EASTERN SHIRES PURCHASING ORGANISATION
A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: LAUREN HASLAM,
DIRECTOR OF LAW AND GOVERNANCE,
LEICESTERSHIRE COUNTY COUNCIL

Date: 4 March 2025
My Ref AS/ESPO
Please ask for: Angie Smith
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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, 19 March 2025 at 10.30 am in the Sparkenhoe Committee Room, County Hall, Glenfield.

Members are reminded that a buffet lunch will not be provided after the meeting, although liquid refreshments will be available. Members are welcome to use the canteen at County Hall if they wish.

Yours faithfully,

AJSmith

Angie Smith
for Consortium Secretary

AGENDA

Item		Report by	Page
1.	Minutes of the meeting held on 13 November 2024.		(Pages 3 - 6)
2.	To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.		
3.	Declarations of interests in respect of items on this agenda.		
4.	Items Referred by the Finance and Audit Sub-Committee *There are no specific items referred.*		

5.	Chief Officer's Progress update.	Chief Officer	(Pages 7 - 22)
6.	Date of Next Meeting. The next meeting of the Committee is scheduled to take place on 18 June 2025 at 10.30am.		
7.	Any other items which the Chairman has decided to take as urgent.		
8.	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).*		
9.	Supplementary Information Informing the Progress Report of the Chief Officer's Progress Update.	Chief Officer	(Pages 23 - 38)
10.	Budget 2025/26	Chief Officer and Consortium Treasurer	(Pages 39 - 60)
11.	ESPO Trading Limited and Eduzone Merger - March 2025	Chief Officer and Consortium Treasurer	(Pages 61 - 78)

Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield, Leicestershire on Wednesday, 13 November 2024.

PRESENT

Cllr. M. Jamil – Peterborough City Council (in the Chair)

Leicestershire County Council
Mrs. M. Wright CC

Lincolnshire County Council
Cllr. S. Rawlins

Warwickshire County Council
Cllr. P. Butlin

Norfolk County Council
Cllr. J. James

Peterborough City Council
Cllr. C. Hogg

Apologies

Apologies were received Cllr. A. Hagues (Lincolnshire County Council), Cllr. J. Bensly (Norfolk County Council), Mr. J. Poland CC (Leicestershire County Council), Cllr. N. Shailer and Cllr. S. Ferguson (both of Cambridgeshire County Council).

In Attendance

Cllr. R. Baxter-Payne (Warwickshire County Council) - online

ESPO

Kristian Smith – Director
David Godsell – Assistant Director
Gary Tapp – Acting Commercial Financial Controller
Maurice Campbell – Assistant Director
Gary Ford – Assistant Director

Leicestershire County Council

Lauren Haslam – Consortium Secretary
Simone Hines – on behalf of the Consortium Treasurer
Anna Poole – Democratic Services Officer

25. Minutes of the previous meeting.

The minutes of the meeting held on 18 September 2024 were taken as read, confirmed, and signed.

26. Urgent items.

There were no urgent items for consideration.

27. Declarations of interest.

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

No declarations were made.

28. Items referred by the Finance and Audit Subcommittee.

RESOLVED:

That it be noted that three items had been referred by the Finance and Audit Subcommittee, as follows:

- Item 5 - 2023/24 Financial Statements and Annual Governance Statement
- Item 6 - Contract Procedure Rules Update.
- Item 7 - Review and Revision of the Constitution of the Management Committee.

29. 2023/24 Financial Statements and Annual Governance Statement.

The Management Committee considered a joint report of the Director and Consortium Treasurer which sought approval for the 2023/24 Financial Statements, the 2023/24 Annual Governance Statement and the payment of a dividend pool of £6.1m in December 2024. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

RESOLVED:

That the following be approved:

a. the 2023/24 Annual Governance Statement;
b. the 2023/24 financial statements;
c. the dividend pool of £6.1m to be paid out in December 2024

30. Contract Procedure Rules Update.

The Management Committee considered a report of the Director which sought approval for the revised ESPO Contract Procedure Rules (CPRs). A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

In response to a member question, the Director explained that the Procurement Act 2023 would necessitate a fundamental update of the ESPO CPRs. As the Procurement Act 2023 would apply only to procurements commenced on or after 24 February 2025, and the previous CPRs would continue to apply to procurements commenced prior to this date, officers would be operating under two different CPRs and all had been trained in doing so.

RESOLVED:

That

a. the proposed amendments to the Contract Procedure Rules, in line with Leicestershire County Council's Rules, detailed at Appendices A, B and C of the report, be approved; and
b. authority be delegated to the Finance and Audit Sub-Committee to approve such changes as are required to be made to the Contract Procedure Rules before 24 February 2025 in compliance with the Procurement Act 2023.

31. Review and Revision of the Constitution of the Management Committee.

The Management Committee considered a report of the Consortium Secretary which sought approval for the proposed changes to the ESPO Constitution. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

RESOLVED:

That the proposed changes to the ESPO Constitution, summarised in Appendix 1 to this report, be approved.

32. 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 in September 2024. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

In presenting the report, the Director explained that competition in the marketplace was fierce, but it was expected that the full year's budget with a £7.2m surplus would be achieved. He added that sickness cases detailed in the report were not caused by work related issues and were being managed by the HR Business Partner.

Arising from discussion, the following points were raised:

i. The new warehouse extension was expected to improve stock availability and pick rates as all stock was in one location rather than on separate sites.
ii. Whilst there was pressure within the schools market, there were pockets of opportunities such as breakfast clubs, which would be followed up.
iii. The development programme for managers and aspiring managers was discussed with staff at 1-2-1s and performance discussions. ESPO was keen to grow its own talent, and people were encouraged to get involved. However, the level of commitment required from staff was recognised.

RESOLVED:

That the update provided on the actions and progress made since the last update provided to Members in September 2024 be noted.

33. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on 19 March 2025 at 10.30am.

