



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: 12 September 2023
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, 20 September 2023 at 10.30 am in the Guthlaxton Committee Room, County Hall, Glenfield.

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. Minutes of the meeting held on 28 June 2023. (Pages 3 - 8)
2. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.
3. Declarations of interests in respect of items on this agenda.

4. Items referred by the Finance and Audit Subcommittee.

There are no specific items referred. The issues considered by the Subcommittee are covered in item 11 which appears elsewhere on the agenda.

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| 5. | Consortium Secretary and Consortium Treasurer. | Consortium Secretary | (Pages 9 - 12) |
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| 6. | Director's Progress update. | | (Pages 13 - 28) |
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7. Date of Next Meeting.

The next meeting of the Committee is scheduled to take place on Wednesday 15 November 2023 at 10.30am.

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

9. Exclusion of the Press and Public.

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

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| 10. | Supplementary Information Informing the Progress Report of the Director's Progress Update. | Director | (Pages 29 - 42) |
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| 11. | Financial Year 2022/23 - Rebate Performance. | Director | (Pages 43 - 50) |
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| 12. | Competitor Report. | Director | (Pages 51 - 56) |
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Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 28 June 2023.

PRESENT

Lincolnshire County Council
Cllr. S. Rawlins

Peterborough City Council
Cllr O. Sainsbury
Cllr. R. Ray (substitute)

Leicestershire County Council
Mr. J. Poland CC

Warwickshire County Council
Cllr. M. Watson

APOLOGIES

Apologies were received from Cllr. P. Butlin (Warwickshire County Council), Cllr. A. Hagues (Lincolnshire County Council), Cllr J James (Norfolk County Council), Cllr. A. Jamieson (Norfolk County Council), Cllr. A. Coles (Peterborough City Council) and Mrs. M. Wright CC (Leicestershire County Council).

IN ATTENDANCE

Cambridgeshire County Council
Cllr. N. Shailer (Cambridgeshire County Council – Online)
Cllr. S. Ferguson (Cambridgeshire County Council - Online)

ESPO

Kristian Smith - Director
David Godsell – Assistant Director
Gary Ford – Assistant Director
Maurice Campbell – Assistant Director
Dave Goodacre – Financial Controller

Leicestershire County Council
Declan Keegan – On behalf of Consortium Treasurer
Anna Poole – Democratic Services Officer

1. Appointment of Chairman.

RESOLVED:

In her absence, Mrs. Maggie Wright CC was appointed as Chairman of the Management Committee for the Municipal Year ending June 2024.

In the absence of the Chairman, Mr. James Poland CC was appointed Chairman for the duration of the Meeting.

Mr. James Poland CC in the Chair

2. Chairman's Announcements.

The Chairman welcomed new members who had joined the Management Committee:

- Cllr Jane James, Norfolk
- Cllr Martin Watson, Warwickshire
- Cllr Neil Shailer, Cambridgeshire
- Cllr Oliver Sainsbury, Peterborough

He went on to thank Cllr. Greg Peck, Norfolk for his work as Chair of the Management Committee for the period June 2022 to May 2023. During his period of office Cllr. Peck had overseen the following:

- Achieved a trading surplus of 5.9m which is 0.2m ahead of budget and a record surplus for ESPO.
- ESPO's procurement services created a rebate income of £10.5m and a year-on-year growth of circa £1.5m
- Overseen the successful approval of planning permission and principal contractor appointment for 26000 sq ft warehousing extension to the Grove Park with construction set to initiate this August for a summer 2024 completion.
- Progressed the business development agenda including MySchoolFund partnership with Sainsbury's generating over £100k of cash back to schools and significant growth into Scotland via Scotland Excel framework and international sales of over £200,000 from a standing start coming out of the covid years.
- Overseen a robust governance framework for Health & Safety, Legal Compliance, flexible working and employee well-being.

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

3. Election of Vice-Chairman.

Cllr. Coles was appointed Vice-Chairman for the Municipal Year ending April 2024.

4. Minutes of the previous meeting.

The minutes of the meeting held on 22 March 2023 were taken as read, confirmed, and signed.

5. Urgent items.

There were no urgent items for consideration.

6. 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.

7. Items referred by the Finance and Audit Subcommittee.

There was one item referred by the Finance and Audit Subcommittee, discussed under item 13 – Outturn 2022-23 and MTF Update (minute 12 refers).

8. Director's Progress update.

The Management Committee considered a report of the Director which provided an update of the actions and progress made since the ESPO Management Committee held on 22 March 2023. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

In presenting the report, the Director explained that Eduzone had had a reasonable start and, although currently behind budget, was ahead of performance this time last year.

He informed the Committee that customer services had answered more than 3000 calls, and average wait times across all teams was 22 seconds. The Feefo customer rating had improved to 96%.

