbeing and customer service. A desk booking system (Skedda) used by LCC has been adopted and the office wi-fi is being upgraded in preparation for the planned changes. The new office layout is taking shape with additional meeting rooms and collaboration space being created. Other activity related to services to air conditioning units, including the server room; fire detection system, including the Gas suppression system of the server room, repairs to the diesel sprinkler pump and the cardboard compactors; The Annual Display Energy Certificate (DEC) was completed and lighting repairs and LED upgrades were undertaken around the office areas.

36. There were four health and safety incidents in September these comprised three incidents with a minor cut to the hand with no further action required. There was a manual handling incident with a driver suffering a back strain resulting in lost time that was reported under RIDDOR. An investigation was completed and incorrect lifting techniques was identified as the immediate cause. The driver was reminded of the correct lifting technique. More first aiders are to be trained to provide additional cover as part of the office re-occupation.
37. The new Drug & Alcohol testing policy was introduced into ESPO in September. This introduces randomized testing alongside 'with-cause' testing for staff in safety critical roles such as LGV drivers and FLT operatives. A new 'hybrid working' health and safety induction has been introduced for all home-based to complete prior to re-occupying offices. This will ensure that staff become familiar with health and safety policies and protocols that have been introduced into the Grove Park building. Finally, CO2 monitors are being purchased to monitor ventilation in offices and meeting rooms.
38. The IT helpdesk handled 549 enquiries with a 100% satisfaction rating from internal customers. September was a relatively quiet month in terms of cyber security incidents with most successful incursions being through user manipulation. These have been specifically prevented by staff action (IT or otherwise) or our technical defences. An alert has been added to service desk tool so that the IT team are immediately notified and directed to review the ticket. The ongoing LCC Cyber Security audit will provide further guidance on all aspects of cyber security strategy. A system refresh is being prepared on the Infor ERP system to ensure that the operating system and middleware are on the latest version and fully supported. A project plan has been uploaded to ITSM and following user testing it is planned to deploy the system upgrade in December.

Staffing

39. Sickness absence due to Covid continues to be well managed despite the increase in infection rates that have occurred nationally over the last quarter. Two employees are currently absent from work with Covid and support will continue to be offered to these individuals. Safe working arrangements remain in place to ensure that the potential of any work-based outbreak is reduced as far as is practicable. The previous increases in sickness absence levels has now stabilised, with the proportion of absences related to coughs and colds being in line with expectations for this time of year.
40. ESPO will shortly be launching a supervisor development programme; ensuring that individuals in these crucial roles receive the right level of support and training to succeed. This will be in addition to revised guidance on how to undertake one-to-ones with staff, which will also be shared shortly. This guidance will reiterate the need for managers to have regular discussions with staff regarding their wellbeing and performance.

41. A staff survey was undertaken during August 2021, and whilst there was a lower response rate than seen in previous surveys, this is in line with the Leicestershire County Council experience. The highest satisfaction rating from staff was that 'Customer Service is at the heart of everything we do' of which 86.9% of respondents either agreed or strongly agreed with. Other high satisfaction levels were seen around ESPO's commitment to equality and diversity (77.2%), ESPO being a good employer (76%) and managers supporting flexible working practices (75.2%). Lower satisfaction ratings were again seen regarding areas of managing and communicating change although improved on two years prior.

ESPO Risk and Governance Update

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

42. 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 including the addition of a new risk relating to inflationary pressures.

Resources Implications

None arising directly from this report.

