



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: 8 November 2022
My Ref: CT/ESPO
Please ask for: Anna Poole
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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, 16 November 2022 at 11.00 am in the Sparkenhoe Committee Room, County Hall, Glenfield, Leicester LE3 8RA.

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

Yours faithfully,

Anna Poole
for Consortium Secretary

AGENDA

Item

Report by

1. Appointment of Chairman.

Cllr. G. Peck has been nominated to be Chairman for the municipal year ending April 2023.

2. Appointment of Vice Chairman.

3. Minutes of the meeting held on 29 June 2022.

(Pages 3 - 10)

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

5. Declarations of interests in respect of items on this agenda.
6. Items referred by the Finance and Audit Subcommittee.

There are no specific items referred.

- | | | | |
|----|-----------------------------|----------|-----------------|
| 7. | Director's Progress update. | Director | (Pages 11 - 26) |
| 8. | Dates of Future Meetings. | | |

Meetings will be held at 10.30am on the following dates:

- 22 March 2023
- 28 June 2023
- 20 September 2023
- 15 November 2023

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 during consideration of the following items of business in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

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|-----|---|-----------------------------------|-----------------|
| 11. | External Audit of the 2021/22 Financial Statements. | Director and Consortium Treasurer | (Pages 27 - 48) |
|-----|---|-----------------------------------|-----------------|

A representative from ESPO's External Auditors, Fortus, will be present for this item.

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|-----|--|-----------------------------------|-------------------|
| 12. | 2021/22 Financial Statements and Annual Governance Statement. | Director and Consortium Treasurer | (Pages 49 - 82) |
| 13. | Supplementary Information Informing the Progress Report of the Director's Progress Update. | Director | (Pages 83 - 96) |
| 14. | Project Update on ESPO Warehouse Extension. | Director | (Pages 97 - 104) |
| 15. | ESPO Trading Ltd. | Director | (Pages 105 - 116) |

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 29 June 2022.

PRESENT

Lincolnshire County Council

Cllr. S. Rawlins

Cllr. A. Hagues

Peterborough City Council

Cllr A. Coles

Cllr O. Sainsbury

Leicestershire County Council

Mr. J. Poland CC

Warwickshire County Council

Cllr. R. Baxter-Payne

APOLOGIES:

Apologies were received from Cllr Peck and Cllr Jamieson (Norfolk County Council), Cllr W. Fitzgerald (Peterborough City Council, substituted by Cllr. O. Sainsbury), Cllr. P. Butlin (Warwickshire County Council) and Mrs. M. Wright CC (Leicestershire County Council).

IN ATTENDANCE:

Cambridgeshire County Council

Cllr. B. Goodliffe (Cambridgeshire County Council – Online)

Cllr. S. Ferguson (Cambridgeshire County Council - Online from item 13)

Grant Thornton (Minute 7 refers)

Andy S. Reid (Online)

ESPO

Kristian Smith - Director

David Godsell – Assistant Director

Matt Selwyn-Smith – Assistant Director

Dave Goodacre – Financial Controller

Leicestershire County Council

Lauren Haslam – On behalf of Consortium Secretary

Declan Keegan – On behalf of Consortium Treasurer

Neil Jones – Head of Internal Audit Service

Matt Davis – Internal Audit Manager

Mo Seedat – Head of Democratic Services

Cat Tuohy – Democratic Services Officer

56. Appointment of Chairman.

In the absence of the Chairman and Vice-Chairman Cllr. S. Rawlins was appointed Chairman for the duration of the Meeting.

Cllr. S. Rawlins in the Chair

57. Chairman's Announcements.

The Chairman thanked Cllr. Butlin for his work as Chair of the Management Committee for the period June 2021 to May 2022. During his period of office Cllr Butlin had overseen the following:

- Introduction of a new flexible working environment for ESPO staff making best use of space & technology
- A trading surplus of 5.6m despite the macro circumstances faced, meaning a year one 'bounce back' of £1m surplus growth from 2020-21.
- ESPO Trading Ltd returned a profit for ESPO Trading Ltd after only its third full year of trading.
- ESPO's procurement services generated a record rebate of over £9m
- Approval of a 26000 sq ft warehousing extension to the Grove Park including mobilisation of contractors and project board to deliver in time for the 2024 peak trading period
- Progression of the business development agenda including 'MySchoolFund' partnership with Sainsbury's, launch of 'Smarter Solutions' branding use of ESPO frameworks for a wider customer group and growth into Scotland via Scotland Excel framework place.
- The pilot of electric delivery vehicles into ESPOs fleet

Members of the Committee echoed the Chairman's comments and thanks.

58. Election Of Vice-Chairman.

Mrs. M. Wright CC was appointed Vice-Chairman for the municipal year ending April 2023.

59. Minutes.

The minutes of the meeting held on 16 March 2022 were taken as read, confirmed, and signed.

60. Urgent Items.

There were no urgent items for consideration.

61. 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.

62. Items referred by the Finance and Audit Subcommittee.

There were two items referred by the Finance and Audit Subcommittee, concerned in items 10 - Internal Audit Service – Annual Report 2021-22 (minute 10) and 14 Draft Outturn 2021-22 (minute 14).

63. External Audit of the 2020/21 Financial Statements.

The Committee considered a report from the external auditors, Grant Thornton covering the 2020/21 Financial Statements, together with a letter of representation from the Consortium Treasurer. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Andy S. Reid from Grant Thornton, to the meeting.