34. 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 would involve the disclosure of exempt information as defined in the Act and that in all circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

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

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

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

The Director responded to a question related to potential future business opportunities.

RESOLVED:

That the update provided by the Director be noted.

36. Finance Update on Grove Park Warehouse Extension.

The Management Committee considered a joint report of the Director and Consortium Treasurer which provided an update on the Grove Park warehouse extension project. A copy of the 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).

The Committee commended officers for bringing the project in on time and within budget.

RESOLVED:

That the latest financial position of the Grove Park warehouse extension project be noted.

11.15 - 11.44 am CHAIRMAN
13 November 2024

ESPO MANAGEMENT COMMITTEE – 19 MARCH 2025

PROGRESS UPDATE

REPORT OF THE CHIEF OFFICER

Purpose of the Report

1. The purpose of this report is to inform Management Committee of the actions and progress made since the last update provided to Members in November 2024.

Financial Performance update (10 months to January 2025)

Summary

Year to January 2025 – Period 10					
£m	**Actual**	**B/(w) than Budget**		**B/(w) than LY**	
Stores Sales	47.8	(2.3)	(4.5%)	(0.9)	(1.9%)
Direct Sales	15.4	(1.7)	(10.0%)	(0.9)	(5.8%)
Rebate income	11.3	(0.1)	(0.5%)	0.8	7.3%
Total Sales (Exc Gas)	**74.6**	**(4.0)**	(5.1%)	**(1.1)**	(1.5%)
Stores Margin %	30.1%	(1.0%)		(1.1%)	
Directs Margin %	18.4%	2.7%		2.8%	
Total Gross Margin	29.9	-1.0	(3.3%)	0.1	0.3%
Total Expenditure	22.8	1.3	6.0%	(1.3)	(5.2%)
Trading Surplus	**7.1**	**0.3**		**-1.2**	
Trading Surplus %	9.5%	0.8%		(1.4%)	

2. After 10 months, **a surplus of £7.1m has been made which is £0.3m better than budget**.

3. Rebate income from frameworks continues to perform well at +£0.8m ahead of last year benefiting from inflation, growth strategies and improvements in the customer experience journey.

4. In the Catalogue business the educational supplies market remains contracted with the latest BESA (British Educational Suppliers Association) data indicating a worsening of the market contraction across Quarter 3. There has been continued growth into development areas and increased volumes from the competitive price offering enabling ESPO to continue gaining market share in the contracting market. ESPO continues to offer good availability, competitive pricing, and exceptional levels of customer service. ESPOs price offer across the Top 500 products remains competitive and offers good value to customers.

5. Budgeted stores margin levels in Quarter 4 were set at a higher rate assuming last year's exercise book stocks were sold through earlier in the year which occurred, however, stores margin in January did not reach the budgeted levels anticipated. Although margin levels across the first ten months have been positive in the contracted market delivered by both volume growth and the mix of products sold, Total Gross Margin was £1.0m lower than budgeted levels. Margin levels are expected to improve over the remainder of Quarter 4.

6. Costs continue to be tightly controlled with expenditure of £22.8m, better than budget by £1.3m enabling the lower margin levels to be offset.

7. For the full year, the budget is a surplus of £7.2m, and as at January ESPO remains on track to achieve the full year budget target.

8. ESPO has now passed both peak trading periods and the second half of the year is quieter in demand. February and March are expected to be relatively quiet trading months and in March the catalogue printing and distribution costs are incurred offsetting the surplus delivered in the two periods. There remains significant caution about demand in Quarter 4 as continued feedback from schools and BESA indicate an ongoing, worsening market contraction and reduced spend on non-essentials will continue. Schools core annual purchases have been made earlier in the year and the overall number of schools in budgetary deficit continues to increase.

9. **Latest guidance for the full year is a trading surplus of £7.2m in line with budget.**

Sales and Margin

Sales and Margin						
£m	**Actual**		**B/(w) than Budget**		**B/(w) than LY**	
Stores Sales	47.8		(2.3)	(4.5%)	(0.9)	(1.9%)
Direct Sales	15.4		(1.7)	(10.0%)	(0.9)	(5.8%)
Rebate income	11.3		(0.1)	(0.5%)	0.8	7.3%
Total Sales	**74.6**		**(4.0)**		**(1.1)**	
Stores Margin	14.4	30.1%	(1.2)	(1.0%)	(0.8)	(1.1%)
Directs Margin	2.8	18.4%	0.2	2.7%	0.3	2.8%
Rebate income	11.3		(0.1)	(0.5%)	0.8	7.3%
Gas Margin	0.4	2.3%	0.1	1.1%	0.1	1.2%
Catalogue Advertising	0.4		(0.1)		(0.2)	
Misc	0.5		0.1		(0.1)	
Total Gross Margin	**29.9**	**40.1%**	**(1.0)**	**0.8%**	**0.1**	**0.7%**

Gas						
£m	**Actual**		**B/(w) than Budget**		**B/(w) than LY**	
Gas Sales	17.8		(9.9)	(35.8%)	(8.4)	(32.0%)
Gas Margin	0.4	2.3%	0.1	1.1%	0.1	1.2%

10. Total sales to January 2025 were £74.6m and are £4.0m lower than budget and £1.1m lower than last year. Framework rebate income continues to perform well at £0.8m ahead of last year and timeliness of billing activity continues to improve in this area.

11. **Stores sales were £47.8m and £2.3m behind budget**. Member spend and Established customer spend continue to be significantly down against budget represented by the market contraction and pressure on local council and schools funding. The contraction in the market reflects the ongoing funding pressures within schools from inflation, pay, and energy. ESPO has partly offset this contraction through targeted sales growth campaigns into development areas and additional volumes sold through the competitive pricing offer with Development area sales up against budget. Trading activity continues to be fiercely competitive, but customers are making good use of ESPO's loyalty-based promotions to secure the best value for money. As expected, Quarter 4 will be tough trading conditions with school budgets now largely spent.

