



Date: 08/03/2022  
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, 16 March 2022 at 10.30 am in the Microsoft Teams.

Yours faithfully,

Cat Tuohy  
for Consortium Secretary

### **AGENDA**

<u>Item</u>	<u>Report by</u>
1. Election of Chairman for this meeting.	
2. Minutes of the meeting held on 24 November 2021.	(Pages 3 - 6)
3. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.	
4. Declarations of interests in respect of items on this agenda.	
5. Items referred by the Finance and Audit Subcommittee.	

*There are no specific items referred. The issues considered by the Subcommittee are covered in items 6 and 12 which appear elsewhere on the agenda.*

- |    |                                     |                         |                 |
|----|-------------------------------------|-------------------------|-----------------|
| 6. | Annual Internal Audit Plan 2022-23. | Consortium<br>Treasurer | (Pages 7 - 14)  |
| 7. | Director's Progress update.         | Director                | (Pages 15 - 30) |
| 8. | Date of Next Meeting.               |                         |                 |

The next meeting of the Committee is scheduled to take place on 29 June 2022 at 10.30am at County Hall, Glenfield.

- |     |   |  |  |
|-----|---|--|--|
| 9.  | Any other items which the Chairman has decided to take as urgent. |  |  |
| 10. | Exclusion of the Press and Public.                                |  |  |

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

- |     |   |   |                 |
|-----|---|---|-----------------|
| 11. | Supplementary Information informing the Director's Progress Update. | Director                                | (Pages 31 - 44) |
| 12. | Budget 2022/23.   | Director and<br>Consortium<br>Treasurer | (Pages 45 - 66) |
| 13. | Public Procurement Rules - Developments during 2021                 | Director                                | (Pages 67 - 74) |

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 24 November 2021.

PRESENT

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

Lincolnshire County Council

Cllr. A. Hagues

Cllr. S. Rawlins

Cambridgeshire County Council

Cllr. B. Goodliffe

Cllr. S. Ferguson

Norfolk County Council

Cllr. S. Clancy

Cllr. A. Birmingham

Leicestershire County Council

Mr. R. Shepherd CC

Dr. R. K. A. Feltham CC

Warwickshire County Council

Cllr. M. Watson

Apologies

Apologies were received from Cllr. W. Fitzgerald (Peterborough City Council) and Cllr A. Coles (Peterborough City Council).

In attendance

Cllr N. Shailer was also in attendance from Cambridgeshire County Council.

ESPO

Kristian Smith - Director

David Godsell – Assistant Director

Maurice Campbell – Assistant Director

Matt Selwyn Smith – Assistant Director

David Goodacre – Financial Controller

Leicestershire County Council

Declan Keegan – Assistant Director Corporate Resources on behalf of Consortium

Treasurer

Mo Seedat – Head of Democratic Services

Cat Tuohy – Democratic Services Officer

32. Minutes.

The minutes of the meeting held on 15 September 2021 were taken as read, confirmed, and signed subject to minute 29 being amended to set out the 'qualified opinion' and amending of the RFS 102 to FRS 102.

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

There were no urgent items for consideration.

34. 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. No declarations were made.

35. Items referred by the Finance and Audit Subcommittee.

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

36. Proposed Updates to the Standard Financial Instructions and Delegations to the Director of ESPO.

The Committee received a joint report of the Director and Consortium Treasurer regarding proposed updates to the standard financial instructions and delegations to the Director of ESPO. A copy of the report marked 'Agenda Item 5' is filed with these minutes.

RESOLVED:

That the Committee approve the ;

- a) proposed changes to Appendix 4 to the Constitution of the ESPO Management Committee – Functions of and delegations to, the Director of ESPO as set out in Appendix 1 to the report.
- b) 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), as set out in Appendix 2 to the report.

37. Director's Progress update.

The Management Committee gave consideration to a report of the Director which provided an update of the actions and progress made since the previous ESPO Management Committee held on 15 September 2021. A copy of the report marked 'Agenda Item 6, is filed with these minutes.