Arising from the discussion the following points were made:

- i. As part of the 2019/20 financial statements ESPO received a qualified opinion as Grant Thornton had not been able to attend the stock check in person, meaning they were unable to apply what was required by the Audit Standards. As a result, the 2020/21 accounts had also received an unqualified opinion due to absence of an opening balance position. Members were assured that the qualified opinion was not unique to ESPO and had occurred on other audits across other public sector organisations such as NHS Trusts.
- ii. Grant Thornton had identified three misstatements, one that had been adjusted to reclassify interest costs from administrative expenses, and two unadjusted misstatements which related to the application of depreciation to revalued buildings and a prior year unadjusted misstatement that related to a cut off issue between 2018/19 and 2019/20. These were not deemed significant or material to have an impact on the 2020/21 statements. No significant control issues or areas of concern.
- iii. Grant Thornton informed the Committee that overall the quality of information was good, and ESPO had cooperated and provided good access and prompt responses to queries.

The Committee noted this was the final year of Grant Thornton's External Audit service for ESPO, as new auditors had been appointed. Details of the new audit arrangements were set out in the report to the Committee in November 2021. Members were informed that ESPO would be back on track with its reporting from the September meeting of the Management Committee. While ESPO was not bound by reporting deadlines, it was considered part of good governance to provide timely assurance to the Committee and Member Authorities.

APPROVED.

That the external audit of the financial statements 2020/21 be approved.

64. 2020/21 Financial Statements and Annual Governance Statement

The Committee considered a report of the Director and Consortium Treasurer which reported on the 2020/21 Accounts and Annual Governance Statement. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion the following points were noted:-

- i. The dividend of £3.3m had been distributed to Member authorities at the end of 2021 for the 2020/21 surplus.
- ii. Though ESPO was not bound to produce an Annual Governance Statement, it was considered part of good governance to provide additional assurance to the Committee, alongside the financial accounts and external audit.
- iii. ESPO were mindful of potential volatility in the economy and the impact of inflation on its working capital. Historically, the Management Committee's approach was to retain surplus which provided resilience against potential risk factors.
- iv. ESPO were part of the Leicestershire County Council Pension Fund LGPS. As of 31 March 2021 ESPO held a net deficit of £26.7m, which would be repaid over the long-term, and was factored into the Medium Term Financial Strategy and formed business as usual for ESPO.

RESOLVED:

That the Statement of Accounts and Annual Governance Statement for 2020/21 be approved.

65. Internal Audit Service - Annual Report 2021-22.

The Committee received a report of the Consortium Treasurer on the Internal Audit Report 2020/21. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Head of Internal Audit (HoIAS) informed the Committee that aside from the partial assurance rating on cyber security arrangements, no other significant governance, risk management or control failings had been come to his attention. Therefore, substantial assurance had been given, and ESPO's control environment overall remained adequate and effective.

There were three high importance recommendations in the Cyber Security Audit Report, which had been accepted by ESPO. The HoIAS was confident, having spoken to senior managers, that the issue was well understood, and work was already underway to mitigate the risk, and Internal Audit would follow up progress in the next quarter.

The HoIAS informed the Committee that three planned audits had been cancelled during 2021-22 due to other work prioritisation, or certain audits taking longer. The previously planned audits would either be deferred or risk assessed during 2022/23 to consider continued relevance.

The Committee noted that the ESPO Senior Management Team met regularly with the Consortium Treasurer and the HoIAS at Leicestershire County Council to review the findings of audits. Members were assured that any high assurance recommendations would be reported to the Management Committee.

RESOLVED:

That the Annual Internal Audit Report 2021/22 be approved.

66. 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 16 March 2022. A copy of the report, marked 'Agenda Item 11', is filed with these minutes.

In response to a question on recruitment the Director informed the Committee that ESPO did not look to target specific demographic groups, though they did tend to target local universities to recruit graduates. It was noted that ESPO were looking to engage a recruitment coordinator who would focus on recruitment opportunities, as well as understand any barriers for those who did not wish to join ESPO.

ESPO employed between 300 and 350 staff, which increased during summer months. Throughout ESPO there were pockets of vacancies, such as within procurement, given the high demand for procurement professionals across the sector. Demand for drivers also continued, for which ESPO had worked with Leicestershire County Council and deployed a market supplement to bolster and maintain recruitment. Members were assured ESPO monitored the employment carefully across the business.

RESOLVED:

That the report be noted.

67. Exclusion Of 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.

68. Directors Supplementary Information.

The Committee received an exempt report from the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 13', 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 were noted:

- i. New proposed procurement rules would present a significant shift from the European Union Rules. ESPO were aware of the changes and would continue to monitor and plan for any challenges ahead.
- ii. ESPO were customer led, and continued to see demand for paper catalogues, exercise books and paper generally within schools. The Committee were assured that ESPO managed their suppliers and stock closely to avoid risk to availability.
- iii. In relation to the energy, ESPO communicated regularly with its customers about risk and pricing as it was recognised that rising costs could only be managed to a certain extent.
- iv. ESPO had introduced exclusive package deals for Multi Academy Trusts.

RESOLVED:

That the report be noted.

69. OUTTURN 2021-22.

The Committee considered an exempt joint report of the Director and Consortium Treasurer concerning the draft Outturn 2020/21. A copy of the report, marked 'Agenda Item 14', 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 was advised that the Finance and Audit Subcommittee had considered and recommended the report for approval at its meeting in May 2022.