Members were updated on the Grove Park warehouse development which had been progressed under the Project Board. Planning permission had been received from the County Council and the contractor had been appointed. Work was expected to start on site on 10 August with completion expected by the end of quarter 2, 2024.

It was highlighted to members that absence levels due to sickness was lower than 2022/23 levels, with the 12 months rolling average currently at 7.7 days; this was against the corporate target for the County Council of 7.5 days. The three main causes of sickness absence during quarter 4 2022/23 were: Stress/depression/Mental Health, cough/cold/flu, and Musculo-skeletal.

Members were informed that challenges remained with recruitment and retention. Many initiatives were in place, as detailed in the report, to enhance recruitment.

In response to questions, members were informed that:

- i. Although performance was currently £0.3m better than budget, officers had adopted a prudent approach when planning the forecast spend to the end of the year, with a forecast of being on budget. This forecast had taken into account the potential impact that high levels of inflation could have on customer demand.
- ii. Not all issues experienced with stock availability during the pandemic had been resolved, although the situation was considerably stronger than this time last year. Officers would be exploring individual supply chains to identify and address any issues.

It was moved by Mr Poland CC and seconded by Cllr. Rawlins that the update provide by the Director be noted.

RESOLVED:

That the update provided by the Director be noted.

9. Dates of future meetings.

It was noted that the next meeting of the Committee would be held on 20 September 2023 at 10.30am at County Hall, Glenfield and future meetings would be held at the same time on the following dates in 2024:

- 20 March 2024
- 12 June 2024
- 18 September 2024
- 13 November 2024

It was also noted that meetings of the Finance and Audit Subcommittee would be held at 10.30am on the following dates in 2024:

- 14 February 2024
- 9 October 2024

10. 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.

11. Director's Supplementary Report.

The Committee considered an exempt report of the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report, marked 'Agenda Item 12', is filed with these minutes.

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

In presenting the report, the Director briefed members on the recent transport incident and assured them that mitigation had been put in place, and an action plan developed to prevent a re-occurrence.

In response to questions, members were informed that:

- i. ESPO officers worked closely with suppliers to prevent issues occurring with the supply chain. However, it was acknowledged that the economic backdrop could potentially affect supply.
- ii. Regarding Russia and the impact on the supply price point of fuel, officers were purchasing supplies ahead as per the risk strategy agreed.
- iii. Officers welcomed the support of members with the promotion of My School Fund and agreed to send marketing materials to them so that the scheme could be more widely promoted within their areas.

RESOLVED:

That the update provided by the Director be noted.

12. Outturn 2022-23 and MTFFS Update.

The Committee considered an exempt report of the Director which provided an update on the financial outturn for 2022/23 and the Medium-Term Financial Strategy. A copy of the exempt report, marked 'Agenda Item 13', is filed with these minutes.

The 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).

In presenting the report, the Financial Controller summarised that ESPO had had a good year, with a pleasing performance and good stock availability throughout the year. Officers had mitigated the impact of increased inflation following the start of the war in Ukraine by constantly and carefully managing prices but remained concerned about whether schools could afford to accommodate such increases and the consequential impact on the children's education.

They added that, looking further ahead, with the issues being seen throughout the world, and inflation not expected to reduce until late 2024, officers would give careful thought when setting the budget, and would be prudent in volume assumptions.

RESOLVED:

That the update provided on the financial outturn 2022/23 and the Medium-Term Financial Strategy be noted.

13. Business Development and Growth.

The Management Committee received an exempt presentation from the Assistant Director Business Development and Growth concerning plans for developing the ESPO business. A copy of the presentation, marked 'Agenda Item 14', is filed with these minutes.

The 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).

RESOLVED:

That the presentation provided by the Assistant Director Business Development and Growth on ESPO's approach to business development and growth be noted.

10.30 am - 12.00 pm
28 June 2023

CHAIRMAN

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ESPO MANAGEMENT COMMITTEE – 20 SEPTEMBER 2023**CONSORTIUM SECRETARY AND CONSORTIUM TREASURER****REPORT OF THE CONSORTIUM SECRETARY****Purpose of Report**

1. The purpose of this report is to propose that the role of Consortium Secretary be transferred from the Chief Executive of Leicestershire County Council to the Director of Law and Governance, Leicestershire County Council.
2. The report also informs the Management Committee of a change of person in the role of Consortium Treasurer.

Background

3. The Constitution of the ESPO Management Committee requires the Committee to confirm the appointment of, including the removal and/or replacement of, personnel into the role of the Consortium Secretary and the Consortium Treasurer. This is set out at paragraph 2.1.6 of the functions of the ESPO Management Committee.