The Director acknowledged the ongoing challenge inflation posed to ESPO and businesses generally. Members were assured that officers had planned for inflationary risk as a key feature of the next trading year.

Members were pleased to note the proposed dividend pool of £3.3million, that would be distributed to the Member Authorities in December, as per the formula of relative spend that the Management Committee had previously approved.

RESOLVED:

That the report be noted and supported, including agreement of the proposed distribution of the dividend pool of £3,333,600.

38. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on 16 March 2022 via Microsoft Teams.

39. Exclusion of the Press and Public.

RESOLVED:

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

40. 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 9', is filed with these minutes.

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

RESOLVED:

That the supplementary information provided be noted.

41. Update on the Build Programme for Additional Warehouse Capacity for ESPO.

The Committee considered an exempt report of the Director, the purpose of which was to update Members on the build programme for additional warehouse capacity. A copy of the report, marked 'Agenda Item 10' is filed with these minutes.

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

The Director informed the Committee that the preferred site for additional warehouse capacity at Leaders Farm, as previously agreed by Management Committee, could no longer proceed. Having considered alternative options it was felt that, in light of the future ways of working project, a proposal to expand the warehouse at Grove Park, into its carpark, would present the best alternative for ESPO financially, logistically and environmentally. ESPO would undertake a feasibility study to demonstrate that the building would be deliverable.

Arising from the discussion the following points were noted:-

- i. In response to a query regarding the inclusion of Solar Panels on the new space, officers would look to consider it as an option at the appropriate time.
- ii. ESPO would utilize Leicestershire County Council's, as the Administering Authority, Project Management resource within the Strategic Property Team. The Project Manager would facilitate work between ESPO and any external contractors that may be needed for external advice or expertise.

- iii. The Committee welcomed the proposal and agreed that the expansion at Grove Park would deliver a more sustainable reduced carbon footprint, which also made overwhelming financial sense.

## RESOLVED

That the:

- a) approach set out within the report be noted and supported.
- b) proposed approach to develop Grove Park as the preferred option (subject to the feasibility study) given the parameters given were within the already approved business case, be approved.

## 42. Energy Update.

The Committee received a presentation on the Energy Market from the Director. A copy of the report, marked 'Agenda Item 11' is filed with these minutes.

The exempt presentation 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 presentation which set out ESPO's strategy for procurement of energy, and recognised the turbulence within the energy market which was due to demand and geopolitical tensions.

## RESOLVED

That the presentation be noted.

10.30-11.40  
24 November 2021

CHAIRMAN



## **ESPO MANAGEMENT COMMITTEE – 16 MARCH 2022**

### **REPORT OF THE CONSORTIUM TREASURER**

#### **ANNUAL INTERNAL AUDIT PLAN 2022-23**

##### **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 2022-23.
2. The Finance and Audit Subcommittee considered the Plan for 2022-23 at its meeting on 2 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 2 February 2022. 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 2022-23**

12. The attached Plan for 2022-23 (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 2021-22 audits.
14. The first column indicates which component of the control environment the audit primarily matches (there is quite often overlap).
15. The 2022-23 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. Whilst COVID-19 restrictions are being eased, and a form of 'new normal' is being established, the Plan will need to remain fluid pending any further outbreaks that may result in restrictions being re-established. Also ESPO is still developing its ways of working which may affect or re-direct the internal audit provision.
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 2022-23 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 2022-23 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 2022-23 in detail recommends the Management Committee
  - a) Note and support the methodology used as a basis for developing the Internal Audit Plan 2022-23;
  - b) Approve the ESPO Internal Audit Plan for 2022-23