- i. The returns received in relation to energy frameworks were protected as the rebate received was generally at a fixed price.
- ii. In relation to wage settlements, ESPO continued to monitor the situation and had budgeted for a 2% increase, though recognised it could be up to 4%. ESPO were confident that it would still achieve its budget.
- iii. The rebate income was a key income stream that drove ESPO's surplus due to the high spend under contract. Given the size of the market ESPO felt there was still potential to grow.

RESOLVED:

- a) That the report be noted.
- b) That the provisional £4.1m dividend be approved and the £400,000 be allocated to Building Reserves in line with practice adopted in previous years of the MTFs.

70. PROJECT UPDATE ON ESPO WAREHOUSE EXTENSION.

The Committee considered a report of the Director which provided a project update on the progress towards the ESPO Warehouse Extension. A copy of the report, marked 'Agenda Item 15' 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)

Members highlighted development delays within their own council developments that had resulted in increased costs they were aware of. The Director assured the Committee that ESPO would control the controllable and ensure good governance of the project through regular engagement with the Management Committee and the project board.

It was noted that ESPO received advice from Leicestershire County Council's Strategic Property Team and had added additional contingency to manage risk to the project which would be carefully managed at each project board.

RESOLVED:

That the Committee note support the report.

71. ESPO.ORG ONE YEAR ON.

The Committee considered an exempt presentation of the Director the purpose of which was to update Members in relation to the new Website. A copy of the report. Marked 'Agenda Item 16', 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 noted work was ongoing to ensure ESPO had optimised 'Search Engine Optimisation' and 'Search Research Optimisation', which was simplified on the new website.

The website was mobile, and i-pad friendly and presented a better user experience for customers. Arising from a question it was noted there were limits with whom ESPO could trade and this was governed by the Local Government Goods and Service Act. The Act had not been updated since originally enacted hence the decision to establish ESPO Trading Limited to give extra bandwidth to trading.

RESOLVED:

That the presentation be noted.

CHAIRMAN

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MANAGEMENT COMMITTEE – 16 NOVEMBER 2022

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of the Briefing Note

1. The purpose of this update is to inform Management Committee of the actions and progress made since the last written update provided to Members in September 2022.

Financial Performance – 6 months to September 2022

Summary

Year to September 2022 – Period 6					
£m	Actual	B/(w) than Budget		B/(w) than LY	
Stores Sales	31.1	2.2	7.4%	3.4	12.3%
Direct Sales	12.3	2.4	24.5%	2.4	23.9%
Rebate plus fee income	5.5	0.8	18.2%	0.8	17.1%
Total Sales (Exc Gas)	48.9	5.4	12.5%	6.6	15.5%
Stores Margin %	29.0%	(1.7%)		(2.5%)	
Directs Margin %	15.0%	0.2%		1.0%	
Total Gross Margin	17.3	1.4	8.7%	1.7	10.8%
Total Expenditure	12.1	(0.3)	(2.5%)	(1.0)	(7.4%)
Trading Surplus	5.2	1.1		0.7	
Trading Surplus %	10.6%	1.2%		0.0%	

2. After 6 months, **a surplus of £5.2m has been made which is £1.1m better than budget.**
3. Overall, we have seen strong demand through the first 6 months, with **sales volumes well ahead of budget and higher demand being seen through the summer peak** which continued through September with the return to school.
4. Supplier prices have continued to increase by more than normal this year, linked to the high global energy prices and high levels of wage and general inflation. This created pressure on margin in the second half of the year and as a result we increased selling prices in mid-October across a selected range of the most affected products to preserve margin. It's possible this may affect demand but the budget took a cautious approach to sales volumes and benchmarking shows our prices remain competitive.
5. **Rebate income from our frameworks is £0.8m ahead of budget**, continuing to benefit from inflation and continued growth in our core framework offering.

6. Costs continue to be tightly controlled with expenditure of £12.1m, which is slightly higher than budget due to the additional warehouse and distribution costs of fulfilling the additional Stores sales.
7. The **surplus remains at £0.7m better than last year**, with Directs and Rebates in particularly benefitting from entering 2022/23 with robust order pipelines (remembering last year schools were closed until March 8th).
8. **For the full year, the budget is a surplus of £5.7m.** There remains a significant opportunity in rebate income given inflation and framework performance. Catalogue trading remains ahead of budget and although we remain cautious about the impact of the Autumn price rises affecting demand in the second half of the year, benchmarking shows we remain competitive and these are necessary to mitigate the cost of supplier price rises. We're also mindful of the cost of the Local Government Pay Award for 22/23. This remains under consultation with Unions but the National Employers' proposal is estimated to cost ESPO c£0.8m, of which £0.6m was not budgeted.

Sales and Margin

Sales and Margin						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Stores Sales	31.1		2.2	7.4%	3.4	12.3%
Direct Sales	12.3		2.4	24.5%	2.4	23.9%
Rebate income	5.5		0.8	18.2%	0.8	17.1%
Total Sales	48.9		5.4		6.6	
Stores Margin	9.0	29.0%	0.1	(1.7%)	0.3	(2.5%)
Directs Margin	1.9	15.0%	0.4	0.2%	0.5	1.0%
Rebate income	5.5		0.8	0.2%	0.8	1.0%
Gas Margin	0.2	3.1%	0.0	(0.0%)	0.1	0.7%
Catalogue Advertising	0.7		(0.0)		(0.0)	
Misc	0.0		0.0		0.0	
Total Gross Margin	17.3	35.3%	1.4	(1.2%)	1.7	(0.3%)

Gas						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Gas Sales	7.3		1.0	15.3%	1.7	31.7%
Gas Margin	0.2	3.1%	0.0	(0.0%)	0.1	0.7%

9. **Total sales up to September 2022 were £48.9m, which was £5.4m better than budget and £6.6m better than last year**, with trading continuing strongly despite ESPO needing to increase prices to a higher degree than normal back in April 2022 due to the inflationary price increases that we have seen across our range of goods.
10. **Stores sales were £31.1m and £2.2m / +7.4% better than budget.** Customers made good use of our discount windows to 'stock up', perhaps to safeguard their supply and anticipating further price increases. When

considered with the mid-year increases in ESPO selling prices, and wider pressures on school and public sector finances, there may be a risk that sales don't continue at this pace across Q3 and Q4.