12. **Gross profit margin % for Stores at 30.1% is 1.0% below budget**. There has been minimal price rises from suppliers this year and this stability has helped ESPO retain its competitive pricing strategy through the year without the need to change pricing during the year. The margin % in the period April-October suffered due to clearing of higher priced exercise book stocks purchased in the prior year (this was allowed for in the budget). Last year margin was strong, linked to in-year cost price deflation from suppliers, which hasn't occurred this year. Budgeted stores margin levels in Quarter 4 were set at a higher rate assuming last year's exercise book stocks were sold through earlier in the year which occurred, however stores margin in January did not reach the budgeted levels anticipated due to an unfavourable product mix of sales.

13. **Directs sales were £15.4m and are £1.7m lower than budget.** Price inflation applied on 1 April was 15%, and the budget assumed similar volumes to 2023/24 levels. Further funding pressures on school budgets in 2024/25 has led to schools reducing their demand on larger non-essential purchases, such as classroom furniture and equipment replacement, which can be deferred. Suppliers looked to make deliveries in December before the Christmas break, but outlook now remains weak for Quarter 4.

14. **Gross profit margin % for Directs at 18.4% is +2.7% ahead of budget**. This is largely due to the mix of products sold and some in-year supplier cost price reductions. The improved margin level on directs has helped offset the lower sales volumes on directs products.

15. **Rebate income of £11.3m is £0.8m ahead of last year and** in line with budget. It continues to perform well, benefitting from inflation and with a good pipeline in place of contracts secured for the future. ESPO has managed to secure some of the Defra funding via councils under the Waste and Resources Action Programme which should enable further framework growth in future years and there is further opportunity in this area. The Strategic HR services framework has been affected by government pressures on back office spend (2-5% targeted reductions) and similarly the Consulting framework has been affected by pressure on Central Government customers to move to the CCS framework. Focus remains within the Framework team on ensuring billing activity is timely and accurate.

16. Other income is in line with budget overall.

17. **Overall gross profit margin at £29.9m is £1.0m lower than budget** from lower stock sales and a lower stock margin %. This has been mainly due to the overall contraction of the educational supplies market across 24/25 and it's worsening during Quarter 3.

Expenditure

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	13.0	1.9	(0.8)
Agency/Contract	2.0	(0.9)	(0.2)
Total	**15.0**	**1.0**	**(1.0)**
Overhead Expenses			
Transport	2.7	0.0	(0.1)
Warehouse	0.7	0.1	(0.0)
Procurement	0.2	0.2	(0.1)
Sales & Marketing	0.6	0.0	0.1
Finance	1.7	0.0	0.0
IT	1.2	(0.0)	(0.1)
Directorate	0.7	(0.0)	(0.1)
Total	**7.8**	**0.3**	**(0.3)**
Total Expenditure	**22.8**	**1.3**	**(1.3)**
As % of Total Sales Excluding Gas	**30.6%**	**0.1%**	**(2.1%)**

18. **Total expenditure of £22.8m is £1.3m better than budget** showing good levels of cost control across the business. This mainly relates to vacancies across procurement and finance, operational efficiencies, differing phasing of Procurement training and legal costs, and application of the confirmed pay award. A continued focus is retained on strong cost control across all areas.

19. Expenditure will increase next year due to an escalating cost base as employers National Insurance (NI), National Living Wage cost increases occur from 01 April 2025. This is allowed for in the 25/26 budget and product pricing but presents a volume risk as school funding remains constrained.

20. **Expenditure as a % of sales** is one KPI (key performance indicator) which allows ESPO to measure cost control in relation to sales. This KPI was 30.6% and is 0.1% better than budget and shows costs are being controlled in relation to sales activity and inflationary growth.

ESPO Trading Limited (ETL)/Eduzone

21. ETL and Eduzone are ESPO's limited companies which service the private sector.

ETL and Eduzone - Year to January 2025			
£k	**Actual**	**B/(w) than Budget**	**B/(w) than LY**
Eduzone Sales	480	(27)	(28)
ETL Sales	1,053	387	498
Total Sales	1,534	360	471
Eduzone Gross Margin	168	(10)	(24)
Eduzone Gross Margin %	35.0%	(0.1%)	(2.8%)
ETL Gross Margin	263	71	84
ETL Gross Margin %	25.0%	(3.8%)	(7.3%)
Total Gross Margin	431	61	60
Eduzone Expenditure	(216)	(11)	(28)
ETL Expenditure	(119)	2	(10)
Total Expenditure	(335)	(9)	(37)
Trading Surplus	96	52	22
Trading Surplus %	6.2%	2.5%	(0.6%)

22. Total sales of £1,534k are £360k ahead of budget.

23. ETL, 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. ETL has benefitted from growth strategies, developing relationships with international distributors in the international market, and increased recognition of the ESPO brand overseas.

24. Eduzone, ESPO's business focusing on early years in the UK, is behind budget, and last year reflecting its exposure to severe financial pressures on nurseries in the early years sector. Employers NI and the National Living Wage increases from 01 April are expected to have a further significant impact on this sector in 25/26 with potential further closures of independent nurseries impacting Eduzone income.

25. ETL and Eduzone catalogue sales enable ESPO to serve customers that it might otherwise have to turn away, whilst also making a positive contribution towards central costs.

