Appendix

Eastern Shires Purchasing Organisation
Business Strategy Review
Outline Implementation Programme

Draft V0.9

1. Background and Purpose of Report

The ESPO Management Committee undertook a fundamental review of the role and purpose of ESPO. The aims of the review were to assess:
- The anticipated future role of ESPO;
- The value of partnering with ESPO for the Member Authorities;
- The appropriateness of the current business strategy;
- The potential future strategic options for ESPO.

This resulted in a revised Vision and service model being proposed together with a number of recommendations to improve the operational efficiency and effectiveness of ESPO.

This report sets out the arrangements, key deliverables and programme plan for implementing these recommendations with the purpose of:

- providing a firm foundation for the delivery of the Implementation Programme;
- ensuring that the scope of the Programme is sufficiently comprehensive and includes the delivery of those activities already underway as part of the Interim Director's 6-month Plan (given the dependencies involved);
- seeking approval from the ESPO Management Committee for the initiation and launch of this Implementation Programme;
- identifying next steps.

2.Programme Definition

2.1 Vision

To help position ESPO to achieve the proposed organisational Vision[1] as follows:

> '***ESPO is recognised by its stakeholders as one of the leading centres of procurement solutions in meeting local community needs.'***

> *'We will bring vibrant mix of commercialism, market insight, category expertise, and best practice sourcing. ESPO will work in partnership with Member Authorities, its customers, Pro5, and other partners, to engage markets and thereby achieve optimum outcomes for the benefit of its customers. ESPO will proactively challenge current practice, serving as a focal point for Member Authority collaboration, bringing leadership and articulating new commissioning and sourcing strategies'*

2.2 Objectives/Key Priorities

Priority 1 - Supporting Member Authorities to deliver their strategic objectives and priorities, particularly in relation to enabling the delivery of efficiency savings.

Priority 2 – Reducing Member Authorities' exposure to risk and providing greater transparency and accountability for decision making.

Priority 3 – Demonstrating and improving confidence in the business efficiency of ESPO, measured by achieving the agreed percentage return on investment of resources employed, and demonstrating year on year efficiency improvements.

2.3 Success Criteria

The success criteria will be agreed with Member Authorities and ESPO. These will be used to monitor the effectiveness of the Programme on an ongoing basis and also following the Programme's completion.

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[1] Draft Vision statement proposed in ESPO Outline 4-year Strategy

3.Programme Organisation
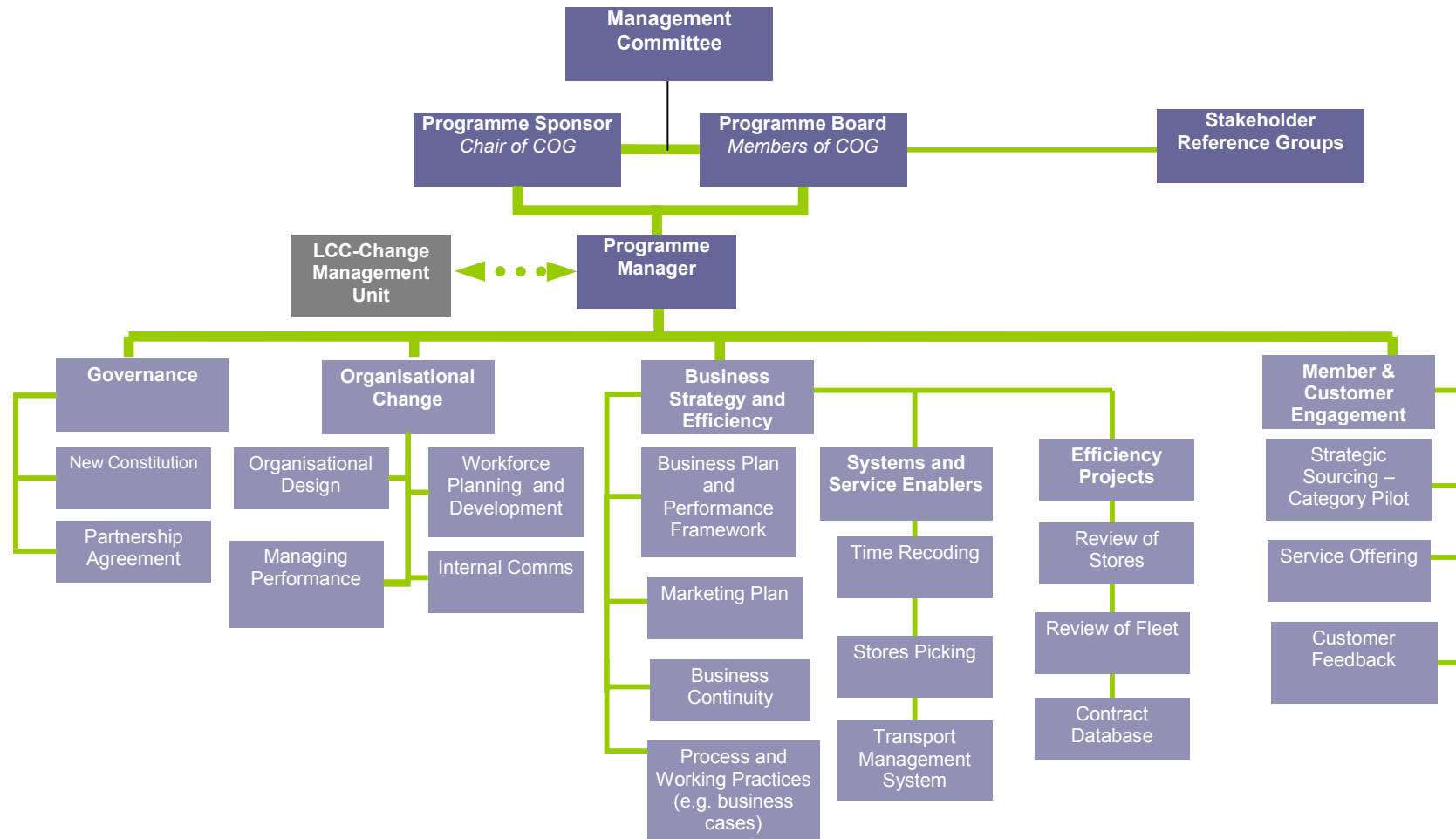
4. Project definition