**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 2022-23

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<b>ESPO Internal Audit Plan 2022-23</b>					
<b>Reference</b>	<b>Control env't component</b>	<b>Entity</b>	<b>The indicative audit objective is to ensure that...</b>	<b>Risk Reg</b>	<b>Indicative Days</b>
ESPO 22/23 - A	Various	Continuation of work commenced in 2021-22	To complete any outstanding audits that overlap the financial year	N/A	7
ESPO 22/23 - B	Governance	Annual Governance Requirements 2021-22	Revised governance reporting arrangements are suitable	8	5
ESPO 22/23 - C	Governance	Counter Fraud - Cyber Security - follow up report	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> ). Work will focus on ensuring the recommendations in the 21/22 report have been addressed	8, 20, 79	10
ESPO 22/23 - D	Governance	Frameworks	Developing any new/developed mirrored offerings/Time taken	8, 25, 60	7.5
ESPO 22/23 - E	Governance	Procurement	Policies and procedures in place have due regard for legislative requirements and timeliness and appropriateness of decision making	8, 32, 35, 37, 80	10
ESPO 22/23 - F	Risk Management	Warehouse	Robust Governance and Management of Risk in the delivery in respect of the additional warehouse capacity at Grove Park	51	7.5
ESPO 22/23 - G	Risk management	Counter Fraud - NFI specific	Ensure relevant data is extracted at 30 September 2022, uploaded in October 2022 and assessment of output reports commenced in Feb 2023 with the overall objective of results being correctly interpreted and investigated and have due regard for a segregation of duties.	20	3
ESPO 22/23 - H	Risk Management	IT Developments	Work to be conducted in accordance with ESPO IT Key Deliverables 22/23	1, 5, 30, 47, 48, 71, 74, 79	7.5
ESPO 22/23 - I	Risk Management	Key Business Supplier Controls	Assessment of Risk Mitigation Procedures in place e.g. credit limits, credit rating assessments, parent guarantees, monitoring and market intelligence	21, 37, 58	7.5
ESPO 22/23 - J	Risk Management	Emerging risks	ESPO identification and preparedness for any emerging risks e.g. Legislative changes, continued adjustments as a result of existing the EU/COVID-19 requirements, material changes to the 5-Year business strategy	Various	5
ESPO 22/23 - K	Risk Management	Business Continuity/Disaster Recovery	Risk of business inoperability is minimised and access and IT infrastructure is restored in a timely manner should a disaster occur	1, 5, 30, 34, 38	10
ESPO 22/23 - L	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	1, 6	7.5
ESPO 22/23 - M	Internal control	IT general controls (*)	The range of controls expected by the External Auditor are well designed and consistently applied.	1, 5, 30, 47, 48, 34, 71, 74, 79	7.5
ESPO 22/23 - N	Internal control	Rebates income	Annual audit to evaluate whether rebates received conform to estimates of supplier business generated - focus will be on site visits	45, 46	10
ESPO 22/23 - O	Internal control	Counter Fraud: Bank Mandate Fraud	Policies and procedures surrounding the amendment of bank accounts are robust	20, 79, 82	5
ESPO 22/23 - P	Internal control	Counter Fraud: Approval process for variations to pay	Variations to pay are appropriately authorised in accordance with procedures	20, 79, 82	5
ESPO 22/23 - Q	Internal control	Counter Fraud: Data Analytics - Accounts Payables Vendors	Use of Data Analytics to provide assurance in respect of the accounts payables vendor database	79, 82	5
ESPO 22/23 - R	Internal control	Servicing Authority	Key Performance Indicators for services provided by the Servicing Authority are adhered to	8	5
ESPO 22/23 - S	Various	Contingency	Unforeseen events brought to the attention of the Head of Internal Audit Service by either ESPO Leadership Team or the Consortium Officers - examples may include loss of customers/business, MTFS targets not being met, Failure to retain staff, staff sickness, energy related risks, major health & safety/legislative issue, warehouse issues, supply chain issues, adverse reputational issue, climate change, risks associated with ways of working	N/A	5
		Client management	Planning & research; progress meetings; servicing Committees; HoIAS requirements; confirming implementation of HI recommendations; External Audit liaison; advice	N/A	20
			<b>Total days = 150</b>		<b>150</b>
(*) Annual audits undertaken that may assist the External Auditor					

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**MANAGEMENT COMMITTEE – 16 MARCH 2021**

**PROGRESS UPDATE**

**REPORT OF THE DIRECTOR**

**Purpose of the Report**

- The purpose of this update is to inform Management Committee of the actions and progress made since the last Management Committee meeting held on 24 November 2021.