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

27. Overall, a £96k surplus has been generated, £52k ahead of budget and £22k better than last year.

<u>Full Year Expectation</u>

28. For the full year, the budget is a surplus of £7.2m. There are several risks and opportunities that could impact ESPO across the second half of the year:

    i) ESPO's price offering remains strongly competitive and regular benchmarking shows ESPO is well positioned to attract additional volumes across the remainder of the year.

    ii) Recent BESA and school feedback indicates significant budgetary pressures on schools and weaker demand is expected across the remainder of the year. An element of market contraction risk is expected in Quarter 4.

iii) Catalogue margins have largely been in line with budget up to December due to additional volumes, target margin setting and beneficial product mix. This trend is expected to deteriorate across the final quarter with the worsening contraction of the market. The final quarter of the year should see improved margins as last year's exercise book stocks have fully sold through but will depend on sales / product mix.

iv) Directs sales are likely to remain behind budget for the rest of the year as schools continue to focus on essentials and defer spending on furniture items although this may be offset by higher margin levels if product sales mix remains favourable.

v) Competition remains fierce in the Educational Supplies market. Major global competitors with UK national distribution networks have continued their investment in the educational supplies market through integrations with School MIS providers and are actively working to provide free business accounts to schools. They are actively targeting the Education sector with education webstores, online catalogues and offering a next day delivery service as standard.

vi) Rebate income has progressed well YTD, however central government policy on back-office budget reductions and consulting is impacting central government customer spend on HR & Consulting frameworks.

ESPO P&L – January 2025

	Year to Date @ Jan 25					
	Actual		Budget		Prior Year	
	£000	%	£000	%	£000	%
Sales						
Stores	47,823		50,083	(4.5%)	48,760	(1.9%)
Direct	15,412		17,125	(10.0%)	16,354	(5.8%)
Rebate Income	11,340		11,393	(0.5%)	10,572	7.3%
Total Sales (Excluding other income)	**74,575**		**78,601**		**75,686**	
Cost of Sales						
Stores	33,445		34,517		33,574	
Direct	12,570		14,436		13,797	
Total Cost of Sales	**46,014**		**48,953**		**47,370**	
Margin						
Stores	14,378	30.1%	15,566	31.1%	15,186	31.1%
Direct	2,842	18.4%	2,690	15.7%	2,557	15.6%
Rebate Income	11,340		11,393		10,572	
Gas	416	2.3%	354	1.3%	300	1.1%
Catalogue Advertising	416		540		606	
Other Income	503		375		596	
Total Margin	**29,895**	40.1%	**30,917**	39.3%	**29,818**	39.4%
Warehouse and Transport						
Employee Costs						
Staff	5,410		6,764		5,148	
Agency/Contract	1,863		1,018		1,652	
Total	**7,273**		**7,783**		**6,800**	
Overhead Expenses						
Transport	2,739		2,763		2,680	
Warehouse	725		832		721	
Total Warehouse and Transport	**10,737**	22.5%	**11,378**	22.7%	**10,201**	20.9%
Head Office						
Employee Costs						
Staff	7,602		8,134		7,085	
Agency/Contract	107		23		123	
Total	**7,709**		**8,157**		**7,209**	
Overhead Expenses						
Procurement	214		406		163	
Sales & Marketing	578		626		652	
Finance	1,658		1,688		1,660	
IT	1,188		1,160		1,051	
Directorate	702		656		599	
Total	**4,339**		**4,535**		**4,125**	
Total Head Office	**12,048**		**12,692**		**11,334**	
Total Expenditure	**22,785**	**30.6%**	**24,070**	**30.6%**	**21,534**	**28.5%**
Trading Surplus	**7,110**	**9.5%**	**6,847**	**8.7%**	**8,283**	**10.9%**

ETL Combined P&L – January 2025

ETL & Eduzone Results	Jan-25 YTD					
	Actual		Budget		Prior Year	
	£000	%	£000	%	£000	%
Sales						
Sales	1,533.5		1,173.5		1,062.9	
Total Sales	**1,533.5**		**1,173.5**		**1,062.9**	
Cost of Sales						
Cost of Sales	1,102.8		804.0		692.1	
Total Cost of Sales	**1,102.8**		**804.0**		**692.1**	
Margin						
Margin	430.7		369.5		370.8	
Total Margin	**430.7**	28.1%	**369.5**	31.5%	**370.8**	34.9%
Expenditure						
Employee Costs & Agency	134.3		134.3		125.1	
Commission	0.0		0.0		0.0	
Carrier	98.9		86.4		77.9	
Marketing Expenses	48.5		51.3		48.3	
Catalogue Print & Distribution	22.5		18.6		21.4	
Consultancy	1.9		1.9		1.9	
Support / Legal Prof	1.6		0.0		0.0	
Accountancy	(0.1)		2.0		0.4	
Insurance	18.1		18.5		18.9	
Audit	0.0		0.0		0.0	
Office Machine Maint / Software	2.1		2.6		3.8	
Merchant Services	7.0		2.2		3.8	
Depreciation	0.0		0.0		0.0	
Other Expenses	0.4		8.1		(3.8)	
Total Expenditure	**335.1**	**21.9%**	**325.8**	**27.8%**	**297.7**	**28.0%**
Trading Surplus /(Deficit)	**95.6**	**6.2%**	**43.7**	**3.7%**	**73.1**	**6.9%**

Operational Progress

29. In January, ESPO's distribution centre picked and despatched 133,655 order lines, valued at £4.224m and the transport fleet with couriers made 13,935 deliveries. Warehouse picking was performed at a rate of 33 lines per hour against a target of 32. The error rate detected by quality assurance (QA) was 3% against the target of 3%. The average order value for stock orders in January was £228.09 compared to the budget of £228.03. Operational and Information Technology costs year to January 2025 were £12.450m against a budget of £13.077m. Stock availability averaged 99.1% in January; the stock value was £10.620m with a stock turn of 5.99. The team has introduced an on-line portal for processing customer returns which has improved processing time and enhanced visibility across the business. A meeting was held with trade unions through the Joint Consultative Committee.

30. The Customer Services Team handled 3,849 calls across the three customer service channels. Average wait times across all teams was 18 seconds with 97% of all calls answered. The team processed 29,360 customer orders valued at £4.474m. Online and electronic converted orders were at 90.7% of the total orders processed. Direct orders currently valued at £0.899m are being managed from suppliers to customers. Late suppliers are being expedited by the Customer Services Team and customers are kept informed of the estimated delivery date. 9,182 responses to email enquiries were recorded using the e-ticketing system. ESPO received 31 service ratings from FEEFO and its customer rating was 98%. ESPO was delighted to be awarded Gold Status and an Exceptional Service Award from FEEFO for its performance in 2024. A further video has been introduced onto the ESPO web site to assist customers who use the SIMS on-line ordering portal, as part of the customer self-help programme.

