



ESPO MANAGEMENT COMMITTEE – 24 JUNE 2011

AGENDA ITEM NO. 8

PROGRESS REPORT OF THE INTERIM DIRECTOR

Purpose of Report

1. The purpose of the report is to update the ESPO Management Committee on the action and progress made since the last Committee Meeting on 25th March 2011.

Background

2. Since my last Progress Report work has continued across a number of fronts. Work continues on the initial efficiency and improvement projects as well as shaping the actions from the Review. The items highlighted below are intended to follow up on previous reports and to reassure Members of the continued drive to improve overall performance.

Update on MSTAR

3. Since the award of the Managed Services for Temporary Agency Resources (MSTAR) contract, considered at the 25th March meeting of the Management Committee, there have been eight regional presentations to launch and explain the contract.
4. A number of authorities have come forward as 'early adopters'. Included in these are five London Boroughs preparing a joint tender with a potential turnover of c£100m pa, two councils preparing a joint mini-tender in South West England, county councils in the Midlands and North West England, and a number of district councils.

Update on Energy

5. Since consideration of the Frameworks for the Supply of Gas and Energy at the 6th December 2010 meeting of the Management Committee, awards have now been made in respect of the tenders for the supply of gas and electricity to be supplied from 2012. As previously reported in my progress report to the 25 March meeting of the Management Committee, ESPO sought bids in collaboration with ESPO's Pro5 partner, Laser, a London and SWE based consortium. The total combined portfolio accounts for approximately one third of local government in England. The contract for the supply of gas during the four years commencing April 2012 to Total Gas & Power was reported to your March committee meeting

6. Awards have now been made in respect of both the Half-Hourly and Non Half-Hourly metered electricity contracts which commence October 2012 for a four year period. The successful supplier is Scottish & Southern Energy who currently provide ESPO's electricity requirements.
7. Following these awards ESPO is now contacting all organisations who utilise the energy contracts with a new service agreement, asking for a commitment to these contracts between 2012 and 2016.
8. Consistent with the price risk management strategy the entire gas portfolio (April 2011 – March 2012) has been purchased, resulting in an overall increase in wholesale gas cost of 7.63%.
9. Power for both electricity portfolios, non half-hourly (NHH) and half-hourly unmetered supply (HH/UMS), is still being purchased and the aim is to complete this for the year starting October 2011 within the next two quarters. The volumes currently 'locked out' are:

NHH: 62.5%
HH/UMS: 57.7%

Update on Interim Management Structure

10. The temporary arrangements to strengthen senior management with the appointments of two interim Commercial Managers, outlined in my previous Progress Report to the Committee are now in place and information outlining the changes has been sent to all Member Authorities. The two posts have strengthened the ability of the management team to plan and communicate the changes I have proposed and some of these are discussed below. In particular this is enabling the development of a marketing plan and the structuring of a 'back office' to improve project management efficiency and mitigate risk through a compliance process. This is discussed elsewhere on the agenda of this Committee under Item 11.

Update on HR and Training

11. Two trainee buyers joined the organisation on 6th June 2011. A trainee induction pack has been prepared. Changes to the current approach to the management of trainees will include supporting them through a mentoring process.
12. A mapping exercise across the Buyer Progression Scheme to match grades with competences and experience has been completed. This is intended to ensure a clear, fair and equitable approach to the buyer career grade.
13. Training for managers in Attendance Management and the Performance Development Review (PDR) process has been completed. A more structured training plan is now being prepared.

Update on Efficiency Savings

Warehouse Order Picking System - Indigo

14. Following Management Committee approval at its last meeting to approve the expenditure of £450k 'invest to save' funding from the 2010/11 Operating Surplus for a Warehouse Order Picking System, I can confirm that I am proceeding with the purchase of the Indigo "InterActive Warehouse 'RealTime'" system which is software that wraps around the current Infor System 21 Aurora software, which has been in operation for 15 years.
15. The use of 'paperless' picking, with instructions issued directly to individual 'Radio Data Terminals' held by all active direct operators and with supervisors being able to see current work planning data updated on screen in real time, enables us to revise the working arrangement and physical work flows to remove ineffective and lost time from the routines of many staff. Obviously it does not remove the need for staff to select and count the items that are ordered from the 11,000 individual picking locations around the warehouse and place them in the appropriate location for packing (if necessary) or ready for despatch.
16. The revised routines will allow the opportunity to pick directly into returnable containers that can be used for most regular customers, thus removing both the packaging time from the process, and the packaging materials that are used only once, and effectively wasted.
17. The current workload through the warehouse is seasonal, with additional staff taken on as necessary through the summer months. In the past some have been retained each year to meet the continued growth of the business or replace permanent staff who retire/leave for other reasons.
18. As the changes to procedures will be made in the period of the year when demand through the warehouse is lowest, the savings in staffing costs will be achieved as a consequence of any staff who leave in summer/autumn 2011, or spring 2012 not being replaced, and fewer temporary staff will be required to meet the seasonal output in spring/summer 2012.
19. The elimination of paperwork will make the planning process more flexible, thus facilitating an improvement in customer service. The use of bar code readers will improve accuracy of picking in the warehouse and reduce errors, thus again improving customer service and satisfaction, as well as reducing the costs elsewhere in the organisation that deal with correction of errors etc.
20. System testing will commence during August 2011 and 'Go Live' is planned for November 2011.