11. **Gross profit margin for Stores at 29% is 1.7% lower than budget** with some impact of the in-year price rises from suppliers being seen through Q2. A selected range of products had mid-year price rises applied in October to mitigate this.
12. Global supply challenges continue to impact stock availability. Stock levels were increased this year to improve availability, with gross stock reaching £10.1m at the end of August before falling in September to £9.6m. Product availability continues to be closely monitored and managed to fulfil customer orders as promptly as possible.
13. **Directs sales were £12.3m and are £2.4m ahead of budget.** High levels of orders (and sales) through 22/23 are being observed with a continued pipeline of orders.
14. **Gross profit margin % for Directs at 15.0% is 0.2% ahead of budget** and this is largely mix. Similar to stores sales there has been some impact of the in-year price rises from suppliers being seen through Q2 affecting margin levels. A selected range of products had mid-year price rises applied in October to mitigate this.
15. **Rebate income of £5.5m is £0.8m ahead of budget** and continues to exceed expectations with a wide range of frameworks offered and a good pipeline in place of contracts secured for the future.
16. **Income from our gas service is closely in line with budget.** This service relates to a customer bill validation service, and also acting as a procurement agent for 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. The customer ultimately bears this risk, but, part of the service involves ESPO using our expertise and size in 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 £17.3m is £1.4m better than budget.**

Expenditure

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	6.4	0.4	(0.1)
Agency/Contract	1.3	(0.5)	(0.4)
Total	7.7	(0.0)	(0.5)
Overhead Expenses			
Transport	1.6	(0.3)	(0.3)
Warehouse	0.4	(0.0)	0.5
Procurement	0.1	0.0	0.0
Sales & Marketing	0.6	(0.0)	(0.0)
Finance	0.8	0.0	(0.6)
IT	0.6	0.1	(0.1)
Directorate	0.3	(0.1)	(0.1)
Total	4.4	(0.3)	(0.4)
Total Expenditure			
	12.1	(0.3)	(1.0)
As % of Total Sales Excluding Gas	24.7%	2.4%	1.6%

19. **Total expenditure of £12.1m was £0.3m higher than budget** due to higher transport and warehouse costs associated with fulfilling additional sales volumes. A continued focus on strong cost control across all areas remains.
20. **Expenditure as a % of sales** is one KPI which allows us to measure cost control in relation to sales. This KPI is 24.7% and is 2.4% better than budget 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
Eduzone Sales	254	(179)
ETL Sales	624	424
Total Sales	878	246
Eduzone Gross Margin	87	(67)
Eduzone Gross Margin %	34.1%	(1.3%)
ETL Gross Margin	100	15
ETL Gross Margin %	16.1%	(26.8%)
Total Gross Margin	187	(52)
Eduzone Expenditure	(95)	27
ETL Expenditure	(67)	(23)
Total Expenditure	(162)	5
Trading Surplus	25	(47)
Trading Surplus %	2.9%	(8.6%)

22. ETL, our business serving international and private sector customers, has started particularly strongly mainly due to a large furniture contract which was fulfilled across Q1 and Q2. Whilst generating incremental margin (£), as it is furniture the margin % is slightly lower than normal/budget. International sales are also growing and benefitting from a change in model from exclusively using a single international distributor to now using several.
23. Eduzone, our business focusing on early years in the UK, remains behind budget as a result of sales from a major customer stalling after they were put on stop in April for not paying their debts. The customer visited ESPO in September and sales have recommenced during October. Mitigating this, further new nursery groups have signed up to our Nursery package during September and October, broadening the customer base and improving the prospects for the remainder of the year.
24. Overall Eduzone margin is largely in line with budget and costs are being controlled. ETL margin is diluted due to lower margin on the large furniture order contract, other sales within ETL are closely in line with budgeted margins.
25. Overall, a £25k surplus has been generated to the end of September. The combined budget profit for the full year is £100k and we expect to be slightly behind this.

Full Year Expectation

26. The ESPO full year budget is a surplus of £5.7m. We have now completed the peak summer trading period and at September have achieved a YTD surplus of £5.2m. There are however several risks and opportunities emerging, the most significant being:
 - a. Sales volumes at the start of the year have far exceeded our expectation. Whilst this gives reason to be optimistic, the wider economic environment, and the Autumn sales price increases effected in October may reduce demand across Q3 and Q4.
 - b. Normally any supplier price rises are timed to coincide with the launch of our April catalogue so we can plan our selling prices accordingly. This year multiple suppliers have notified us of a need to increase their prices mid-year and this is expected to have an impact on margin in the second half of the year. Increasing selling prices will reduce the impact of this but we are limiting the products/ranges that we are increasing prices on to a selection of core items and expect to absorb c£0.5m of additional cost.
 - c. Framework income via rebates performed well in 21/22 and our baseline for 22/23 starts approximately £0.3m higher than we had assumed in the budget. In addition, our framework income is likely to benefit from inflationary increases that suppliers apply.
 - d. The Local Government pay award. An offer was announced in late July from the national employers which (simplified) was a fixed increase of £1,925 per person. Previously a 2% increase was

budgeted for 22/23. The impact has been estimated at £0.8m which would be a 6% average increase across ESPO.