31. Facilities Management (FM) in January ensured that all statutory inspections and repair and maintenance services took place on their relevant due date. Pedestrian warning lights have been installed in the warehouse extension to alert mechanical handling operatives of the presence of pedestrians in the vicinity. A policy on electric vehicle charging was agreed by the Leadership Team. The canteen facilities have been upgraded with enhancements to the seating areas and vending facilities. The on-site recycling resources have been upgraded to further facilitate recycling and waste separation.

32. There was one reported injury to a warehouse operative who sustained a cut to the upper arm on a metal transit cage. Additional safety alerts were issued to all operatives. Following GMB feedback modifications were made to the delivery vehicles' audible warning alarm system, whereby it is deactivated between 11:30pm and 7:00am. The system also deactivates if a vehicle is driven over 20mph. A fire risk assessment was conducted by Chubb and an action plan is being worked through. A series of random drugs and alcohol tests were conducted on 18 December. All donors returned negative/zero results for alcohol with one non-negative result for cannabis by an agency warehouse worker who had already been released. The agency provider was requested not to re-assign this person to ESPO. Portable Appliance Testing (P.A.T) was conducted on all

electrical items in the warehouse (622 items) with two issues being expedited. ESPO's carbon reduction plan has been made available on the ESPO web site.

33. The Information Technology (IT) helpdesk handled 757 enquiries with a 100% satisfaction rating from internal customers. ESPO continues to enhance the ESPO intranet site using Sharepoint which will create a more dynamic, interactive digital workspace for staff. The Information Technology Decision Group (ITDG) agreed a number of updated standard IT policies. A migration and implementation plan for the Software as a Service (SaaS) to an external hosting agent was prepared and successfully delivered in February. Work continues on the introduction of using PowerBi technology to improve the quality of ESPO's management information system.

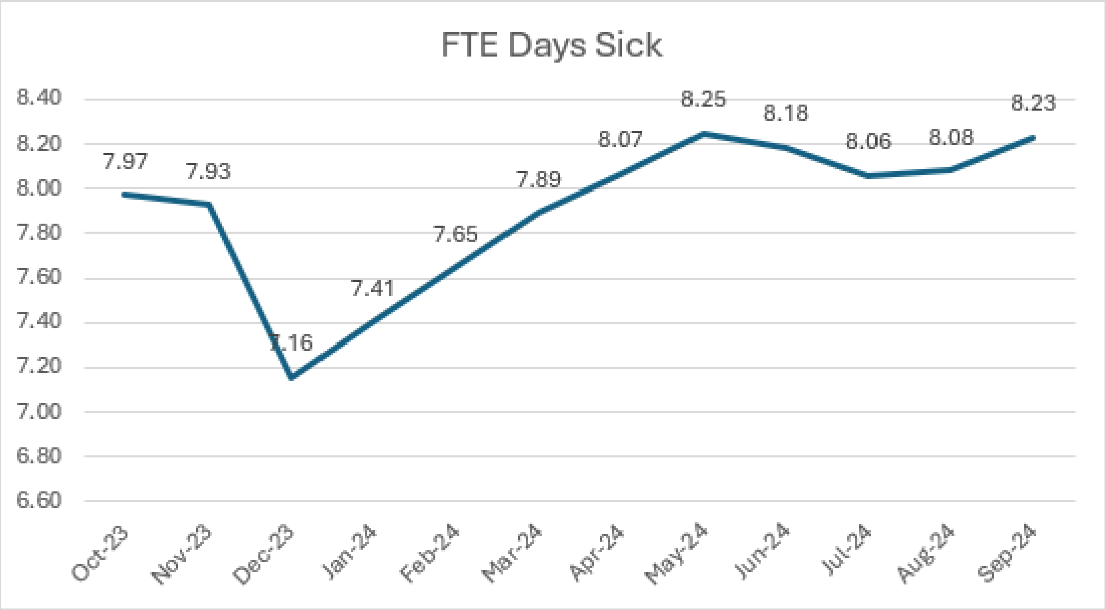
Staffing

34. The three primary causes of sickness absence during Quarter 2 of 2024/25 were:

Quarter 2 (Jul -Sep 2024)		
	FTE Days Lost	Percentage
Other Musculo-Skeletal Problems	254.42	39.87%
Back and Neck Problems	83.03	13.01%
Cough, Cold & Flu	63.51	9.95%

35. The top three health reasons have remained the same as Quarter 1. However Musculoskeletal has increased by 16% during Quarter 2 whilst back and neck problems has only increased by 0.6%. Stress/depression, mental health has actually decreased since Quarter 1 by over 2%. The cases are not work related and are all being managed with the support of Human Resources (HR).

36. Overall sickness absence did start to decline in Quarter 1. However, September saw a rise in absence, with a 100% increase in the number of days attributed to Other musculo-skeletal problems. This increase can be seen in the graph below:



37. An Essential Development Programme for managers and aspiring managers is to be launched over the coming months, including targeted supervision/first line manager training and completion of mandatory training in relation to Human Resources policies and procedures.

38. Flu vaccinations have been undertaken on site, with 11% of the workforce taking advantage of this. Health MOTs were offered to the entire workforce in November and December. All sessions were fully booked, including a dedicated session for the night workers, resulting in 27% of the workforce participating.

Resources Implications

39. There are no resources implications arising from the recommendations within this report.

Recommendation

40. It is recommended that the Management Committee note the update provided on the actions and progress made since the last update provided to Members in November 2024.