**Overall Financial Performance**

**Summary**

Year to January 2022 – Period 10					
£m	Actual	B/(w) than Budget		B/(w) than LY	
Stores Sales	40.0	2.3	6.1%	3.8	10.6%
Direct Sales	16.3	1.0	6.3%	3.7	28.9%
Rebate plus fee income	7.9	1.3	20.5%	0.8	11.2%
<b>Total Sales (Exc Gas)</b>	<b>64.2</b>	<b>4.6</b>	<b>7.7%</b>	<b>8.3</b>	<b>14.8%</b>
Stores Margin %	31.0%	(0.2%)		0.6%	
Directs Margin %	14.1%	(0.5%)		0.4%	
Total Gross Margin	23.7	2.0	9.0%	2.7	13.1%
Total Expenditure	18.0	(0.5)	(2.9%)	(1.2)	(6.4%)
<b>Trading Surplus</b>	<b>5.7</b>	<b>1.4</b>		<b>1.5</b>	
Trading Surplus %	8.9%	1.7%		1.4%	

Full Year Outturn - Estimate £m	Outturn	B/(w) than Budget		B/(w) than LY	
Full Year Surplus	5.4 - 5.8	0.3 - 0.7		0.7 - 1.1	

- Up to the end of January 2022, 10 months into the year, **a surplus of £5.7m has been made which is £1.4m better than budget**. Trading continues to remain strong following the upturn after schools reopened more fully in early March 2021, high demand through our peak summer trading period and the September return to school period. The impact of the Omicron Covid variant on trading appears to have been minimal and we continue to benefit from the large, one off order with the Department of Education for abacuses, to support their mathematics catch up project in schools.
- 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.
- The surplus is £1.5m 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 £18.0m slightly higher than budget due to the cost of servicing higher sales volumes. (This includes staff costs which are £0.1m higher than budget). Costs are £1.2m higher than last year due to additional warehouse and distribution costs needed to service the significantly greater level of sales.
6. For the full year, the budget is a surplus of £5.1m. Whilst we expect trading to continue positively to the end of the March financial year, there are also specific unbudgeted costs which we expect to materialise in the final quarter of the year (such as the Local Government Pay Award for 21/22 which will be back dated to 1 April 2021). Considering all this, **our latest guidance for the full year is a trading surplus in the range of £5.4m - £5.8m.** Note – our detailed outturn is at the mid-point of the guidance at c£5.6m.

## Sales and Margin

Sales and Margin						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Stores Sales	40.0		2.3	6.1%	3.8	10.6%
Direct Sales	16.3		1.0	6.3%	3.7	28.9%
Rebate income	7.9		1.3	20.5%	0.8	11.2%
<b>Total Sales</b>	<b>64.2</b>		<b>4.6</b>		<b>8.3</b>	
Stores Margin	12.4	31.0%	0.6	(0.2%)	1.4	0.6%
Directs Margin	2.3	14.1%	0.1	(0.5%)	0.6	0.4%
Rebate income	7.9		1.3	(0.5%)	0.8	0.4%
Gas Margin	0.2	2.4%	(0.0)	(0.0%)	(0.0)	(0.2%)
Catalogue Advertising	0.8		0.0		0.0	
Misc	(0.0)		(0.0)		(0.0)	
<b>Total Gross Margin</b>	<b>23.7</b>	<b>36.8%</b>	<b>2.0</b>	<b>0.4%</b>	<b>2.7</b>	<b>(1.0%)</b>

Gas						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Gas Sales	9.8		(1.6)	(13.9%)	0.1	1.3%
<b>Gas Margin</b>	<b>0.2</b>	<b>2.4%</b>	<b>(0.0)</b>	<b>(0.0%)</b>	<b>(0.0)</b>	<b>(0.2%)</b>