4.1 Governance Workstream – Lead: Suzanne Burrell (Warwickshire County Council)

This workstream supports the delivery of Key Priority 2 to provide a robust risk management framework covering the following:

- **New Constitution**
- **New Partnership Agreement and other legal documentation**

The approach to this workstream will involve seeking agreement from Member Authorities to the key principles for each key document prior to undertaking any detailed work.

4.2 Organisational Change (People and Performance) Workstream – Lead: Simon Nearney (Leicestershire County Council)

This workstream supports the delivery of key priorities 1 and 3, which is focused on developing ESPO business strategy and improving business efficiency, and providing an effective service offering to enable Member Authorities to deliver efficiency savings. The deliverables comprise:

- **Organisational Design:** this includes defining a new organisational structure and undertaking an organisational review, updating job roles and competencies, applying the pay and conditions of Leicestershire County Council (LCC) and reviewing the staff bonus scheme;

- **Managing Performance:** this includes applying the same absence management system and processes as those of LCC, introducing a time recording system, Performance Development Review (PDR) and supervision framework. Also Reward and Recognition - reward and incentivise staff through systems other than pay;

- **Workforce Planning and Development:** this will include succession planning and will link into and strengthen the Performance and Development Review process, will look at what

competencies and capabilities are required and what learning and development is needed to support these. This will review and clarify the knowledge critical to ESPO's business in terms of the organisation, Member Authorities and customers and business processes and how this knowledge will be captured and shared across the organisation (links to Member and Customer Engagement and New Service Offering);

- **Internal Communication:** this will include defining and establishing effective internal communication mechanisms such as Staff/team briefings, Internal newsletter/bulletin, Intranet.

4.3 Business Strategy and Efficiency Workstream – Lead: Dave Summersgill supported by Nick Dawe (Cambridgeshire County Council)

This workstream supports the delivery of all 3 key priorities and is focused on developing ESPO business strategy and improving operational efficiency. The deliverables, which will need to be prioritised as part of the programme planning session (see section 5), include:

- Business Plan and Performance Framework – this includes the delivery of collaborative opportunities where appropriate and the use of a category management approach across ESPO and all Member Authorities;
- Marketing Plan;
- Efficiency Projects – this includes the review of stores and logistics operations, and 40 efficiency opportunity projects (see Appendix). The management of the efficiency projects will be overseen by ESPO's Senior Management Team (SMT) and will only be reported to the Programme Board on an exception basis and in terms of cashable and non-cashable savings achieved;
- Processes and working practices - includes business case assessment and management of business risk, procurement compliance, contract management, financial management, standardised back office procedures and templates;
- Business Continuity Plan (including Business Impact Assessment);
- Improved management information, such as CRM.
- Installing a time recording system;
- Installing aproject costing system;
- Installing a stores picking system;

- E procurement - expanding the technical infrastructure to support the development of e-procurement through e-tendering, e-ordering and e-invoicing and improved lean invoice handling and matching, scanning & automated workflow
- Installing a transport management information system;
- Contracts database – evaluating the current contracts database (Consys) to determine whether the system will need replacing or enhancing;
- Oracle E-Business Suite - an assessment of the suitability of the servicing authority's platform for use by ESPO.