Role of the Consortium Secretary

4. Appendix 3 to the ESPO Management Committee Constitution sets out the following functions, which, in addition to the functions specified in the Consortium Agreement, the Consortium Secretary is responsible to the Management Committee for:
 - (a) Providing regular reports and advice where required to the Management Committee on any matters in relation to governance and propriety in relation to ESPO;
 - (b) Providing such proactive assistance and information to the Management Committee as it shall require to enable it to monitor the performance of ESPO;
 - (c) Responsibility for ensuring the production of the agenda and minutes of the Management Committee and its sub-committees;
 - (d) Advising the Management Committee or its sub-committees on points of procedure and/or conduct at meetings;

- (e) Receiving and recording any declarations of interests from Members or officers made at any meetings of the Management Committee or its sub-committees;
 - (f) Complying with legal requirements regarding the publication and accessibility of Management Committee (and its sub-committees) documentation including maintaining an up to date list of Members and records of meetings;
 - (g) Advising the Management Committee or its sub-committees on any matters relating to this Agreement and to amend the Agreement in writing to reflect any variations that have been approved by the Management Committee in accordance with clause 24 of the Agreement (Variation);
 - (h) Ensuring the provision of legal advice (via the County Solicitor of the Servicing Authority or other arrangement as the Management Committee may determine) to the Management Committee whenever this is considered to be in the interest and benefit of the Management Committee;
 - (i) Advising the Management Committee on any issues raised by the Commission for Local Administration and providing the Management Committee with any advice or support it may request; and
 - (j) Taking any other action between meetings which he/she considers is urgent in consultation with the Chair and the Vice Chair of the Management Committee (or relevant sub-committee or advisory group as the Chair (or the Vice Chair in his/her absence) may delegate that role to) only to the extent necessary to deal with the urgency/emergency arising subject to the details of such action being reported to next meeting of the Management Committee.
5. Lauren Haslam is currently Leicestershire County Council's Director of Law and Governance and is responsible for the above functions in her role at the County Council.

Consortium Treasurer

6. Chris Tambini, previous Consortium Treasurer, left his role as Director of Corporate Resources at Leicestershire County Council at the end of May 2023. He has been replaced in that role by Declan Keegan, who was previously the Assistant Director for Finance and Strategic Property. He has also taken on the role of Consortium Treasurer. The functions of the Consortium Treasurer are set out in Appendix 3 to the ESPO Management Committee Constitution.

Resources Implications

7. None arising directly from this report.

Recommendation

8. The Management Committee is asked to:
 - (a) formally confirm the appointment of Lauren Haslam, Leicestershire County Council's Director of Law and Governance as Consortium Secretary and to delegate the relevant functions set out in Appendix 3 of the Constitution to her;
 - (b) formally confirm the appointment of Declan Keegan, Leicestershire County Council's Director of Corporate Resources, as Consortium Treasurer and to delegate the relevant functions set out in Appendix 3 of the Constitution to him.

Background Papers

The ESPO Management Committee Constitution.

Officers to Contact

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MANAGEMENT COMMITTEE – 20 SEPTEMBER 2023

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 update provided to Members in June 2023.

Financial Performance – 4 months to July 2023

Summary

Year to July 2023 – Period 4				
£m	Actual	B/(w) than Budget		B/(w) than LY
Stores Sales	25.9	(0.0)	(0.1%)	5.0 23.6%
Direct Sales	6.3	0.0	0.4%	(1.1) (15.1%)
Rebate plus fee income	4.7	0.5	12.6%	0.8 19.5%
Total Sales (Exc Gas)	36.9	0.5	1.4%	4.6 14.2%
Stores Margin %	31.7%	1.2%		0.4%
Directs Margin %	15.4%	0.7%		0.6%
Total Gross Margin	14.7	1.0	7.1%	2.4 19.1%
Total Expenditure	8.8	0.2	2.8%	(0.7) (7.5%)
Trading Surplus	5.9	1.2		2.4
Trading Surplus %	16.0%	3.1%		(0.5%)

2. After 4 months, a surplus of £5.9m has been made which is £1.2m better than budget and £2.4m higher than last year.
3. Following the launch of the new catalogue on 1 April trading has performed well, despite catalogue selling prices increasing at high levels due to high inflation on the cost of goods. The market remains very competitive but ESPOs offer is well placed and competitive in the market. Rebate income from frameworks has also started very well and is £0.5m ahead of budget.
4. Costs continue to be tightly controlled with expenditure of £8.8m very slightly better than budget.
5. For the full year, the budget is a surplus of £6.2m. Trading in the first quarter of the year has been positive but we remain cautious about volume and whether schools will reign their spending in across the second half of the year given the wider budget challenges they face. Regarding our cost base, the pay award offer from employers is also in line with the budget assumption and whilst not agreed by trade unions this still reduces some uncertainty.
6. Once we have traded through our summer and September peak periods we will have a better view on the year end outturn and shall present back to Management Committee accordingly.