Recommendation

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

Officer to Contact

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Appendices

Appendix 1: Balanced Scorecard
Appendix 2: CRR extract

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Management Summary Sep 21

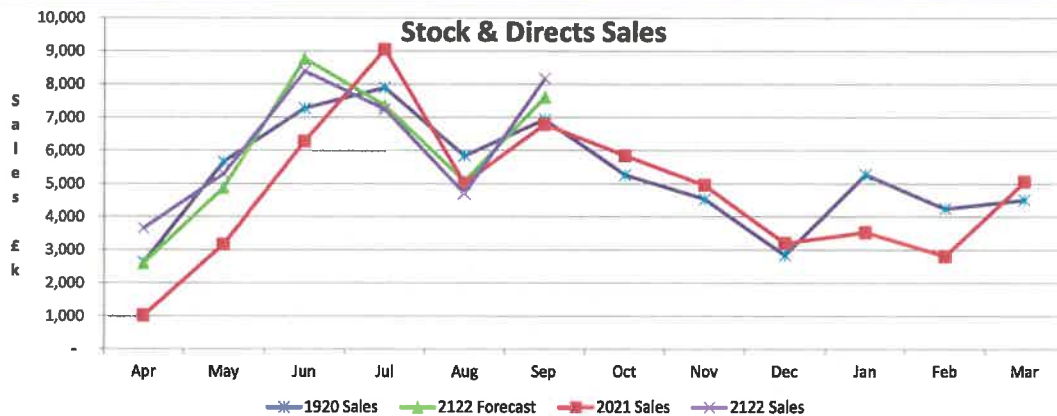
Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£5,329,939	£4,983,935	↑ 6.9%	£27,747,780	↑ 4.4%
Direct Sales	£2,839,187	£2,624,703	↑ 8.2%	£9,957,618	↑ 2.5%
Rebate plus fee income	£521,713	£348,696	↑ 49.6%	£4,659,797	↑ 26.4%
Total Sales (Exc Gas)	£8,106,732	£7,287,786	↑ 11.2%	£36,858,745	↑ 8.7%
Stores Margin %	34.05%	31.27%	↑ 2.78%	31.60%	↑ 0.33%
Directs Margin %	12.20%	14.58%	↓ (2.38%)	14.02%	↓ (0.56%)
Total Gross Margin inc Consumables Cost	£2,745,620	£2,409,118	↑ 14.0%	£15,634,160	↑ 9.4%
Total Expenditure	£1,867,111	£1,852,186	↓ -0.8%	£11,119,811	↓ -2.9%
Surplus	£878,509	£556,932	↑ £321,577	£4,514,349	↑ £1,034,780
Net Profit Margin %	10.11%	7.00%	↑ 3.11%	10.66%	↑ 1.95%
Operations cost as a proportion of sales	21.5%	23.3%	↓ (1.79%)	26.2%	↓ (0.77%)
Expenditure as a proportion of Gross Margin	68.0%	76.9%	↓ (8.88%)	71.1%	↓ (4.52%)

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£215.80	£241.93	↓ (£26.13)
Prop of orders over £15	97.4%	97.4%	↓ -0.06pp

Graph - Sales vs. Forecast



HR

	Actual	Target	Var
Sickness Absence Rates *	0%	0.0	↓ 0.0
No. of Apprentices	4	7	↓ -3.0

Comment: Sickness Absence Rates currently unavailable

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

Mandatory Training Completion	Actual	Target	Var
Fraud	93%	90%	↑ 2.95pp
Data Protection	81%	90%	↓ -8.79pp
Equality & Diversity	89%	90%	↓ -1.07pp
Health & Safety	88%	90%	↓ -2.44pp
GDPR	77%	90%	↓ -13.15pp