4.4 Member and Customer Engagement Workstream – Lead: Sharon Cuff (Lincolnshire County Council)

This workstream supports the delivery of key priority 1, which is focused on ensuring ESPO is able to provide effective solutions to Member Authorities, enabling them to achieve their strategic objectives and priorities, particularly in relation to the achievement of efficiency savings. The deliverables comprise:

- HR Category Pilot – developing a new collaborative approach to sourcing to be tested and developed on a pilot basis;
- Development of ESPO Service Offering and commercial framework;
- Customer Feedback - performance monitoring and feedback framework.

5.Programme plan

The Programme Plan, which will set out the major activities, milestones, dependencies and associated risks, will be developed following an initial programme team 'kick off' meeting with workstream leads and other stakeholders. A draft Plan will then be included in the Programme Initiation Document for Member approval.

Pending this 'kick off' event, work will continue on the following interim/tactical activities:

- Development and agreement of an Outline Business Strategy and 4-year Plan (due to be considered at ESPO Management Committee on 24th June 2011);
- Development and introduction of a Business Case assessment and approval process to manage business risk (due to be considered at ESPO Management Committee on 24th June 2011);
- Further implementation of the Interim Director's 6-month plan (April – September 2011);
- Roll-out of absence management arrangements to ESPO's SMT;
- Roll-out of the PDR process to ESPO's SMT;
- Progressing the HR Category Pilot (initiated by the ESPO Senior Officer Group);
- Recruitment of the Assistant Director (Finance).

6. Dependencies

There are a range of dependencies which need to be managed as part of the Programme, as follows:

- The development of an Outline Business Strategy and 4-year Plan (due to be considered at ESPO Management Committee in June 2011)
- Approach being developed to the management of business risk (due to be considered at ESPO Management Committee in June 2011) and also business continuity
- The recruitment of a new Director (process to be initiated following approval of ESPO Management Committee)
- The resource availability in Member Authorities for helping to support this transformational change
- Interim Director's 6 month work plan (March – September 2011) – additional components include:
    - Strengthening Management Information, development of team and segment targets (links to Business Strategy and Efficiency workstream)
    - The development of a marketing strategy/marketing plan (links to Member and Customer Engagement: New Service Offering)
    - The recruitment of a new legal post to supplement current legal support (links to Governance and Legal and Organisational Change)
    - The imminent retirement and recruitment of an AD (Finance) (links to Organisational Change)
    - The retirement of the AD (Operations) in early 2012 (links to Organisational Change)
    - Projects already underway to improve ESPO's internal operating efficiencies (links to Business Strategy and Efficiency)
    - Commencement of PDR process, skills matrix/competencies (links to Business Strategy and Efficiency)
    - Business Continuity (links to Governance and Legal and Member and Customer Engagement: New Service Offering)

7. Programme resource requirements

7.1 Programme Manager

Appointment of a part-time Programme Manager, which will link to Leicestershire County Council's corporate Change Management Unit.

7.2 Workstream Leads

Projects/workstream leads have been confirmed as follows:

- Governance and Legal - Suzanne Burrell
- Organisational Design – Simon Nearney
- Business Strategy and Efficiency – Dave Summersgill (with support from Nick Dawe)
- Members and Customer Engagement – Sharon Cuff

7.3 Programme Support

Leicestershire County Council's Change Management Unit will provide programme management support. Input from key support services will be required, i.e. HR/ICT/Finance/Legal. In addition, Quality Assurance will be provided by Deloitte through Leicestershire's framework agreement.

8. Programme Governance

8.1 Management Committee

The ESPO Management Committee will have oversight of the delivery of the Implementation Programme. Members of the Management Committee will receive regular updates through monthly highlight reports. The Management Committee will be supported by an operational Programme Board.

8.2 Programme Board

The Programme Board will be the Chief Officers Group.

8.3 Role of the Programme Board

The Board is responsible for implementation of the Programme through:

- Monitoring progress - against a high-level programme plan;
- Agreeing/quality assuring key programme deliverables and products
- Managing programme-level risks;
- Managing programme-level issues;
- Committing (or sourcing from elsewhere) resources required by the Programme to enable the activities to be successfully achieved.

8.4 Programme Sponsor

The programme sponsor will be the Chair of the Chief Officers Group.