Sales and Margin

Sales and Margin						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Stores Sales	25.9		(0.0)	(0.1%)	5.0	23.6%
Direct Sales	6.3		0.0	0.4%	(1.1)	(15.1%)
Rebate income	4.7		0.5	12.6%	0.8	19.5%
Total Sales	36.9		0.5		4.6	
Stores Margin £m and %	8.2	31.7%	0.3	1.2%	1.6	0.4%
Directs Margin £m and %	1.0	15.4%	0.0	0.7%	(0.1)	0.6%
Rebate income	4.7		0.5	12.6%	0.8	19.5%
Gas Margin	0.1	1.4%	(0.0)	(1.2%)	(0.0)	(1.3%)
Catalogue Advertising	0.6		(0.0)		(0.1)	
Misc	0.2		0.1		0.2	
Total Gross Margin	14.7	39.9%	1.0	2.1%	2.4	1.6%

Gas						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Gas Sales	9.1		4.3	88.8%	3.7	68.1%
Gas Margin	0.1	1.4%	(0.0)	(1.2%)	(0.0)	(1.3%)

7. Total sales to **July 2023 were £36.9m, are £0.5m ahead of budget and £4.6m higher than last year.** Rebate income is performing well with higher collections across Q1 which are likely to benefit the full year.
8. **Stores sales were £25.9m and in line with budget.** Trading has been competitive and we have seen customers making good use of our loyalty based promotions to secure the best value for money. Due to price inflation on 1 April was 19%, and the budget assumed a volume reduction of 8% recognising the funding pressures within schools from inflation, pay, energy etc. Demand/volume is largely in line with this expectation.
9. **Gross profit margin % for Stores at 31.7% is ahead of budget.** Last year margin started to reduce as a result of numerous price rises from suppliers due to inflation and volatility in the global supply and energy markets. This year has been far more stable. We continue to monitor competitor pricing on key lines to ensure ESPO pricing remains competitive, a key element of our pricing strategy is to offer great everyday value to customers.
10. **Directs sales were £6.3m and are in line with budget.** Price inflation applied on 1 April was 15%, and the budget assumed a volume reduction of 20%. This recognised the exceptionally high levels of demand experienced last year and the funding pressures in schools impacting larger purchases, such as classroom furniture and equipment replacement, which could be delayed. Volume is in line with budget and we maintain a pipeline of orders which is comparable to more 'normal' years.
11. **Gross profit margin % for Directs at 15.4% is +0.7% ahead of budget,** but this is largely due to the mix of product sold. Margin will return to budget as we progress through the year.

12. **Rebate income of £4.7m is £0.5m ahead of budget and up 20% on last year.** It continues to perform well with the wide range of frameworks offered and a good pipeline in place of contracts secured for the future.
13. **Our other income is +£0.1m ahead of budget,** benefitting from higher interest rates on our cash deposits.
14. **Overall gross profit margin at £14.7m is £1.0m better than budget.**

Expenditure

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	4.9	0.5	(0.7)
Agency/Contract	0.9	(0.4)	(0.0)
Total	5.7	0.1	(0.7)
Overhead Expenses			
Transport	1.1	0.2	(0.0)
Warehouse	0.3	0.0	(0.0)
Procurement	0.0	0.0	0.0
Sales & Marketing	0.3	(0.1)	0.1
Finance	0.7	(0.1)	(0.2)
IT	0.4	0.0	0.1
Directorate	0.2	0.0	(0.0)
Total	3.1	0.1	(0.0)
Total Expenditure			
	8.8	0.2	(0.7)
As % of Total Sales Excluding Gas	23.9%	1.0%	1.2%

15. **Total expenditure of £8.8m is slightly lower than budget.** We retain a continued focus on strong cost control across all areas.
16. **Expenditure as a % of sales** is one KPI which allows us to measure cost control in relation to sales. **At July this KPI was 23.9% and is 1.0% better than budget** and shows costs are being controlled in relation to sales activity and inflationary growth.

ETL/Eduzone

17. 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	192	(103)	27
ETL Sales	311	126	(234)
Total Sales	502	23	(207)
Eduzone Gross Margin	70	(33)	16
Eduzone Gross Margin %	36.7%	1.6%	3.6%
ETL Gross Margin	98	45	17
ETL Gross Margin %	31.7%	2.8%	16.7%
Total Gross Margin	169	12	33
Eduzone Expenditure	(88)	19	(13)
ETL Expenditure	(35)	1	19
Total Expenditure	(124)	20	5
Trading Surplus	45	32	38
Trading Surplus %	9.0%	6.1%	8.0%

18. **Total sales of £502k are in line with budget.**
19. **ETL, our business serving international and private sector customers, has started strongly with sales ahead of budget** and some earlier ordering ahead of the peak summer international period. (Last year ETL benefited from a large one off private sector contract.)
20. **Eduzone, our business focusing on early years in the UK, is slightly behind budget, but ahead of last year.** The nursery market faces similar financial pressures to schools but lacks some of the additional funding that was announced for schools in Autumn 2022. Combined with an increase in nursery hours for parents, which are less lucrative for nurseries, this puts additional financial pressure on the sector.
21. **Margin and expenditure is largely in line with budget** and costs are being controlled.
22. **Overall a £45k surplus has been generated, this is slightly ahead of budget** and last year.