7. Total sales for the 10 months to January 2022 reached £64.2m, which was £4.6m better than budget and £8.3m better than last year. Even though some government restrictions remained in place in the UK in spring/summer 2021, schools returning from 8<sup>th</sup> March 2021 resulted in trading returning to more normal levels. Trading over the summer was also strong with 'peak' sales comparable to previous years, and we have seen no reduction in trading as a result of the winter 21/22 Omicron variant emerging.
8. **Stores sales were £40.0m and £2.3m / +6% better than budget.** Sales across virtually all product categories are higher compared to last year and returning to more normal levels.
9. Comparing to pre Covid levels (2019/20), at a product level:



- a. Sales within our Cleaning and Catering section are +20% on pre-Covid levels, with enhanced hygiene procedures continuing in schools and driving greater sales of soaps and paper towels.
  - b. Curriculum sales are +19% 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 16%, likely to be a long-term shift away from printing following the impact of remote working during Covid.
10. Reported **gross profit margin % for Stores at 31.0% is slightly behind budget in line with budget** as a result of a limited amount of in-year cost price inflation. This has largely been managed for 2021/22 and is factored into our pricing strategy for 2022/23.
11. Global supply challenges continue to impact stock availability, at 96%, although we have been seeing gradual weekly improvements and we finished January with outstanding back orders of £0.1m. This continues to be 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.
12. **Directs sales were £16.3m and are £1.0m ahead of budget.** Sales started well in 2021/22 with a 'bounce back' in April and May caused by the gradual lifting of restrictions upon schools from March 2021. At the same time, global supply chain challenges have extended lead times across a number of lines but demand remains high from customers who are prepared to wait for goods, and recognise the issues affect the entire market. We have seen the benefit of this in sales in the third quarter as this demand has started to be fulfilled and outstanding orders reduce.
13. From a product perspective, 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, previously tracking behind pre-Covid levels due to the supply chain challenges, have caught up and continue to have a strong pipeline of orders which will benefit the final quarter of the year and early 2022/23.
14. Reported **gross profit margin % for Directs at 14.1% is 0.5% behind budget**, although this is being depressed by a major project on the Cambridgeshire County Council head office which is at a fixed administration fee, as is normal for this type of project. Underlying margin is in line with budget.
15. **Rebate income of £7.9m is £1.3m 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. Total Cleaning Services Solution framework is ahead of target linked to Covid. Our Specialist Vehicles framework is struggling this year as a result of the global shortage in micro-processors delaying customers receiving vehicles, although demand remains high and this remains an important framework for future growth.

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/Autumn 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 £23.7m is £2.0m better than budget,** with the increased sales from good trading flowing through into profit.

### Expenditure

<b>Expenditure</b>			
<b>£m</b>	<b>Actual</b>	<b>B/(w) than budget</b>	<b>B/(w) than LY</b>
<b>Employee Costs</b>			
Staff	10.3	0.4	(0.2)
Agency/Contract	1.6	(0.7)	(0.4)
<b>Total</b>	<b>11.8</b>	<b>(0.3)</b>	<b>(0.6)</b>
<b>Overhead Expenses</b>			
Transport	2.0	(0.1)	(0.4)
Warehouse	1.5	(0.1)	(0.1)
Procurement	0.2	0.1	0.0
Sales & Marketing	0.7	0.0	(0.1)
Finance	0.3	(0.0)	0.0
IT	0.9	(0.1)	(0.2)
Directorate	0.4	(0.0)	(0.0)
<b>Total</b>	<b>6.1</b>	<b>(0.3)</b>	<b>(0.6)</b>
<b>Total Expenditure</b>	<b>18.0</b>	<b>(0.5)</b>	<b>(1.2)</b>
<b>As % of Total Sales Excluding Gas</b>	<b>28.0%</b>	<b>1.3%</b>	<b>2.0%</b>

19. **Total expenditure of £18.0m was slightly greater than budget (+£0.5m)** 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 £1.2m 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. This KPI was 28.0% and is 1.3% better than budget and 2.0% better than last year and shows costs are being controlled in relation to sales activity.