Equality and Human Rights Implications

41. There are no equality and human rights implications arising from the recommendations within this report.

Background Papers

42. None.

Appendices

Appendix A – Balanced scorecard
Appendix B – Risk Review Extract

Officer(s) to Contact

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Management Summary Jan 25

Management Summary

	Actual	Budget / LY	Var	YTD Actual	Budget YTD	YTD Var
Stores Sales	£3,231,143	£4,136,263	-21.9%	£47,823,065	£50,082,525	-4.5%
Direct Sales	£957,681	£1,150,771	-16.8%	£15,411,804	£17,125,419	-10.0%
Rebate plus fee income (£k)	£1,526,317	£1,576,213	-3.2%	£11,339,839	£10,236,002	10.8%
Total Sales (Exc Gas)	£5,749,111	£6,916,302	-16.9%	£75,493,403	£84,631,075	-10.8%
Stores Margin %	30.8%	35.1%	(4.31%)	30.2%	31.2%	(1.0%)
Directs Margin %	16.1%	-1.7%	17.82%	18.4%	16.9%	1.53%
Total Gross Margin inc Consumables Cost	£2,681,756	£3,072,089	-12.7%	£29,873,618	£32,978,239	-9.4%
Total Expenditure	£2,151,603	£2,346,552	-8.3%	£22,783,204	£24,146,885	-5.6%
Surplus	£530,154	£725,537	-£195,383	£7,090,413	£8,831,354	-£1,740,940
Net Profit Margin %	9.2%	10.5%	-1.3%	9.4%	10.4%	-1.0%

	Actual	Budget / LY	Var	YTD Actual	Budget YTD	YTD Var
Eduzone Sales	£55,164	£58,751	-6.1%	£484,721	£507,500	-4.5%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£228.09	£228.03	£0.06
Prop of orders over £15	97.1%	97.1%	0.01pp