Full Year Expectation

23. At this early stage in the year our guidance for the full year remains the budget, of a **£6.2m surplus**. One we have traded through our summer peak and schools have returned in September we will have a better view on the year end outturn.

Audit

24. In July 2023 our auditors, the Midlands office of Fortus Audit LLP, merged with TC Group. We are in the process of completing the audit for 2022/23 and expect to submit this to the Finance and Audit Sub-Committee in October 2023 as planned.

ESPO P&L – July 2023

	Year to Date @ July 23					
	Actual		Budget		Prior Year	
	£000	%	£000	%	£000	%
Sales						
Stores	25,916		25,933	(0.1%)	20,960	
Direct	6,314		6,291	0.4%	7,438	
Rebate Income	4,666		4,146	12.6%	3,905	
Gas	9,066		4,801	88.8%	5,393	
Catalogue Advertising	576		609	(5.5%)	638	
Other Income	169		25	576.8%	11	
Total Sales	36,896		36,370		32,304	
Cost of Sales						
Stores	17,705		18,025		14,399	
Direct	5,344		5,367		6,343	
Gas	8,941		4,676		5,247	
Total Cost of Sales	23,050		23,392		20,742	
Margin						
Stores	8,210	31.7%	7,908	30.5%	6,561	31.3%
Direct	970	15.4%	924	14.7%	1,095	14.7%
Rebate Income	4,666		4,146		3,905	
Gas	125	1.4%	125	2.6%	146	2.7%
Catalogue Advertising	576		609		638	
Other Income	169		25		11	
Total Margin	14,716	39.9%	13,738	37.8%	12,356	38.2%
Warehouse and Transport						
Employee Costs						
Staff	2,104		2,383		1,667	
Agency/Contract	822		481		783	
Total	2,926		2,865		2,450	
Overhead Expenses						
Transport	1,105		1,278		1,083	
Warehouse	296		299		274	
Total Warehouse and Transport	4,328	16.7%	4,441	17.1%	3,807	18.2%
Head Office						
Employee Costs						
Staff	2,751		2,993		2,525	
Agency/Contract	47		11		59	
Total	2,799		3,004		2,584	
Overhead Expenses						
Procurement	47		66		54	
Sales & Marketing	340		285		466	
Finance	708		599		551	
IT	395		418		463	
Directorate	186		227		159	
Total	1,676		1,595		1,693	
Total Head Office	4,475		4,599		4,277	
Total Expenditure	8,802	23.9%	9,040	24.9%	8,084	25.0%
Trading Surplus	5,914	16.0%	4,697	12.9%	4,272	13.2%

ESPO Operational Progress

25. In the busy July period, **ESPO's distribution centre picked and dispatched 217,377 order lines, valued at £7.907m and the transport fleet with couriers made 20,209 deliveries.** Warehouse picking was performed at a rate of 29 lines per hour against our target of 32 and the error rate detected by QA was 6% against the target of 3%. The intake of agency staff to manage peak demand impacted efficiency. In the long term we are planning to re-balance the ratio of permanent to agency staff to address these issues. The average order value for stock orders in July was £347.64 compared to the budget of £311.83. Operational and IT costs year to July were £4.910m against a budget of £5.044m. Stores sales to July were 0.1% below budget. Stock availability averaged 97% in July, stock value was £11.493m with a stock turn of 4.64.
26. **The Customer Services team handled 6,643 calls across the five customer service channels.** Average wait times across all teams was 1.36 minutes. The team processed 29,910 customer orders valued at £9.207m, which included the annual summer holiday promotion. Call performance was impacted by diverting staff to order processing following a technical issue with the automated ordering system which has now been resolved. Online and electronic converted orders were at 47% of the total. Direct orders currently valued at £2.724m are being managed from suppliers to customers. Late suppliers are being expedited by the customer services team. We recorded 7,657 responses to email enquiries using our recently installed ticketing system. Our FEEFO customer rating was 86%.
27. **Facilities management In July ensured that all statutory inspections and, repair and maintenance services took place on their relevant due date.** Additional batteries have been installed into the server room to enhance the uninterrupted power supply. The FM team have been active in supporting the warehouse extension project; liaising with potential FLT and racking suppliers and in considering the consequential improvement plan.
28. **There was one minor injury reported in July** where a warehouse operative bumped their head on the bike shelter. There was an unplanned fire evacuation on 10th July which was executed successfully. This was traced to a fault at a call point in the warehouse. These are being replaced throughout the building to avoid further issues. On 12th July we conducted random drug and alcohol testing using the specialist service provider. A total of 11 staff were tested and subsequent results showed no failures. An audit plan from Leicestershire County Council in respect of site safety during the warehouse extension build programme was reviewed.
29. **The IT helpdesk handled 563 enquiries with a 100% satisfaction rating** from internal customers. The project to replace the automated order processing system with a new service provider was initiated on 21st July. This will provide a stable and fully supported process for automatically inputting orders onto the ERP system.
30. **The project to integrate school's ordering system SIMS/FMS to ESPO's system is progressing well.** This will embed ESPO's catalogue onto the