8.5 Role of the Programme Sponsor

The Programme Sponsor, supported by the Programme Board, is responsible for:

- Owning the overall vision and strategy for the programme;

- Reporting progress to the Management Committee and to the Consortium Secretary;

- Acting as the programme 'champion' providing clear leadership and direction for the duration of the programme;

- Securing investment required to set up and run the programme;

- Accountability for the governance arrangements of the programme;

- Managing the interface with key senior stakeholders;

- Managing strategic risks;

- Commissioning and ownership of reviews to establish the project's continued alignment to objectives, capability to deliver and realisation of benefits; and

- Managing and supporting the Programme Manager.

8.6 Programme Manager

To be appointed.

8.7 Role of Programme Manager

The Programme Manager is responsible, on behalf of the Programme Sponsor, for the successful delivery of the Implementation Programme. Specific responsibilities include:

- Planning and designing the programme and resolving issues as appropriate;
- Managing the overall integrity and coherence of the Programme, co-ordinating the workstreams/projects, their interdependencies and any risks and issues which may arise;
- Managing the programme budget;
- Ensuring the deliverables are achieved;
- Reporting progress at defined intervals through the governance arrangements.

9. Programme Budget

It has already been agreed that the implementation of the Review's recommendations will be provided through a combination of existing resources (financial and staff) of ESPO and Member Authorities supplemented with additional internal and external resources, as required.

The Management Committee has approved a budget of £750,000 in 2011/12 for this programme of change (£300,000 for general support, e.g. interim structural changes and £450,000 for the invest-to-save warehouse project). In addition, it is proposed that a further allocation of £400k be approved to support the implementation of the Review (see Joint Report of the Interim Director and Consortium Treasurer, 'Outturn 2010/11, ESPO Management Committee 24 June 2011).

10.Programme Reporting Arrangements

10.1 Management Committee

Reports to the Management Committee will be made on the following basis:

- Monthly highlight reports from the Programme Manager;
- Quarterly reports to the Management Committee meetings.

10.2 Programme Board

The Programme Board will meet monthly and will receive highlight reports on progress from the Programme Manager. The Programme Sponsor will ensure that the Consortium Secretary is updated on progress, in conjunction with the Interim Director.

10.3 Stakeholder Reference Groups

There will be two separate groups as key stakeholders in the Implementation Programme: a staff group and the ESPO Senior Officer Group.

Regular updates will be received together with opportunities for involvement through supporting the workstream leads.

10.4 Communications Plan

A Communications Plan will be developed at the outset of the Programme.

11. Next Steps

The following next steps are proposed for Members' agreement:

- Approve the initiation and launch of this Outline Implementation Programme;
- Note that a 'Kick off' meeting is to be arranged for all workstream leads in order to confirm the programme plan and timescales;
- Approve the development of the Programme Initiation Document;
- Approve the appointment of a Programme Manager;
- Approve the recruitment of a New Director of ESPO. It is estimated that the recruitment process may take 3 months to conclude from the initial advert to the appointment (excluding any notice period for the successful candidate) ;

Appendix

1. Installation of Photovoltaic Roofing
2. Building Energy Efficiency/Warehouse Lighting
3. Evaluation of Stores Picking System
4. Viability of Returnable Cartons
5. Evaluation of Stock Replenishment Systems
6. Quality of Stores Packing – Impact on Drivers
7. Review of Expediting Function
8. Fuel Management
9. Reduction in Vehicle Damage Costs
10. Use of Agency Drivers
11. Fleet Quality
12. E-Orders
13. E-Invoicing
14. Maximising 14 Day Cash Discounts
15. Document Storage
16. Standardisation of Procurement Documentation and Processes
17. Evaluation of Consys
18. Evaluation of E-tendering System
19. Evaluation of E-Auctions
20. Centralisation of Contracts Section
21. Update Current Website Content
22. Website – Redevelopment
23. Intranet – Update
24. Intranet – Redevelopment
25. Go Green Initiative/Energy Savings
26. Stock Forecasting and Demand Management
27. Review of CRM Management
28. Strategic Procurement and Commissioning Contracts Monitoring plus Future Income
29. Risk and Business Continuity
30. Secure Bicycle Shelter
31. Reintroduction of the Suggestion Box Scheme
32. Sickness and Absence Management
33. Wider Management Team Meetings
34. Staff Development including Personnel Development Reviews (PDRs)
35. Personnel Function Review
36. Performance Management/Business Intelligence
37. Replacement of GEMS
38. Recruitment Online – Project Completed

39. Warehouse Christmas Closure
40. Review of Scheduled Customer Deliveries/Delivery Costs/Efficiency
41. Review Sustainability of Welsh operation