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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	Action Target Date	Q1 Comments / Updates
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 key procurement/commercial staff. 11. Consider bidding for	AD Commercial	Ongoing	01/04/2019 Points 5, 6 & 7 added to List of Current Controls. Points 6 & 7 added to Risk indicators. 02/12/2019 Additional controls added. 05/03/2020 Further Actions updated. 08/06/2020 Reviewed - no change. 27/11/20 Reviewed - no further action 17.06.21 Point 11. added to Further Actions. 02/09/21 Reviewed - no updates.
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	N/A	03/06/2019 Reviewed - no updates. 03/09/2019 Meeting with KCS in September 2019 to discuss storage facilities in 2020. 16/09/2019 we have secured up to 1750 pallet spaces from KCS for 2020/21. 02/12/2019 Discussions with LCC regarding additional warehouse site 4th Nov paper being developed. 05/03/2020 Risk indicators and Further Actions updated. September 2020 Development of a Bulk Store Warehouse in conjunction with LCC approved by The Management Committee 26/11/2020 3 month delay to Leader's Farm development. Extension to current agreement with KCS being drafted 26.11.2020 16.06.21 May 2021 Planning application for Leaders Farm being prepared by LCC Sept 2021 Leaders Farm not available. Pursuing a development on the Grove Park site
78	Supply chain risk – including coronavirus and Brexit	1. 'Stock supply shortages for products or components that are made in Far East. With consequential effects in UK manufacturers production capability. 2. 'Staff shortages in all ESPO functional areas due to high sickness rates. 3. 'School closures to reduce infection spread. 4. 'Overall economic impact on ESPO's business activities due to sluggish restoration of international supply chain.. 5. Buying price risk due to increased freight xosts may mean a reduced margin. 6. Driver shortage in the market could affect deliveries to ESPO and our ability to deliver to our customers on time. • 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 /	Director	4	4	16	Treat	1. 'Set up an internal team tasked with managing ESPO's activities and communications in response to the health crisis. 2. 'Monitor updates and advice from WHO and UK government . 3. 'Maintain regular communications with customers, staff and stakeholders. 4. ESPO continue to promote good handwashing and hygiene practices and have increased the availability of antibacterial wipes and cleaning equipment. Contracted cleaning contractors disinfect door handles and hand rails as part of our contract. 5. Should a member of staff contract coronavirus EPSO will liaise with PHE directly at County Hall and follow any recommendations. 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.. 7. Assess suppliers shortages through daily phone contact by Stock Optimisation team.	1. Weekly stock availability reports with supplier shortages and failed customer orders. 2. Weekly 'staff sickness records attributable to the coronavirus. 3. Weekly trading analysis • 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	1. Align staff policies to LCC guidelines. 2. Assess trading impact on financial forecasts. 3. Understanding of alternative sources of catalogue products. 4. Regular meetings of the internal team 5. Ongoing communications with all relevant parties through web site, weekly comms and formal reports. 04.03.2020 ESPO update on Coronavirus Report discussed at Mgmt. Committee. 06.03.2020 Teleconference with LCC. • 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 • Forthcoming work on building modifications and a new people strategy to support new ways of working.	Director	Ongoing	02/03/2020 Reviewed - no change. 05/03/2020 Further Actions Updated. 08/06/2020 New Covid-19 risk assessments and safe system of work created to ESPO building & operational protocols. Site Inspection on 27th May 2020 with further remedial actions required - this needs to go in the box above 07/10/20 • ESPO headquarters was audited by Leicestershire County Council and formally declared 'Covid-19 secure' on 22.06.2020. • Considerable controls are in place to minimise the risk of contracting Covid-19 on site including; increased cleaning schedules, staff inductions, one-way systems, application of microbe shield, face coverings to all public facing roles, strict 2m distancing and increased signage. • The risk of contracting Covid-19 whilst on ESPO property is considered low. • The ESPO depot located in Wales was audited and formally declared 'Covid-19 secure' on 25.06.2020 26/11/2020 24.11.2020 Monthly update on GP Covid-secure status sent to LCC 15.06.2021 Building modifications and people strategy added to further action/additional controls. 02/09/21 Reviewed - no updates.

ESPO

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78.1above continued 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	Director	4	4	16	Treat 8. Work closely with staff agency partners to source staff across the logistics, procurement and financial sectors. 9. Continue to manage supply chain risk through Supply Chain Panel, PAG and CMG. 10. CMG and Contracts Panel will be made aware of price increases and impacts assessed by Finance 11. Aim to resist price increase 'within year' 12. Mitigate increases through competition, re-sourcing, extensions		4	3	12	Treat		Director	Ongoing	
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	Range of protections/controls in place, including (but not limited to): 1) Firewalls (outer defences, controlling the border of ESPO network) 2) Automated Threat Protection system (assesses various incoming data (e.g. emails) for potential threats) 3) Antivirus software (Prevents known viruses from executing on ESPO devices) 4) Authentication systems (Controls who can access ESPO systems and data) 5) Staff education (Reduces risk of successful phishing attack) 6) Anti-Ransomware backup solution (prevents hackers from encrypting our backups) 7) External security controls Audit (Highlights areas of concern in ESPO security systems) 8) Penetration testing (probes the ESPO network for vulnerabilities) (Needs further expansion/detail)	1) Firewall logs (contain details on network traffic, including hostile attacks on the ESPO network) 2) Firewall Reports (Daily, weekly, monthly reports on network traffic) 3) External security support partner monitoring (Various support partners issue regular threat alerts) 4) various event logging - systems that monitor and alert on potential concerns (this is a weak area for ESPO and will be reviewed) (Needs further expansion)	4	4	16	Treat	1) Multi-factor Authentication for remote access 2) PKI server for device authentication 3) Revised password policy 4) New Remote Working Policy 5) Penetration Testing 6) DR Testing 7) Staff Training 8) Staff awareness 9) CyberEssentials+ 10) InfoSec Policy Review 11) CyberSecurity Support contract 12) System 21 upgrade 13) Security Health check 14) Patching Policy 15) NCSC Active Cyber Defence programme 16) CyberSecurity Risk Register 17) Cyber Insurance 18) LCC Audit Response 19) Cyber Security Roadmap 20) CyberSecurity Incident Response The above are either in flight or planned. A supplementary document "ESPO IT Security Plan - April 2021" expands in detail....	AD Operations & IT	Q1 2021/ongoing	01/10/2020 - new entry 26/11/2020 24.11.2020 Liaison with LCC on cyber security through regular meetings 13.4.21 LCC Internal Audit report on IT controls gave substantial assurance ITDG governance terms of reference established 14.4.21 7.6.21 Security Report published to respond to email phishing security breach & password re-set. 11.6.21 Weekly Comms guidelines on Cyber Security 7.6.21 Liaison with LCC 17.06.21 Promoting and creating the right culture for reporting mistakes and refreshing Disaster Recovery (Daisy) scenario added to further actions. 23.06.21 LCC Cyber Security Audit commenced 19.08.21 With HR make cyber security training compulsory with refresher whenever there is an incident 5.5.21 ESPO IT Security Plan updated 27.10.21 LCC Audit complete being reviewed by Matt Davis
79.1	...above continued		AD Operations & IT			20	Treat			4	4	16	Treat	...Recommend to create a Cyber Security Risk Register to track and manage related Risk, to feed into main Corporate Risk Register. (Further Expansion required for this Risk) 21. Promoting and creating the right culture for reporting mistakes 22. R efreshing Disaster Recovery (Daisy) scenario 28.06.21 Disaster Recovery. Plan to run an organisation-wide scenario in 2021 on loss of systems 28.06.21 Culture & Communications. Promote a culture of openness and honesty in managing individual conformance	AD Operations & IT	Q1 2021/ongoing	