school's enterprise system enabling them to send orders digitally direct into ESPO's system. We are planning to upgrade our IBMi hardware using a specialist hosting provider. The IT team have met with Agile Automations to discuss the means to enable customers to download invoices through the web site. Our new staff awareness training system, uSecure, is being widely supported by staff. This is an important element of our overall cyber security programme.

The Extension of Grove Park Site

31. Following previous updates to Management Committee, the project to extend the Grove Park warehouse is moving forward under the governance of the Project Board, with support from Leicestershire County Council Strategic Property Services team. At the time of authorship, we are awaiting submission of the final cost and time plan from our principal contractor which we go through the project board to formally agree the contract and we anticipate the start of work on site within the next few weeks. Any required updates to this will be provided verbally at the Committee briefings.
32. As previously identified in the risk register, it is anticipated that there will be increases in construction materials cost as firm costs are provided by our contractors supply chain. Although the total cost is expected to remain within the cost envelope previously agreed and still provide for contingency during the build phase. We realistically have an expected completion of the project in September 2024 and will continue to provide updates to Management Committee throughout the project.
33. As the warehouse extension construction phase develops ESPO Health and Safety will ensure that relevant risk assessments are compliant with construction design and management regulations (CDM) and industry best practice and that the safety of ESPO employees is considered at all times. In line with the evolution of the overall programme, the risk register will migrate from the principal designer to the principal contractor.

Staffing

Wellbeing

34. The monthly average FTE sick absence days was 0.71 in July (8.52 days PA eqv) which was an increase on the previous three months. However, 2023/24 sickness absence levels are currently tracking much lower than in 2022/23.
35. The three main causes of sick absence during quarter one 2023/24 were 1. Chest and Respiratory, 2. Neurological and 3. Musculo-skeletal. Monthly absence case conferences are being held with Heads of Service whom have long term cases in their areas. From 1 September, managers will manage sick absence directly on Oracle Fusion other than in Operations (Warehouse and Drivers) whom will continue to use the existing process.

People Plan

36. The 2023/24 people plan for ESPO has recently been agreed which sets out actions under 5 pillars – Recruitment and Resourcing, Talent, Development and Performance, Organisation and Culture, and Wellbeing. People Services at Leicestershire County Council and leads in ESPO will partner on the delivery plan that underpins this to recruit, develop and retain a workforce that is fit for the future:

ESPO People Plan



ESPO Risk and Governance Update

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

37. 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

38. None arising directly from this report.

Recommendation

39. Members of Management Committee are asked to note the contents of the report.

Appendices

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

Officer to Contact

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Management Summary Jul 23

Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£7,925,934	£8,451,574	↓ -6.2%	£25,915,584	↓ -0.1%
Direct Sales	£1,769,011	£1,826,376	↓ -3.1%	£6,314,348	↑ 0.4%
Rebate plus fee income	£1,503,747	£1,674,568	↓ -10.2%	£4,666,242	↑ 12.6%
Total Sales (Exc Gas)	£11,256,436	£11,093,341	↑ 1.5%	£37,641,187	↑ 2.3%
Stores Margin %	31.4%	29.5%	↑ 1.92%	31.7%	↑ 1.2%
Directs Margin %	16.9%	14.7%	↑ 2.18%	15.4%	↑ 0.68%
Total Gross Margin inc Consumables Cost	£4,379,324	£4,498,921	↓ -2.7%	£14,716,475	↑ 7.1%
Total Expenditure	£2,292,085	£2,343,421	↓ -2.2%	£8,808,774	↓ -2.6%
Surplus	£2,087,239	£2,155,500	↓ -£68,261	£5,907,701	↑ £1,209,499
Net Profit Margin %	18.5%	19.4%	↓ -0.9%	15.7%	↑ 2.9%