- e. The Government announced in mid-September 2023 that NI will be reduced by 1.25% from November 2023. This will benefit ESPO by approximately £75k.

- 27. Considering all this, **our latest guidance for the full year is a trading surplus in the range of £5.8m - £6.2m.** (Budget = £5.7m)

Financial Planning for 2023/24

- 28. Through autumn 2022 we will be starting our budgeting and planning cycle for 2023/24. Financial performance and customer demand so far in 2022 has been strong, despite the concerns we held last year on school and wider public sector finances. However, through 2022 we have seen a steady increase in pressure on the cost of living, inflation, and energy prices and we expect school finances to be tighter than ever. We also understand public sector customers to be facing some very difficult budget challenges. This all creates uncertainty in the trading environment for 23/24.
- 29. From our initial strategic planning we have confidence that we can still reasonably deliver the agreed MTFS targets, which for 2023/24 is a surplus of £5.8m. As is normal, we will provide a full budget update to the Finance and Audit sub-committee in February 2023, and then Management Committee in March 2023. We also hope to be able to provide the Management Committee with a guidance range, the lower end of which we have a very high degree of confidence in.

Warehouse extension at Grove Park – Financial Update

- 30. The original business case approved by Management Committee was based upon the investment of £6.8m for a new build warehouse. Whilst the strategic need for the additional space remains, the impact of Covid, hybrid working, and planning permission challenges led Management Committee to agree to altering this in November 2021 to extending our existing warehouse within the parameters of the original business case.
- 31. The economic environment has changed significantly since that time, with a notable increase in inflation and continued supply chain challenges. This increases the strategic need for the additional space as it allows us to protect price and product availability and maximise our service to customers. ESPO's MTFS (Medium Term Financial Strategy) was shared with the Committee in June 2022, and despite the current economic challenges we remain confident that this can be delivered. (We are in the process of updating the MTFS through winter 2022.)
- 32. The warehouse extension is a key enabler of the MTFS and the cost indicated by the external project manager is currently up to £6m (this includes a contingency). At this level we would expect the extension to pay back within 8 years and have a positive net present value (i.e. viable investment, calculated

over both 10 years and lifetime). The extension is also expected to increase the market value of the site, although this isn't something that could be readily realised. As the tender process completes and more detailed costs are received, the financial model will be updated and an update provided to Management Committee.

33. Given the risk of inflation, we did at this point undertake some sensitivity analysis. The project viability isn't especially sensitive to moderate cost increases given the long-term benefits to the organisation. As an extreme example, a £9m cost (50% overrun and thought to be highly unlikely) would payback in 10 years and the NPV becomes positive in year 13. However, at this level we would exceed the parameters approved by Management Committee and would re-evaluate our options before discussing next steps with the Committee. The risk of a delay in completing the project (for example a delay in sourcing materials) is also not especially sensitive given the contractor payments would also be delayed and the plan includes a measured and gradual increase in sales. For example, a 6-month delay would delay the payback by less than 1 year.

ESPO Full P&L – Sep 2022

	Year to Date @ Sep 22					
	Actual		Budget		Prior Year	
	£000	%	£000	%	£000	%
Sales						
Stores	31,088		28,938	0.07	27,692	
Direct	12,336		9,909	0.24	9,958	
Rebate Income	5,455		4,615	18.2%	4,660	
Total Sales	48,879		43,461		42,310	
Cost of Sales						
Stores	22,077		20,054		18,979	
Direct	10,481		8,442		8,562	
Gas	7,027		6,093		5,373	
Total Cost of Sales	32,558		28,496		27,541	
Margin						
Stores	9,010	29.0%	8,884	30.7%	8,713	31.5%
Direct	1,855	15.0%	1,466	14.8%	1,396	14.0%
Rebate Income	5,455		4,615		4,660	
Gas	226	3.1%	196	3.1%	133	2.4%
Catalogue Advertising	672		700		684	
Other Income	36		10		(7)	
Total Margin	17,255	35.3%	15,872	36.5%	15,579	36.8%
Warehouse and Transport						
Employee Costs						
Staff	2,526		2,774		2,578	
Agency/Contract	1,251		859		936	
Total	3,777		3,634		3,514	
Overhead Expenses						
Transport	1,582		1,316		1,311	
Warehouse	425		421		965	
Total Warehouse and Transport	5,783	18.6%	5,371	18.6%	5,789	20.9%
Head Office						
Employee Costs						
Staff	3,837		4,011		3,646	
Agency/Contract	91		16		33	
Total	3,927		4,027		3,678	
Overhead Expenses						
Procurement	83		107		132	
Sales & Marketing	601		562		568	
Finance	801		815		182	
IT	630		694		575	
Directorate	256		202		196	
Total	2,371		2,380		1,653	
Total Head Office	6,298		6,406		5,331	
Total Expenditure	12,082	24.7%	11,777	27.1%	11,120	26.3%
Trading Surplus	5,173	10.6%	4,095	9.4%	4,459	10.5%