## ETL/Eduzone

21. ETL and Eduzone are ESPOs limited companies which service the private sector.

ETL and Eduzone			
£k	Actual	B/(w) than Budget	B/(w) than LY
Eduzone Sales	680	102	175
ETL Sales	151	(67)	22
<b>Total Sales</b>	<b>830</b>	<b>34</b>	<b>197</b>
Eduzone Gross Margin	246	44	66
Eduzone Gross Margin %	36.2%	1.2%	0.5%
ETL Gross Margin	64	(34)	30
ETL Gross Margin %	42.5%	(2.5%)	16.1%
<b>Total Gross Margin</b>	<b>310</b>	<b>10</b>	<b>96</b>
Eduzone Expenditure	(186)	0	(36)
ETL Expenditure	(47)	13	(15)
<b>Total Expenditure</b>	<b>(232)</b>	<b>14</b>	<b>(51)</b>
<b>Trading Surplus</b>	<b>78</b>	<b>23</b>	<b>45</b>
Trading Surplus %	9.4%	2.5%	4.2%

22. Eduzone, our business focusing on early years in the UK, has performed well with sales ahead of budget by 18%. ETL, our international business, continues to struggle as a result of Covid restrictions affecting product sales.

23. Margin is largely in line with budget and costs are being controlled.

24. Overall a £78k surplus has been generated to the end of January which is slightly ahead of the budget target. For the full year, we expect to be in line with budget.

## Full Year Expectation

25. After 10 months ESPO is £1.4m ahead of budget and looking to the full year we are mindful of several unbudgeted costs or timing issues which will impact the final quarter of the year:

- a. 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 approximately £0.25m. This hasn't been agreed by Trade Unions. It is possible that this won't be agreed before the year end in which case we will make an estimate of the cost to include in 2021/22.
- b. Additional pay costs within operations. Driver pay has been a national issue and ESPO has agreed to pay a market premium to its drivers to remain competitive. We are also experiencing cost increases in agency driver and courier costs and in warehouse agency staff where we are seeing high market rates, low supply and lower productivity. This cost impact of this is expected to be c£0.2m.
- c. Some likely impact of timing in our rebates income, with c£0.2m - £0.4m of income previously expected for March 2022 now expected to fall into April 2022.

- d. The additional costs of taking out a new cyber insurance and incident support policy, and commencing a review of our transport offer.
26. Considering all this, **our latest guidance for the full year is a surplus in the range of £5.4m - £5.8m.** (Note, our detailed outturn calculation suggests we will deliver at the mid-point of the guidance range = £5.6m.)

### **Audit**

27. Grant Thornton are currently conducting the audit work for 2020/21 and we expect to present the financial statements for approval in the June 2022 Management Committee meeting.
28. As previously advised, for the 2021/22 external audit we have conducted a tender which follows our contract procurement rules. We are in the final stages of appointing a provider and the process was overseen via the Chief Officers Group, where a delegate from Norfolk County Council joined ESPO staff and a member of Leicestershire County Council staff to evaluate the bids. We anticipate the 21/22 audit work to take place over the summer and to be able to deliver the financial statements for approval in the September 2022 Management Committee meeting.

### **ESPO Operational Progress**

29. In January ESPO's distribution centre picked and despatched 132,310 order lines, valued at £3.433m and the transport fleet with couriers made 21,670 deliveries. Warehouse picking was performed at a rate of 32 lines per hour against our target of 32. The error rate detected by QA was 1% against the budget of 3%. The average order value for stock orders in January was £132.63 Operational and IT costs year to January were £9.301m against a budget of £8.731m. Stores sales were 5% higher than budget and agency unit rates have increased particularly in the transport area which have contributed to higher than budgeted staff costs. Courier costs that were taken in 2021/22 together with external storage costs and IT hardware purchases account for the balance of the overspend. Stores margin YTD was 31.3% which is line with budget.
30. Contact volumes for customer services, returned to the expected level for this period. The Customer Services team handled 7,113 calls across the four customer service lines (customer services, directs, Eduzone and registrations) Call performance remains strong with the average speed of answer 26 seconds against a target of 30 seconds. The team processed 27,728 customer orders valued at £3.677m. Online and electronic converted orders in September were at 66.7% of the total reflecting an increasing trend towards digital ordering via 'punchout' or through the web. Direct orders currently valued at £2.857m 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.