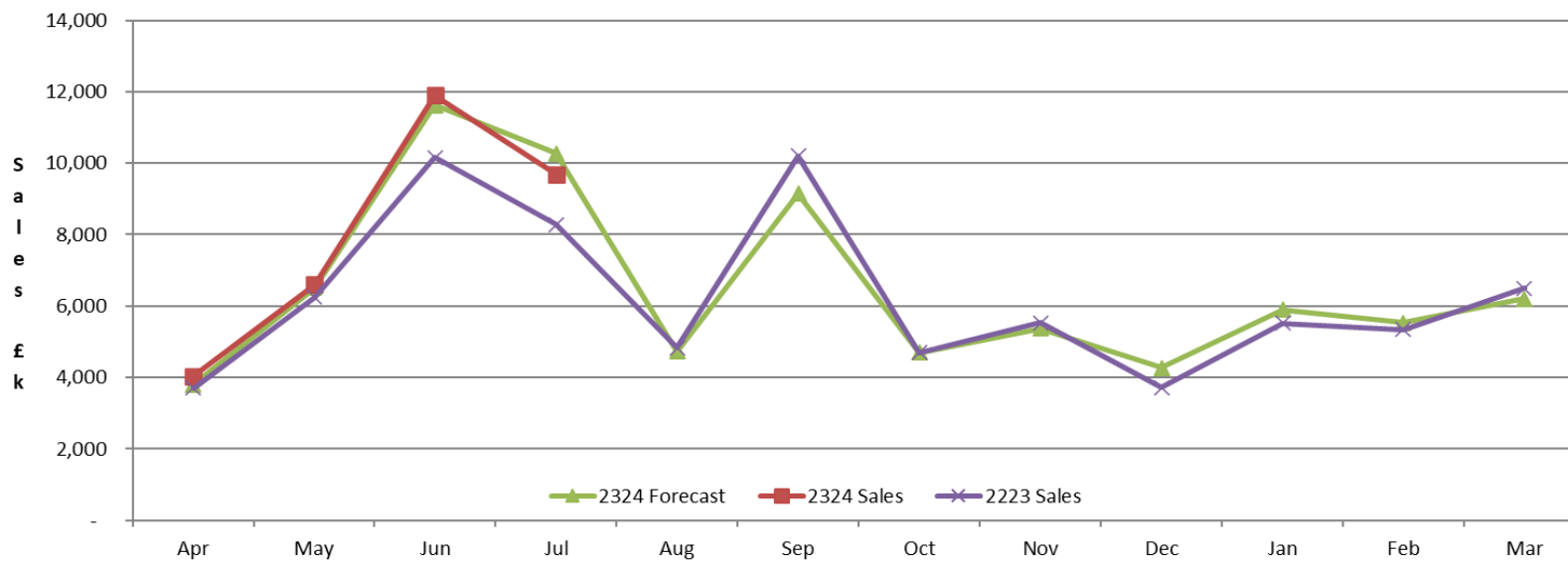
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Eduzone Sales	£47,617	£86,714	↓ -45.1%	£192,536	↓ -29.8%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£289.95	£254.04	↑ £35.91
Prop of orders over £15	97.4%	97.4%	↑ 0.02pp

Graph - Sales vs. Forecast

Stock & Directs Sales



Operations Balanced Scorecard Jul 23

Financial

	Actual	Budget /LY	Var	YTD Actual	YTD Var
AOV (From Customers Orders)	£347.64	£311.83	↑ £35.81	£289.95	↑ £35.91
Proportion of Orders below £15	2.31%	2.37%	↓ (0.05%)	2.57%	↓ (0.02%)
Stock Turnover	4.64	5.59	↓ -0.96		

Operational

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Warehouse Processing Cost per Order (inc Select, Goods In and Goods Out)				£14.70	↓ (£4.47)
*Transport Cost per Drop				£19.17	↓ (£3.26)
Lines picked per hour	29	32	↓ -2.7	30	↓ (2.3)
Error rate	6%	3%	↓ (3%)	6%	↓ (3%)

Customer

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Calls - Average Wait Time (Secs)	02:32	00:30	↓ 02:02	01:07	↓ 00:38
FeeFo Feedback	86%	95%	↓ (9%)	90%	↓ (6%)

Employees

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Accidents	1	1	↓ 0.0	6	↓ 0.0

* Transport costs include Carrier, Drivers Pay, Agency, Fuel, Repair & Maintenance, Licences, Tyres, Hire & Insurance and excludes Depreciation

Commercial Balanced Scorecard Jul 23

Framework

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Rebate plus fee income	£1,504	£1,675	↓ -10.2%	£4,666	↑ 12.6%
% of Frameworks Renewed on time	54%	90%			

	Target/LY	Q1	Q2	Q3	Q4
Number of contracts awarded to SMEs as a % of no of contracts awarded		82.0%	0.0%	0.0%	0.0%

Number of current live contracts	137
Estimated annual value of current live contracts	£1,960,682,500
Total Number of procurements in progress	25
Number of procurements in progress - internal (ESPO)	0
Number of procurements in progress - National	16
Number of procurements in progress - Client Specific	10
Total Estimated annual value of procurements in progress	£115,650,000
Estimated annual value of procurements in progress - internal (ESPO)	£0
Estimated annual value of procurements in progress - National	£96,250,000