ETL/Eduzone Combined P&L – Sep 2022

	Actual		Budget	
	£000	%	£000	%
Sales				
Sales	877.8		632.3	
Total Sales	877.8		632.3	
Cost of Sales				
Cost of Sales	690.9		393.5	
Total Cost of Sales	690.9		393.5	
Margin				
Margin	186.9		238.8	
Total Margin	186.9	21.3%	238.8	37.8%
Expenditure				
Employee Costs & Agency	53.3		37.9	
Commission	0.8		0.0	
Carrier	22.2		45.4	
Marketing Expenses	34.0		29.3	
Catalogue Print & Distribution	33.0		25.0	
Consultancy	2.0		1.3	
Support / Legal Prof	2.5		5.0	
Accountancy	0.0		0.0	
Insurance	9.5		10.0	
Audit	0.0		0.0	
Office Machine Maint / Software	1.5		1.8	
Merchant Services	0.9		2.5	
Depreciation	0.0		0.0	
Loan Interest	0.0		0.0	
Other Expenses	2.1		8.5	
Total Expenditure	161.8	18.4%	166.6	26.3%
Trading Surplus /(Deficit)	25.1	2.9%	72.3	11.4%

ESPO Operational Progress

34. In the busy back-to-school month of September ESPO's distribution centre picked and dispatched 228,821 order lines, valued at £6.958m and the transport fleet with couriers made 29,959 deliveries. A large number of

customer back orders were fulfilled as stock arrived from suppliers during the summer recess.

35. Warehouse picking was performed at a rate of 39 lines per hour (target 36) and the error rate detected by QA was 3% against the budget of 3%. The average order value for stock orders YTD to September was £233.80 compared to £212.21 last year. Operational and IT costs year to September were £6.658m against a budget of £6.290m. Stores sales to September were 7.4% higher than budget driving higher transport and picking costs.
36. The Customer Services team handled 13,267 calls across the five customer service channels. Average wait times across all teams was just over two minutes. This was impacted by the sheer demand in the September period. Overall there was a 70% increase in calls from August and call volumes were 7% up on last year. The increase in demand can be traced to customers chasing down outstanding orders, or items on back order which typically increase call-length. The team processed 34,774 customer orders valued at £4.875m. Online and electronic converted orders were at 54% of the total reflecting an increasing trend towards digital ordering via e-catalogues or through the web. Direct orders currently valued at £2.554m are being managed from suppliers to customers. Late suppliers are being expedited by the customer services team. Call performance, impacted by the increase in volume, was 79% of all incoming calls answered with an average wait-time of 2 minutes 7 seconds. Our FEEFO customer rating was disappointing at 70%. This is lower than our long established standard but reflects the significant challenges in pricing, availability and resources exacerbated in peak demand
37. Our new email management solution has now been in place since the middle of August. Customers and the team have responded well to the new solution. The technology has enabled the identification of urgent enquiry types, as well as providing visibility of volumes, trends and pressure points, to enable both remedial actions to be taken quickly as well as move resources to areas of high demand. Work now continues to refine and develop the solution, as well as developing a suite of insightful management information
38. Stock availability averaged 96% in September, stock value was £9.632m with a stock turn of 5.16. Following earlier disruption in the supply chain the availability situation has improved and we are hopeful that outstanding customer orders will be substantially fulfilled by the end of October. Customers are being kept informed of the latest stock availability through a new improvement to the website which provides visibility of products that have an extended lead time but are still available to order. 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.
39. Facilities management in September included a number of scheduled repairs to the in-rack sprinklers and high-bay racking; mobile and fixed printers; warehouse emergency lighting; warehouse doors and emergency call point repairs. Upgrades were made to the building lighting with LED replacements and the fire damper between the warehouse and offices was serviced. There

were also inspections to fire safety system, pest control, intruder alarm and CCTV system with various repairs to and maintenance of equipment throughout the Grove Park facility.

40. There were four minor accidents in September. This included a cut to the hand from using a tape gun; a driver jarred his knee when entering the cab; an agency picker had a small cut to the finger after catching this on racking; an operative tripped over a power lead and fell to the floor. Safety reminders were issued in respect of the incidents.
41. A fire evacuation drill took place on August 23rd for the night shift and on 26th August for the early shift and office staff. Observations were generally positive with evacuation times of 4.5 minutes and 6 minutes respectively. All gas-powered trucks were removed from the warehouse. The offices were 'swept' to ensure full compliance and staff were marshalled in the north car park as per the agreed procedure. To assist with communications, it was agreed to issue more walkie talkies to enable key staff to report in real time.
42. Random drug and alcohol testing took place on 24th August using a specialist agency. The tests were conducted on the night shift and driver shift. A total of 11 staff were tested. There were no positive results for alcohol which are received on the day. Five agency staff were subsequently released following a positive drug test.
43. The IT helpdesk handled 652 enquiries with a 100% satisfaction rating from internal customers. We began installation of a replacement WIFI system into the office settings in September and will continue into the warehouse in October which will provide much greater strength and resilience into the signal for RDT's and other mobile devices.
44. There were eleven cyber incidents reported in September which were all detected and dealt with. ESPO has made good progress in meeting the recommendations of the Cyber Security Audit undertaken. A number of critical actions were highlighted, as well as a range of further actions and suggestions. In total, 49 Actions were identified, three of which were deemed (HI). ESPO undertook a further risk analysis exercise on all 49 Actions to create transparency and to monitor progress. This identified eight as "Red" risks. Extensive work has been undertaken across the operation, with the net result that all Red risks have now been mitigated down to Amber or Green.
45. The project to automate transport planning is progressing with middleware being written for extracting delivery data from System 21 for input into the Roadshow scheduling system. Eventually this process will be fully automated allowing customer data to be uploaded into the scheduling system which will create a daily transport schedule in a much shorter time and offers greater long-term operational and service benefits. A new e-mail management system was introduced on 15th September for the customer services team.

