

ESPO

Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Impact	Likelihood	Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk Indicators to be used to monitor the risk	Impact	Likelihood	Score	Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	Q3 Comments / Updates	Inherent Risk	Residual Risk
6	Governance and financial	Failure to achieve agreed budget surplus in line with latest MTFS	1. Unable to pay dividends to Members in line with MTFS 2. Unable to pay wages and salaries. 3. Limitation on the investment in stocks leading to reduced product availability 4. No funding available for development projects or capital expenditure 5. Unable to pay suppliers. 6. Substantial interest charges are incurred on borrowings. 7. Aggressive credit control practices are required to maintain cash-flow.	AD Finance	4	4	16	Treat	1. Balancing planned annual incomes and expenditure to ensure ESPO continues to generate trading surpluses and positive cash flows in line with MTFS. 2. Monthly management accounts process and oversight by LT. 3. Customer credit control procedures and aged debtor reporting 4. Weekly bank account movement and balance reporting to LT. 5. Manage expenditure through robust internal controls of staffing numbers, salary levels and overhead expenses. 6. Daily monitoring of Orders and Lines, and weekly monitoring of trading performance.	Internal 1. Significant shortfall in weekly trading performance vs targets 2. Significant shortfall in monthly trading surplus vs targets 3. Significant deterioration in aged debtor reporting 4. Significant change in balanced scorecard KPIs External 4. Market Monitoring, including review of BESA market share	4	3	12	Treat	1. Continual monitoring of weekly and monthly reporting of incomes and trading results against budget and target - ongoing. 2. Annual update of MTFS by May 2023. 3. Preparation of detailed 23/24 budget by Feb 2023.	AD Finance	Ongoing	21.11.22 Budget 22/23 is £5.7m and latest guidance expects the surplus to be in the range of £5.8m - £6.2m due to strong YTD performance across both Catalogue and Frameworks. Initial MTFS update in Autumn 2022 suggests current MTFS is achievable against significant economic uncertainty and high levels of inflation. Detailed budget for 23/24 being developed currently with update to F&A committee in February 2023.	High	Med
86	Governance and financial	Inflationary financial risks	Inflationary pressures in a number of areas for a range of reasons (utilities, fuel, containers, supply chain fragility) may impact on delivery of the MTFS and create additional risk/complexity.	AD Finance	5	4	20	Treat	1. Ongoing discussions with suppliers to understand potential impact of cost pressures with commercial team attempting to mitigate as far as possible via negotiating or alternative sourcing. 2. Detailed work on ESPOs pricing strategy to plan how price rises are passed on to customers or absorbed by ESPO. 3. Update of MTFS under a variety of scenarios to understand potential business impact of inflation 4. Forward purchase of gas and electricity needs 5. Monthly financial analysis of product category margin % to identify issues in pricing 6. Monthly Financial Performance Pack reviewed by LT 7. Weekly sales and trading reporting and discussion by LT to understand trading and possible impact of price rises once actioned.	1. Gross profit % 2. Trading Surplus and variance to Budget 3. Management accounts and variances to budget 4. Weekly trading results 5. Customer feedback (including Feefo)	4	4	16	Treat	1. Develop benchmarking solution to ensure ESPO has sufficient information to remain competitive on pricing - (Skedda implementation) - By Spring 2023. 2. Ongoing re-forecast / update of our "outturn" with scenario modelling - ongoing 3. Monitor pricing and product margin to understand inflationary pressures and evaluate impact on pricing strategy - by Jan 2023. 4. Detailed budget to be prepared and approved by Management Committee (March 2023)	AD Finance	Ongoing	21.11.22. We continue to see medium term inflationary price pressures emerging through - High energy prices and the high cost of living cascading through the supply chain and our own business - Challenges in funding within schools and the wider public sector Prices were increased in October 22/23 to partly mitigate current year cost inflation, and good trading performance YTD gives confidence in delivery of 22/23 surplus target. Approach to Pricing Strategy agreed at LT away day in October 2022 and detailed financials and pricing for 23/24 are being considered now. Early work for our MTFS suggests inflationary pressures can be managed to continue to deliver existing MTFS targets.	High	High
91	Governance and financial	Risk of warehouse extension overspend	1. Reduced cash reserves 2. Less appealing investment proposition	AD Finance	5	4	20	Treat	1. Procurement process with prices agreed and fixed where possible at the outset of contracting.	1. Cost overruns agreed/expected evaluation at each stage of the tender process, and as the project progresses.	5	3	15	Treat	1. Continual evaluation of costs and investment appraisal through the Project Board 2. Clear specification for contractors and flexibility on ESPOs part to manage costs 3. Fast delivery plan once planning permission has been obtained	AD Finance	01/12/2022	21.11.22 - Tender process for the main contractor is currently in progress which will reduce some of the uncertainty around cost and at which point the financial business case will be updated. Sensitivity analysis completed suggests the project can sustain a modest overspend and still remain viable.	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			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) 5) Penetration testing (probes the ESPO network for vulnerabilities) (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	Q3 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.	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. Sprint 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 Sprint project.	4	3	12	Treat	1. Implement new Sprint 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 Sprint CRM. 5. Consider business wide rollout of a CRM system. 6. Consider appointing a supplier to provide a rebate portal.	Head of Commercial	07/03/2022 New Risk		High	Med