Finance Balanced Scorecard Jul 23

Efficiency

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Proportion of E Orders*	48%	64%	↓ (16.58%)	48%	↓ (18.44%)
Web Sales	£2,792,269	£2,660,079	↑ 5.0%	£8,743,192	↑ 8.9%

Market Share

	Actual	Budget /LY	Var	YTD Actual	YTD Var
BESA Market Share %		18%		19%	↑ 1.30%

* E Orders are anything other than order capture including Adobe PDF conversion

ESPO

Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Inherent Risk Score			Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk indicators to be used to monitor the risk	Residual Risk			Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Comment	Inherent Risk	Residual Risk
					Impact	Likelihood	Score				Impact	Likelihood	Score							
2	Stores Trading and Brand	Web - Failure to meet customers' expectations or requirements leading to loss of business	1. Reduction in the sales of products and use of services. 2. Incomes fall below economic levels required to support current operational needs. 3. Threat to MTFS	AD Business Development	5	3	15	Treat	1. Rolling review of Customer Offer 2. Web development digital roadmap 3. Various customer satisfaction surveys and analysis of feedback. 4. Weekly reviews of operating and financial KPIs 5. Benchmarking against other public & private sector competitors. 6. Compliant procurement	1. Key website operating KPIs (visits, transactions, sales, procurement downloads, CAA, COA) 2. Customer feedback and satisfaction levels 3. If analysis of competitor websites identifies key new functionality or services being offered.	4	3	12	Treat	Deliver website development project. Key upcoming milestones include: - To ensure that we are always on a supported version of Adobe Commerce - Commence delivery of PushOn rolling improvements, including launch of Klevu live search and re-merchandising site (Oct 23) - Deliver customer experience (and My Account) functionality (Dec 23) including ability to pay invoices online - SEO optimisation - ongoing - E-procurement integration into website (Jan 24) - New Digital Support Officer role will help mitigate single point of failure - being recruited to currently.	Head of Marketing	Ongoing	24.8.23 - Web roadmap progress is being monitored on a monthly basis and all actions are underway. Developments planned over the next 12 months. - Issue with customer specific pricing identified across April and May which proved complicated to resolve and hindered progress though. Long term improved solution to price list maintenance in development. - Skuudle contract now in place and product selection/mapping to competitors is now in progress. Expect benchmarking analysis to start in Q4 23. - On e-procurement, multiple customers waiting for this to be enabled prior to joining ESPO. project launched to monitor SIMS/PS Financials system integration, and work with PTrade Centric is in progress.	High	Med
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 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 Business Development	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 in 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	24.8.23 Reviewed - Competitor update paper going to Management Committee in September. The team continue to regularly benchmark key products.	High	Med
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. Aim to resist price increase 'within year' 12. Mitigate increases through competition, re-sourcing, extensions	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	Tolerate	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.	High	High
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	5	4	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 ERP system) Sept 2022 Cyber Insurance policy extended for 1 year. Oct 2022 LT approved Incident Response Policy.	AD Operations & IT	Q1 2021/ongoing	Cyber Security Policy document approved by LT Oct 2022. LCC Cyber Security audit completed Nov 2022. Cyber insurance policy extended by 12 months Sept 2022. March 2023 Use of MS Defender for device protection. Use of MS Sentinel for alert monitoring. Use of uSecure service to improve staff awareness. LCC 2022/23 IT General Controls Audit provided Substantial Assurance (June 2023) IT Project Mandate policy agreed with LT to manage change control. Migration taking place from Pulse to Microsoft Always On VPN Aug 2023.	High	High
80	Procurement - Compliance	The Procurement Bill 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. There is also a real risk that suppliers could become more embolden to mount legal challenges to procurement decisions under the new regime and until it is fully trialed and tested. The new Regulations will remain under review and therefore subject to change for at least two year after being implemented.	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 development 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. 7. Ensure new processes and governance procedures remain under review and in-step with changes to the new Regulations. 8. Continue to invest in staff training and development.	AD Procurement & Commercial	28/02/2023	No change in respect of Bill progress through Parliament. Procurement Steering Group continues to work through White Paper as a working group to redesign processes and possibly re-structure to ensure readiness. 1.9.23 - we have responded to the Cabinet Office consultation exercise on the draft regulations and guidance. We continue to review the draft bill.NFA	High	High
88	IT	Framework CRM database - Supporting £9M+ 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 Services and CCS collaborations due to difficulties with entering data.	AD Procurement & 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	31/08/23	- no updates	High	Med
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. 2. Regular reviews of the Cost Plan with the third party project manager (Pick Everard) and main contractor (Galliford Try)	1. Cost overruns agreed/expected evaluation at each stage of the tender process, and as the project progresses.	4	3	12	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	28.8.23 - Main contractor has been tendering out work packages and whilst we have seen an increase in the expected cost, it remains within the window approved by the Management Committee.	High	Med

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