ESPO

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80	The Green Paper for Transforming Public Procurement contains areas of potential risk for ESPO. Lack of clarity around proposals at this stage adds to the concern. Main areas of concern are: Proposal for more flexible procurement procedures may devalue the protection afforded by frameworks. Customers may decide to procure themselves. More flexible procedures lacking detail - risk to ESPO if it attempts to pioneer use of these. Increased transparency rules bring greater administrative and compliance burdens and unclear expectations from Cabinet Office exposes contracting authorities to litigation risk.	Customers may choose to undertake their own procurements and not use frameworks - fall in rebate income. Risk of court challenge if new procedures used incorrectly. Current procurement structure may need reassessment to ensure compliance with transparency rules. Risk of being sued for inappropriate transparency or for not being transparent enough.	AD Commercial	5	3	15		Monitoring contracts finder/ find a tender and closer monitoring of customer procurement pipelines Better engagement through CRM'S Continued engagement with legal advisors to gauge customer tendencies Canvass opinion from member authorities to understand what it means to them/what their intentions are. Manage customer messages to intensify the 'safe framework' message. ESPO stick with Open Procedure until new flexible procedures are clarified and tested. Ensure procurement team is adequately resourced to ensure transparency compliance. Create a Transparency/Governance unit within procurement. Update processes & procedures to reflect new requirements.	Fall down in number of customers using our frameworks. Insufficient resource to manage increased administration required.	5	3	15		1. Develop ESPO's procurement strategy to take account of the newly released National Procurement Policy Statement 2. Work closely with LCC and other PBOs to develop joint approach. 3. Through chairmanship of the PBO forum ensure that representatives from the Cabinet Office attend to provide regular updates on policy in relation to the Procurement Bill developmental 4. Ensure that ESPO has representation on the planned Cabinet Office training advisory body for new procurement rules - push for central funding. 5. Put in place an ESPO procurement steering group	AD Commercial		17.06.21 Further actions added. 02/09/21 Reviewed - no updates.
86	Inflationary financial risks	Inflationary pressures in a number of areas for a range of reasons (utilities, fuel, containers, supply chain fragility) may impact on delivery of the MTFS and create additional risk/complexity.	AD Finance	5	4	20	Treat	1. Ongoing discussions with suppliers to understand potential impact of cost pressures with commercial team attempting to mitigate as far as possible via negotiating or alternative sourcing. 2. Detailed work on ESPOs pricing strategy to plan how price rises are passed on to customers or absorbed by ESPO. 3. Update of MTFS under a variety of scenarios to understand potential business impact of inflation 4. Forward purchase of gas and electricity needs 5. Monthly financial analysis of product category margin % to identify issues in pricing 6. Monthly Financial Performance Pack reviewed by LT 7. Weekly sales and trading reporting and discussion by LT to understand trading and possible impact of price rises once actioned.	1. Gross profit % 2. Trading Surplus and variance to Budget 3. Management accounts and variances to budget 4. Weekly trading results 5. Customer feedback (including Feefo)	4	4	16	Treat	1. Develop benchmarking solution to ensure ESPO has sufficient information to remain competitive on pricing 2. Complete exercise to understand 'known' price rises from suppliers from April 2022. 3. Complete Autumn 21 pricing review and set pricing for 1 April 2022 onwards 4. Complete update of MTFS	AD Finance	Jan-22	12/10/21 New risk.

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