80	Procurement - Compliance	The Green Paper for Transforming Public Procurement contains areas of potential risk for ESPO. Lack of clarity around proposals at this stage adds to the concern. Main areas of concern are: Proposals for more flexible procurement procedures may devalue the protection afforded by frameworks. Customers may decide to procure themselves. More flexible procedures lacking detail - risk to ESPO if it attempts to pioneer use of these. Increased transparency rules bring greater administrative and compliance burdens and unclear expectations from Cabinet Office exposes contracting authorities to litigation risk.	Customers may choose to undertake their own procurements and not use frameworks - fall in rebate income. Risk of court challenge if new procedures used incorrectly. Current procurement structure may need reassessment to ensure compliance with transparency rules. Risk of being sued for inappropriate transparency or for not being transparent enough.	AD Procurement & Commercial	5	3	15	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 processes 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.	1. Fall down in number of customers using our frameworks. 2. Insufficient resource to manage increased administration required.	5	3	15	Treat	1. Develop ESPO's procurement strategy to take account of the newly released National Procurement Policy Statement 2. Work closely with LCC and other PBOs to develop joint approach. 3. Through chairmanship of the PBO forum ensure that representatives from the Cabinet Office attend to provide regular updates on policy in relation to the Procurement Bill developmental 4. Ensure that ESPO has representation on the planned Cabinet Office training advisory body for new procurement rules - push for central funding. 5. Put in place an ESPO procurement steering group to support the transition to new ways of working 6. Ensure adequate legal resource is in place from LCC to support the transition to new procurement rules.	AD Procurement & Commercial		15/11/2022 No change in respect of Bill progress. Procurement Steering Group now working through White Paper as a working group to redesign processes and possibly structure to ensure readiness.	High	High
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 Procurement & Commercial	4	4	16	Treat	1. Working with suppliers and customers to improve the 'offering', facilitating this relationship through capturing and using business intelligence and managing this 'knowledge'. 2. Continue seeking efficiencies through international sourcing 3. Amazon: Continue to market our 'not for private profit' credentials and continue to craft our ranges to offer the very best solution to all tiers of education from our stock and direct position. To explore collaboration with our PBO neighbours to ensure opportunities are not missed in securing market share dominance on key lines such as paper, glue sticks and exercise books. 4. Website Development. 5. Use of BESA benchmarking for ongoing market share data. 6. Continue to make frameworks easier to access. 7. Develop ETL framework offering for diversity of customer base.	1. Changes to key customers' buying (as highlighted at Weekly Trading) 2. Fluctuations in rebate income (as highlighted at Weekly Trading) 3. Stalling of e-commerce uptake trends (as highlighted in IT update) 4. Amazon: Reduction in traditional stationary and direct electrical item sales at category level. 5. Termly customer research and feedback 6. Competitive mapping for frameworks, including new threats from Bloom and CCS expansion. 7. Staff migration to competitors.	5	2	10	Treat	1. Review loyalty scheme - increased requirement on income streams 2. Robust sales and marketing strategy to be developed to reflect the heightened competition in this sector and to support the revised MTFS. 3. Review of Customer Offer 4. MATS package 5. Review termly research. 6. Keep a close eye on developments in the market & particularly on CCS & Amazon. 7. Continue to look out for member authority frameworks that duplicate ESPO's offering. 8. Keep abreast of speculative frameworks that could take business from ESPO frameworks. 9. Continue to explore and maximise exporting opportunities. 10. Review approach to recruitment and retention of key procurement/commercial staff. 11. Consider bidding for the CCS tail spend tender issued in June 2021	AD Procurement & Commercial	Ongoing	01/03/22 Reviewed - no updates.	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	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	1. Weekly stock availability reports with supplier shortages and failed customer orders. 2. Weekly staff sickness records attributable to the coronavirus. 3. Weekly trading analysis • Continued enforcement of existing controls by managers • Continued staff briefings and reminders. • On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC.	4	4	16	Treat	1. Align staff policies to LCC guidelines. 2. Assess trading impact on financial forecasts. 3. Understanding of alternative sources of catalogue products. 4. Regular meetings of the internal team 5. Ongoing communications with all relevant parties through web site, weekly comms and formal reports. 04.03.2020 ESPO update on Coronavirus Report discussed at Mgmt. Committee. 06.03.2020 Teleconference with LCC. • All risk assessments and guidance fully aligned with LCC. • Internal meetings took place regularly during height of pandemic. Frequency reduced due to new	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

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