31. The results of the annual Institute of Customer Service survey have been completed. ESPO's results have been benchmarked against the non-retail sector of the UKCSI survey results. ESPO scored 83.3, compared to 77.4 for the UKCSI overall and 81.2 for retail non- food. Our customers are most satisfied with competence and helpfulness of staff, billing and invoicing. Areas of least satisfaction is around complaint handling, including the speed to resolve and the outcome of the complaint. Some of the key areas for improvement have been identified and will form part of an overall customer experience improvement plan. We have engaged with the Institute of Customer Service to deliver First Impressions, customer service training to our customer experience team. This training has been well received and over time will greatly improve our customer offer.
32. Stock availability averaged 96.1% in January with an average of 385 lines temporarily unavailable (£132k sales value); stock value was £7.26m with a stock turn of 6.09. 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 and by its printer in Poland.
33. Facilities management in January saw the handover to the FM team of the office refurbishment project to adapt ESPO's offices at Grove Park to meet the needs of the organisation and staff to work flexibly. Other activities include a lighting upgrade in the warehouse and the annual racking inspection. The diesel generator powering critical items in the server room had to be replaced by a hired generator whilst it was being repaired. All statutory inspections and services took place on their relevant due date and a number of service agreements were extended.
34. There was one health and safety incident in January where a driver reported back discomfort on return to the depot without any known contributory factors. This subsequently became a RIDDOR as the driver was absent for over seven days. The driver underwent an assessment and refresher training in manual handling on his return to work. Communications and guidance were issued in relation to the change to working arrangements in-light of the Government announcement on the relaxation of Covid measures. Staff were advised that the Grove Park facility is now fully adapted to accommodate hybrid working.
35. The IT helpdesk handled 473 enquiries with a 100% satisfaction rating from internal customers. The month was largely spent preparing for the critical uplift and transition of the Infor System 21 ERP to version 3.1. The IT team worked successfully with all vendors and the system upgrade was successfully implemented on 7<sup>th</sup> February. Significant progress has been made in the transport planning project with middleware being written for extracting delivery data from System 21 for input into the Roadshow scheduling system. Eventually this process will be automated allowing customer data to be uploaded into the scheduling system which will create a daily transport schedule offering greater operational efficiencies.

36. The project to extend the Grove Park warehouse, which was approved by Chief Officer Group and Management Committee has begun with a submission to LCC Highways outlining the plan to use existing owned land for the development. The outcome will confirm the total amount of space available and will lead to the next stage of the planning application. A project initiation document (PID) has been created setting out the scope, management and overall success criteria. Preliminary discussions have been held with potential consultancy service providers who are able to provide the required technical expertise needed to deliver this kind of property and construction project. A project board will be convened shortly which will provide governance and monitor progress. Further updates will be provided to Management Committee as the project progresses including a finalised timeline for the construction and operation of the new capacity.

### **Staffing**

37. Sickness absence due to Covid continues to be well managed and the increases in infection rates that were seen after Christmas have now decreased in line with national trends. The small number of employees who are currently absent from work with Covid will continue to be offered support. As staff numbers in the office start to increase, safe working arrangements will remain in place to ensure that the potential of any work-based outbreak is reduced as far as is practicable.
38. ESPO have now launched a supervisor development programme which ensures that individuals in these crucial roles receive the right level of support and training to succeed. This has received positive feedback from participants and is due to finish by the end of February. Training on cyber security has also been made available for all staff, which will improve awareness on issues such as phishing and online fraud. The skills developed through this training will help employees in both their employment with ESPO and their personal life.
39. Guidance on how to undertake one-to-ones with staff has also now been shared with staff. This guidance reiterates the need for managers to have regular discussions with staff regarding their wellbeing and performance. Refresher courses have also been provided on Mental Health First Aid, and how all of us can help support colleagues who may be suffering from stress and anxiety.