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Appendix B

ESPO

					Inherant Risk Score						Residual Risk								HIDE	HIDE
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**		**Inherant Risk**	**Residual Risk**
1	IT	Major systems failure (IT, communications etc) preventing service delivery	1. Immediate cessation of almost all office and warehouse functions 2. Failures in processing customers' orders, in providing deliveries to customers, in replenishing stocks and in providing procurement services and support. 3. Loss of reputation with customers leading to order cancellations and longer-term reduction in turnover. 4. Major financial losses from above consequences resulting in a possible annual trading loss. 5. Non-compliance with EU procurement regulations with resulting potential legal action. 6. Cyber Security Breach	AD Operations & IT	5	4	20	Treat	1. A range of approved IT policies that encourage and support the correct use of systems by users and signed acceptance of such policies. 2. Disaster recovery contract with Daisy providing for fast hardware replacement of all priority servers, for recovery of IT systems/data and for alternative office accommodation facilities together with annual testing of recovery procedures. 3. Back up external communication link and external power supply 4. A contract with Iron Mountain for the daily collection and off-site secure data storage of back-up records. 5. Use of UPS protection for the power supply to essential IT equipment/servers with additional automatic back up of IT equipment power supply using a generator (regularly tested). 6. Fire suppressant gas supply to server room. 7. Redundant air cooling capacity to server room 8. Maintenance and support agreements for all essential equipment and major IT systems 9. Full and recoverable records of all IT systems, software, equipment and support/maintenance. 10. Firewall protection for all external facing systems with regular security testing and software updating. 11. Replacement warehouse wifi due to be installed Aug 2022. ITDG governance terms of reference established 14.4.21. 7.6.21 Security Report published to respond to email phishing security breach 21.1.2022 New IT cyber security risk register created 16.11.22 LCC Audit on ICT Controls gave substantial assurance	1. Satisfactory annual disaster recovery test results with Daisey. 2. Generator testing log 3. IT Section records of frequency & consequences of systems & equipment failures. March 2022 Reduced likelihood to 4	4	3	12	Treat	08.02.24 Successful DR testing took place Dec 2023. System21 and associated systems were restored to the Recarta Data Centre, Windows servers restored to Daisy DR Centre. This demonstrates that the current backup/restore/recover processes are effective, performant and can be delivered in a timely manner. Additional staff attended the DR Test exercise, reducing the reliance on individuals in the event of a genuine DR. IBM Power 8 server which runs System 21 is end of life May 2024. The proposed move to cloud based SaaS is subject to a compliant procurement route. The risk probability has therefore been increased to 3. The mitigation is around service agreements with Recarta to support any hardware failure until a decision is made. The fall-back position is to replace the server with a Power 10 server, but time will have to be allowed for this to be procured.	AD Operations & IT	Sep-20	14.08.24 Virgin Media have now installed a new fibre internet line in to ESPO, meaning that there are now two distinctly separate internet connections to the ESPO office. These will now be configured into Failover mode, such that if the live line fails for any reason, it will seamlessly switch to the alternate connection. 18.11.24 Technical issues have delayed the go live of the internet failover connection - work is ongoing but the risk is not yet reduced. The SaaS solution has now been compliantly procured, meaning that we will now commence a project to migrate our on-prem System 21 to the cloud based solution. This will ultimately reduce both the impact and the likelihood of a major systems failure in this area. Go live is currently being planned for February 2025. The delayed implemenation date means that a service extension is required for the existing hardware, to ensure adequate cover until we are fully migrated. This has now been put in place. DR Testing took place in late September 2024. Systems were successfully restored, and further infomration charing took place within the DR Team to ensure wider experience of the process, and reduce reliance on individuals.	High	Med
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 7. Customer Groups project successfully completed. 8. Klevu search implemented. 9. Digital Strategy Group created to review customer feedback and to incorporate into digital strategy	1. Key website operating KPIs (visits, transactions, sales, procurement downloads, CAA, COA) 2. Customer feedback and satsfaction levels 3. If analysis of competitor websites identifies key new functionality or services being offered. 4. Digital development roadmap	4	3	12	Treat	1. Website development is ongoing as per digital roadmap. 2. Ensure that we are always on a supported version of Adobe Commerce. 3. Continue delivery of PushOn rolling improvements. 4. Deliver customer experience (and My Account) functionality (Q4 24). 5. Continue SEO optimisation. 6. E-procurement integration into website launched with SIMS and moving forward with IRIS 7. New digital marketing following up on abandoned carts/baskets	Head of Marketing	Ongoing	12.01.25 Reviewed - Controls/actions and risk indicators updated. - E-procurement project progressing with SIMS now launched and IRIS Financials due to go live shortly. - Next update of Adobe commerce due April 2026.	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 FWs (Technology, 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	5	4	20	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 and developing partnerships. 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. 4. Website Development roadmap. 5. Use of BESA benchmarking and insight for ongoing market share data. 6. Continue to make frameworks easier to access. 7. Further develop ETL SS offering for diversity of customer base. 8. Work with DfE to recommend and promote our offer. Proposals shared with DfE showing savings on key categories or products, value added by MATs package and MSF. 9. BESA continues to provide challenge to DfE for their proposals to work with Amazon.	1. Changes to key customers' buying (as highlighted at Weekly Trading). 2. Fluctuations in rebate income (as highlighted at Weekly Trading). 3. E-commerce uptake. 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 and CCS expansion. 7. Staff migration to competitors. 8. Market insight data from BESA, C3 and EdCo. 9. Customer ordering patterns, average order value, next day delivery etc.	4	4	16	Treat	1. Review loyalty schemes including MATs Package and development of new corporate package – increased requirement on income streams. 2. Robust sales and marketing strategy developed to reflect the heightened competition in this sector and to support the revised MTFS. 3. Review termly research. 4. Keep a close eye on developments in the market. 5.Continue to look out for member authority frameworks that duplicate ESPO's offering. 6. Keep abreast of speculative frameworks that could take business from ESPO frameworks. 7. Continue to explore and maximise exporting opportunities. 8. Review approach to recruitment and retention of key procurement/commercial staff. 9. Consider bidding for the CCS tail spend tender next time issued. 10. Continue to work with DfE on our offer and proposals to show savings to schools on specific products. 11. Continue to focus on price competitiveness.	AD Business Development	Ongoing	12.01.25 Reviewed - Controls/actions and risk indicators updated. - DfE proposition to offer all schools access to Amazon Business via YPO solution has gone quiet and BESA believe it has been shelved but we have seen DfE promote Amazon alongside ESPO, CCS and YPO. We continue to engage with DfE and BESA. - DfE have conducted some promotion of ESPO, comms/webinars to show ESPO's competitiveness, Procurement Act etc. - Continue to work with BESA to challenge DfE/Amazon proposal. The team continue to regularly benchmark key products. - DfE are benchmarking products using Skuuudle. - Discussions underway with CCS regarding ESPO featuring on their Tailspend solution. - Technology project underway to offer products on espo.org	High	High
70	Operations and H&S	Driving or operating over the alcohol or drug limit	1. Impaired judgement leading to accident 2. Possible injury or death to other road users and pedestrians. 3. ESPO reputational damage	AD Operations & IT	5	3	15	Treat	With Cause' tests can be made at any time. Driver signs daily report to confirm he is fit to drive. Agreed a local policy with Trade Unions on 11/8/2021 where there is suspicion of excess alcohol being consumed by any employee. A breath test kit will be used to determine alcohol content. ESPO have a zero tolerance for any alcohol. 20.10.2021 new Random D&A deployed using Hampton Knight to detect alcohol and drugs.	Road Traffic Accidents Injuries to customers or drivers Contact from the police	4	4	16	Treat	26/11/2020 24.11.20 LCC proposed random D&A testing policy under review 28.5.2021 New drug & alcohol testing regime being introduced via LCC from Sept 2021. Feb 2023 Increased probability to 4 in the light of recent test results. Increased probability to 3. Feb 2024: New testing agents in place via LCC contract - DNA Workplace. Random testing of ESPO staff continues quarterly across all 3 shifts - delivery drivers tested each time, minimum 4 times per year. Random testing conducted in Feb 2024 returned 1x non-negative result for cocaine (warehouse operative) - Substance misuse policy implemented, 4 week support plan put in place with regular assurance testing agreed. H&S suspension in place for duration of this plan in line with LCC policy.	AD Operations & IT	Implement testing regime within 1 month of LCC announcing new testing protocol	Random testing of ESPO staff continues quarterly across all 3 shifts - delivery drivers tested each time, minimum 4 times per year. 'With cause testing' remains in place. Next random testing scheduled March 2025. 18.12.24 – random D&A testing undertaken (BL shift) – 3x drivers, 7x warehouse operatives tested. All 0 (zero) when breathalysed. No suspicion from the tester RE: substance misuse. Samples sent to laboratory, anticipated to be returned by 23.12.24 Update: 09.01.25: 1 non-negative result for cannabis returned by agency warehouse operative. This person had already been let go due to low volumes. Agency provider informed and person will not be permitted to reattend site. August 2024: Pallet push through incident occurred, contributing factor was FLT driver (agency) under the influence of cannabis (with cause test conducted post incident). Internal audit of manager awareness and policies in place conducted confirming robust understanding of signs and symptoms of drug or alcohol misuse and action to take. Continuation with random testing programme. Quarterly stakeholder meetings continue with LCC to inform and review policy and practical application	High	High
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 xosts may mean a reduced margin. 6. Driver shortage in the market could affect deliveries to ESPO and our ability to deliver to our customers on time. • Staff complacency and not adhering to controls in place. • All risks as identified previously coming to fruition due to further restrictions introduced. • Supply chain disruption in the event of further lockdowns both in UK and Worldwide. • On-going school closures / partial closures	Director	4	4	16	Treat	1. 'Set up an internal team tasked with managing ESPO's activities and communications in response to the health crisis. 2. 'Monitor updates and advice from WHO and UK government . 3. 'Maintain regular communications with customers, staff and stakeholders. 4. ESPO continue to promote good handwashing and hygiene practices and have increased the availability of antibacterial wipes and cleaning equipment. Contracted cleaning contractors disinfect door handles and hand rails as part of our contract. 5.Should a member of staff contract coronavirus EPSO will liaise with PHE directly at County Hall and follow any recommendations. 6. Should isolation be required our Smarter Working Policy provides guidance on staff working from home and where necessary individual risk assessments will	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	10.5.24. Widespread cost implications related to global shipping disruptions through the Red Sea route have not materialised and the situation now appears to have stabilised. Stock availability remains high (98.5%) as the supplier market has reacted accordingly to managing the increased lead times as containers take the longer route into Europe around Africa.	High	High