Staffing Updates

46. Sickness absence continues to be well managed, but we are experiencing high levels of cold and flu absences which reflects the national trend. To offset this we are giving staff the option of a free Flu injection. Safe working arrangements remain in place for staff in the office to ensure that the potential of any work-based outbreak is reduced as far as is practicable. Reminders have also been provided to staff on the steps they need to follow if they test positive for Covid, to ensure that everyone remains extra vigilant.
47. ESPO continues to carry a higher than normal number of staff vacancies; particularly prevalent in the professional procurement staff. Some agency resource is being utilised as well as prioritisation to mitigate the impact.
48. The national negotiating body for Local Government pay have responded to the Trade Unions pay submission for 2022/23 and have made a final offer of £1,925 on every spinal point, plus a 4% increase on expenses. At the time of writing, this offer has been accepted by Unison and GMB. We are currently awaiting the outcome of Unite ballot of members which is imminent.

ESPO Risk and Governance Update

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

49. 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

The Management Committee is asked to note and support the contents of this report.

Officer to Contact

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Appendices

- Appendix 1: Balanced Scorecard
- Appendix 2: Corporate Risk Register extract

Management Summary Sep 22

Management Summary

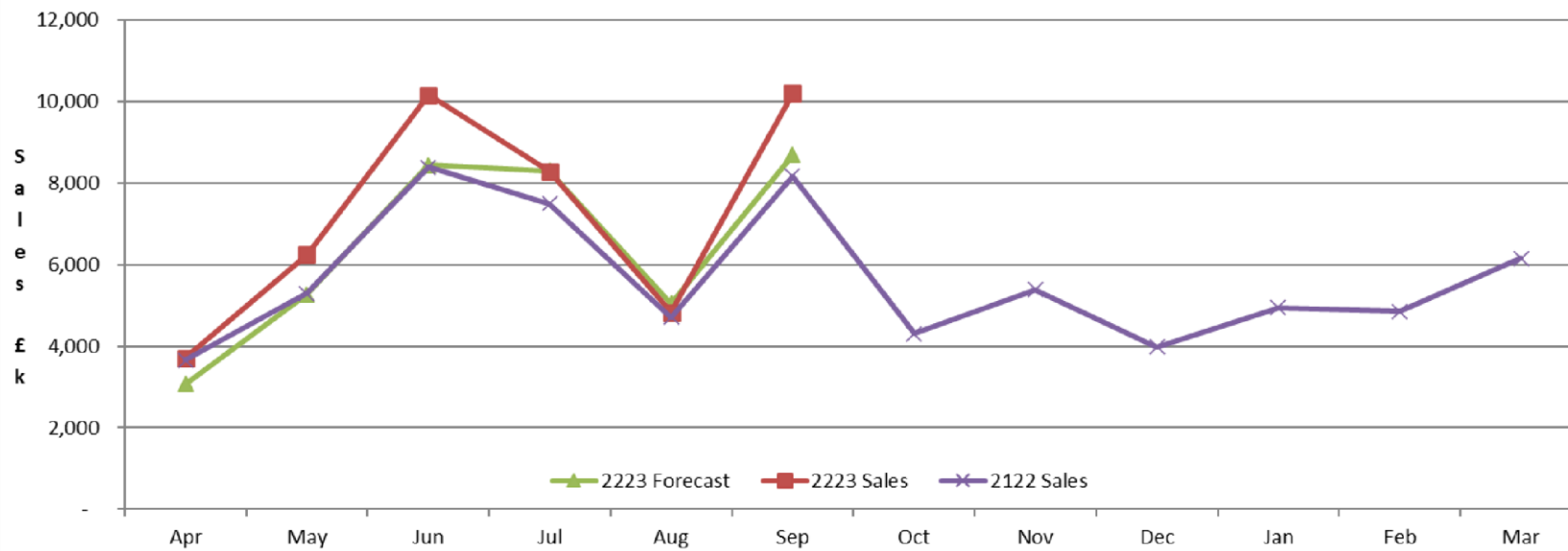
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£6,951,917	£5,986,037	↑ 16.1%	£31,087,592	↑ 7.4%
Direct Sales	£3,245,558	£2,710,656	↑ 19.7%	£12,336,047	↑ 24.5%
Rebate plus fee income	£538,230	£388,609	↑ 38.5%	£5,467,114	↑ 18.5%
Total Sales (Exc Gas)	£9,816,189	£9,465,266	↑ 3.7%	£48,639,574	↑ 9.3%
Stores Margin %	24.31%	30.70%	↓ (6.39%)	28.98%	↓ (1.72%)
Directs Margin %	14.65%	14.80%	↓ (0.15%)	15.04%	↑ 0.24%
Total Gross Margin inc Consumables Cost	£2,780,532	£2,687,248	↑ 3.5%	£17,264,225	↑ 8.8%
Total Expenditure	£2,163,114	£1,977,776	↑ 9.4%	£12,096,428	↑ 2.7%
Surplus	£617,418	£709,472	↓ -£92,054	£5,167,798	↑ £1,073,035
Net Profit Margin %	6.29%	7.50%	↓ -1.21%	10.62%	↑ 1.42%
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Eduzone Sales	£60,513	£98,116	↓ -38.3%	£263,588	↓ -39.1%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£233.80	£212.21	↑ £21.59
Prop of orders over £15	97.1%	97.4%	↓ -0.24pp