### **ESPO Risk and Governance Update**

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

40. 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](mailto:k.smith@espo.org)

Tel: 0116 265 7887

**Appendices**

Appendix 1: Balanced Scorecard

Appendix 2: CRR extract

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## Management Summary Jan 22

### Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£3,600,875	£3,540,847	↑ 1.7%	£40,006,440	↑ 6.1%
Direct Sales	£1,339,126	£1,352,834	↓ -1.0%	£16,311,599	↑ 6.3%
Rebate plus fee Income	£1,325,655	£1,160,887	↑ 14.2%	£7,910,688	↑ 20.5%
Total Sales (Exc Gas)	£4,732,424	£6,154,477	↓ -23.1%	£63,390,464	↑ 4.1%
Stores Margin %	31.34%	31.27%	↑ 0.06%	31.05%	↓ (0.23%)
Directs Margin %	15.03%	14.58%	↑ 0.45%	14.12%	↓ (0.46%)
Total Gross Margin inc Consumables Cost	£2,786,475	£2,609,189	↑ 6.8%	£23,660,859	↑ 9.0%
Total Expenditure	£1,760,047	£1,678,123	↑ 4.9%	£17,953,046	↑ 3.1%
Surplus	£1,026,428	£931,066	↑ £95,361	£5,707,813	↑ £1,424,408
Net Profit Margin %	21.69%	(0.47%)	↑ 22.16%	9.00%	↑ 1.97%

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Eduzone Sales	£82,302	£47,600	↑ 72.9%	£683,844	↑ 18.3%

### Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£184.88	£213.44	↓ (£28.56)
Prop of orders over £15	97.0%	97.3%	↓ -0.28pp

### 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%	↑ 2.83pp
Data Protection	83%	90%	↓ -7.41pp
Equality & Diversity	91%	90%	↑ 0.78pp
Health & Safety	90%	90%	↑ 0.00pp
GDPR	78%	90%	↓ -12.18pp

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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 Procurement & 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 the CCS tail spend tender issued in June 2021	AD Procurement & 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. 27/11/2020 Reviewed - no further action 17.06.21 Point 11. added to Further Actions. 02/09/21 Reviewed - no updates. 01/03/22 Reviewed - no updates.
48	Strategic IT Succession Planning - imminent departure of key staff	1. Unable to manage systems portfolio 2. Business needs not met 3. Service to customers deteriorates 4. Loss of sales & profits 5. Staff morale adversely affected	AD Operations & IT	4	4	16	Treat	1. Review IT strategy and set out IT ambitions in context of business planning and review skills and organisation in IT accordingly. 2. Create a new structure that enables staff to grow into more senior roles, 3. Work with outside partners to deliver some of the technical support functions required.	1. Budget review 2. HR assessment of current structure 3. Process mapping and IT support/automation 4. Delivery of succession plan	4	4	16	Treat	1. Implement Service Review. 2. Delivery of Action Plan Feb 2022 Assess alternative ERP systems Increased probability to 4	AD Operations & IT	N/A	04/06/2020 Reviewed - Updated 01/10/2020 Reviewed - Updated. IT Strategy under current review - likely to lead to new Action Plan. Review of vulnerable IT solutions underway, plan for remediation emerging. 26/11/2020 IT Strategy presented to the ESPO Leadership Team on 24.11.2020 16.06.21 Action Plan to restructure IT Team completed June 2021 NFA 03.11.2021 Risk score increased from 6 to 8. Feb 2022 Discussion with 3rd party as a potential service provider around System 21 Mar 2022 Staff succession planning being considered to minimise risk and increase resilience for any possible leavers or sickness.
78	Supply chain risk – including corona virus, Brexit and Conflict in Europe	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 costs 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 / partial 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.

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78.1	....above 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 <b>SEE SEPARATE RISK INDEX</b>	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) NCS Active Cyber Defence programme 16) CyberSecurity Risk Register 17) Emergency support partner 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 Jan 2022 Cyber Risk Register created Jan 2022 Emergency support partner in place
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. Refreshing 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 Procurement & 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 to support the transition to new ways of working 6. Ensure adequate legal resource is in place from LCC to support the transition to new procurement rules.	AD Procurement & Commercial		17.06.21 Further actions added. 02/09/21 Reviewed - no updates. 01/03/2022 - additional control added

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