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		Inherant Risk	Residual Risk
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)	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, competance 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. 08.02.24 Various Job Descriptions have been amended to reflect the increased importance of CyberSecurity and establish responsibilities in this area. DR Testing in December 2023 and Sept 2024 demonstrates that current process is robust and effective. Staff Awareness training is now embedded across ESPO, and signs suggest this is having a positive effect. All user security measures (antivirus, antimalware etc) have been migrated to MS Defender, additionally Defender drives our software patching process, alerting us immediately when anything requires update. ESPO's Microsoft Secure Secure increased slightly to 78%, well above the average for similar organisations (42%). Work continues towards CyberEssentials+ accreditation.	AD Operations & IT	Q1 2021/ongoing	14.2.25 Work continues to remove obstacles to CyberEssentials accreditation. The revised IT Policy has been approved, and work has commenced on a replacement for the Tracker utility (currently blocking CE+ accreditation). 14.08.24 Forthcoming publication of the new IT Policy will tick a significant box regarding CyberEssentials+ accreditation. A replacement for the IPM Tracker utility has now been introduced. This enables us to scrap the Tracker utility, which is another obstacle to CE+ accreditation. Microsoft Secure Score is now at 78% and remains consistently high (meaning more secure). Penetration Testing for 2024 is currently in procurement and should be completed in the Autumn. The Annual Disaster Recovery testing was undertaken in September. ESPO's cybersecurity stance remains strong. Progress has been made with the migration of other systems still residing on Windows 2012R2 servers, and these should be completed by end of 2024. Disaster Recovery Testing was successfully completed in Sept 24. Microsoft Secure Score remains at 78%, which is very high (meaning we are reasonably secure, and aligned with best practice). Our Security Incident and Event Monitoring Service was put on a sound contractual footing with a new compliant contract put in place via G-Cloud.	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 suplliers could become more embolden to mount legal challenges to procurement decisions umder the new regieme and until it is fully traied 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		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 reource is in place from LCC to support the transiton to new procurement rules. 7.Ensure new processes and governace procedres reamin under review and in-step with changes to the new Regulations. 8. Continue to invest in staff training and developemt.	AD Procurement & Commercial		14/02/24 Bill now confirmed for October 24 implementation. Procurement Steering Group having completed a read through of the new Act. Training sessions identified for all procurement staff to take place March - June 24. 15/8/24 All Procurement Staff have completed the online training provided by Cabinet Office. Also 2 sessions covering 3 days with legal Partner are in progress. 13/11/24 update - Act implementation delayed to Feb25. Work on updated processes and documentation to reflect the new Act is nearing completion. This will be assessed by Internal Audi and independent legal partner. 18/02/25 update. Staff training complete. Legal partner assessment of documents and processes underway and expected to be completed by go live date for new regs.	High	High
88	Procurement - Trading	Framework CRM database - Supporting £9M+ rebate and £2.5bn+ customer spend Risk of high dependance 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		Nov 2023 no updates	High	Med
96	Energy	Initial period of contract with Optima will end in May 2027	Current Optima system continues to serve it's purpose, namely to enable gas billing and effective operation of the bill validation service. However long term use of the system needs to be considered, particularly with initial expiry of the contract in May 2027. A decision on future strategies will need to be taken in 2025. Any implementation of a new/replacement system would greatly heighten current risk levels.	AD Procurement & Commercial	5	2	10	Treat	Ongoing contract management of Optima and regular monitoring of performance of system	1. Detoriating financial position of Optima 2. Decreasing service levels 3. Increased number of system issues	5	2	10	Treat		Head of Commercial	31.3.25		Med	Med
98	Governance and financial	Government back office spend and consultancy spend reduction targets	In 2024 the government announced £5.5 billion worth of savings in 2024-2 . The Chancellor is launching a multi-year Spending Review to conclude in Spring 2025 and write out to departments shortly thereafter. The Spending Review will set spending plans for a minimum of three years of the five-year forecast period. Departmental expenditure limits for 2025-26 will be set alongside the Budget in October, which will also confirm control totals for 2024-25. Current known government targets are to reduce Government back office spend by 2.5% which will likely cause impacts on framework revenues. It's likely both Consultancy and Strategic HR frameworks will be those mostly affected. In addiiton in November 2024 the government issues new controls across government to curb consultancy spend saving £1.6bn. The new controls will provide far greater oversight for the government, with ministerial signoff required for any consultancy spend over £600,000, or for contracts lasting more than nine months, while consultancy spend over £100,000, or that lasts more than three months, will now need to be signed off by the relevant permanent secretary. 1. Reduced framework revenues - potentially £250k-£1m impact.	AD Finance	5	4	20	Treat	1. Regular discussions and relatioship building with various Government departments. 2. Offset any losses through growing frameworks with other customers and increasing framework offering.	1. Monitor Framework spend trends on Consultancy and Strategic HR spend.	4	3	12	Treat	1. Increase ESPO's presence within the framework market. 2. Build on existing relationships with Government departments. 3. Seek to develop new framework offerings	AD Finance	01/12/22	14.02.25 - Regular monthly reviews of framework spend by supplier and customer occurring. Framework sales campaign under development for 2025/26 year.	High	Med

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Agenda Item 10

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Agenda Item 11

By virtue of paragraph(s) 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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