Graph - Sales vs. Forecast

Stock & Directs Sales





ESPO

Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Impact	Likelihood	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	Impact	Likelihood	Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q2 Comments / Updates
80	Procurement - Compliance	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.	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	Treat	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	Treat	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		26/05/22 Procurement Bill presented in Queen's Speech confirming changes to rules. Previous Risk assessment remains valid. 31/08/2022 Bill still passing through Parliament - some amendments proposed but nothing becoming totally clear yet. Change in Government likely to slow progress in the short term.
48	IT	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	3	12	Treat	May 2022. Replace systems that are vulnerable to individual staff leaving. Move support services out of ESPO to partners. Created two new Apprentice roles to create more bandwidth & succession. Reduced probability to 3.	AD Operations & IT	N/A	Mar 2022 Staff succession planning being considered to minimise risk and increase resilience for any possible leavers or sickness. May 2022 Agreed to recruit two apprentices positions at Grade 6 to support the Help Desk allowing bandwidth for supporting IT staff. Sept 2022 replace Andy Cox and Bhavin Ghopal with
25	Stores Trading and Brand	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 VPO; 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 direct 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. Tertiary 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 tertiary 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	01/03/22 Reviewed - no updates.
78	Supply chain	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 ESPO 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. 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. Also to assess risk to our ability to	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	4	16	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	15.6.22 Post risk meeting - residual risk increased to high reflecting discussion about changes (and risk of further changes) in global trading conditions.
86	Governance and financial	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	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. Monitor pricing and product margin to understand inflationary pressures and evaluate impact on pricing strategy. 3. Ongoing re-forecast / update of our 'outturn' with scenario modelling	AD Finance	Ongoing	5.9.22. We continue to see immediate and medium term inflationary price pressures emerging - Higher levels of supplier price increase requests being seen than budgeted - Shortage of paper affecting availability and price on a key category - Higher pay award given cost of living pressures. (2% budgeted, 6% possible = £0.6m impact) 22/23 mid-year pricing decisions to manage margin £ are being considered by CMG. Approach to inflation, sales pricing, and the MTFs for next year and beyond is in the early stages of planning and linked to our usual business planning cycle (=Autumn)
79	IT	IT Cyber Security - Range of cyber security threats (Note - separate IT specific risk register maintained and overseen by internal ITDG committee)	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	IT action plan created and enhanced following the cyber audit by LCC. This includes controls in place, and enhancements, including: - Creation of cyber security roadmap, specific risk register and incident response processes - New remote working policy including multi-factor authentication, revised password policy and technical measures for device authentication. - Penetration Testing - Disaster recovery policy, testing and third party support - Staff training and to improve awareness, competence and enhance the positive culture of reporting of issues/mistakes - Contracts with specialist 3rd parties to provide regular technical and emergency support - Working towards 'CyberEssentials+' accreditation - Maintenance and development of internal security procedures (e.g. the 2022 version upgrade of our	AD Operations & IT	Q1 2023/ongoing	Sept 2022 Format application presents a security risk as all attachments are automatically opened. Looking to accelerate the tender process for finding a replacement system.
88	IT	Framework CRM database - Supporting E9M+ rebate and £2.5bn+ customer spend Risk of high dependence on bespoke ESPO developed system and knowledge with one individual within IT.	ESPO risks are: 1. Reduced visibility of framework sales data/MI, by customer/sector etc. 2. Reduced ability to forecast rebate income ranges. 3. Potential to adversely impact rebate income. 4. Increased manual workload for procurement teams. 5. Member dividend is based on top frameworks which will not be ascertainable if there is no access to the database. 6. Current database doesn't hold framework details on MSTAR, Washroom	AD Commercial	5	4	20	Treat	1. Tested process for system use. 2. Some data is held within procurement teams at supplier level only. 3. Finance and Commercial teams hold high level framework rebate information. 4. Spirit project to expand data management is currently underway.	1. Actual income to be monitored against forecast and variances reviewed. 2. Delays in provision of MI and/or agreement on rebate levels with suppliers. 3. Reviews between Commercial team and Procurement teams. 4. Reviews between Commercial and Finance team. 5. Status of the Spirit project.	4	3	12	Treat	1. Implement new Spirit system. 2. Build a centrally held pipeline for customer spend. 3. Consider development of a supplier portal for uploading of MI from 2,500+ suppliers. 4. Consider automation of raising supplier invoices via Spirit CRM. 5. Consider business wide rollout of a CRM system. 6. Consider appointing a supplier to provide a rebate portal.	Head of Commercial		07/03/2022 New Risk
91	Governance and financial	Risk of warehouse extension overspend	1. Reduced cash reserves 2. Less appealing investment proposition	AD Finance	5	4	20	Treat	1. Procurement process with prices agreed and fixed where possible at the outset of contracting.	1. Cost overruns agreed/expected evaluation at each stage of the tender process, and as the project progresses.	5	3	15	Treat	1. Continual evaluation of costs and investment appraisal through the Project Board 2. Clear specification for contractors and flexibility on ESPOs part to manage costs 3. Fast delivery plan once planning permission has been obtained	AD Finance	01/12/2022	Sep 22 - Project Managers appointed and based on expressions of interest main contractors have indicated our timings and budget is reasonable. Tender process in process of being set up with a view to fix contract prices where there is a risk that

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