Warehouse Christmas Closure

21. Negotiations are well advanced with the unions with regard to closure of the warehouse at Christmas. Staff will now take two days' annual leave during Christmas 2011, to ensure a more efficient use of resources and staff taking leave to suit the needs of the business. Plans are in place to ensure deliveries to customers will be unaffected by this change.

Lighting

22. Improvements in warehouse lighting, both to improve the quality of lighting and lower maintenance and energy consumption, are ongoing. Initial energy savings are shown below:

Electricity Consumption ESPO Building					
		Units Kwh			
		Savings	%	Comments	
					Launched Go-Green - increased general awareness of waste, switch off!! Reset pc screens, printers etc
January	day	7,327	9.7	Warehouse Lighting - Changed 77 250w metal Halide Hi level lamps in pallet racking to 160w T5	
	night	1,456	7.7		
February	day	4,980	7.1	Warehouse Lighting - Changed 15 400w Hi Bay metal Halide to 100w Led	
	night	1,373	8.0		
March	day	2,921	4.1		
	night	665	3.9		
April	day	7,779	12.3	Warehouse Lighting - Changed 30 400w Hi Bay metal Halide to 100w Led	
	night	2,007	12.6		
May	day	4,638	7.2		
	night	1,872	11.5		
June	day			Warehouse Lighting - Changed 18 400w Hi Bay metal Halide to 100w Led	
	night			Set ambient light/presence controls on aisle lighting	

Early Payment Discounts

23. Settlement discounts received in April and May 2011 amounted to £23,383 which is 24% (£4,573) higher than the same two month period last year. Existing contracts have been reviewed to ensure ESPO takes full advantage of discounts offered in suppliers' tender submissions and we are continuing to update our records with any further changes following contract renewals.

Stock Replenishment

24. We are currently reviewing the process and functionality of stock replenishment, and the use of IT. This covers looking at the methodology and utilisation of software, as well as where the function should lie (within Stores operation or with buyers), with the intention of better management that should reduce stock levels without impacting on service delivery.

E-Orders

25. One of the targets for this year is to increase e-orders from 10% of total orders to 25%. Customers can broadly be segmented into corporate centres, schools, and 'other'; each potentially requires a different approach.
26. With Pro5 we have been exploring the feasibility of using IT systems that can be accessed by schools. Currently there are funding and cost related issues.
27. Our own software and system have been modified to convert pdf orders to xml files. This will allow orders from corporate centres to flow directly into ESPO's back office for easier processing.

Website

28. Work has begun on redeveloping the ESPO website. The intention is to improve its functionality and to enhance ESPO's image and profile.

Working with Pro5 and Buying Solutions

29. Approximately four years ago under the aegis of the former Office of Government Commerce (OGC) the Pro5 Directors met regularly with the former Head of the OGC, the Procurement Delivery Director for OGC and the Chief Executive Officer of Buying Solutions, in an attempt to establish whether there was any possibility of Pro5 collaborating with Buying Solutions.
30. Despite Pro5's genuine attempts at collaboration with Buying Solutions it was apparent that Buying Solutions was only interested in undertaking the procurement and seeing Pro5 as being the

customer facing arm (i.e. the marketing limb) of Buying Solutions in the local government sector.

31. As a consequence Pro5 effectively abandoned attempts to work jointly with Buying Solutions and invited the OGC to establish a local government Pro5 Forum. It was on that basis that regular meetings were then established.
32. As a consequence of joint working with OGC, it was possible to create local government interest groups beneath the OGC's Collaborative Category Boards (CCBs) that had been established in the key markets. It was also important to note that the local government groups were not subservient to the main CCBs and it was accepted that the local government groups would operate fundamentally for the benefit of the local government sector and would simply advise the main CCBs of their preferred approach. This resulted in the development of the Local Government Professional Services Group which saw good work developed in the Consultancy Value Project, the production of guidance documentation and of course the Managed Service solution for Temporary Agency Resources (MSTAR).
33. Under the new Coalition Government, the Minister for the Cabinet Office, has been supportive of the Sir Philip Green Review, which strongly reinforced the need for central government to push forward with its centralising of category procurement. That work remains central to the government agenda for procurement. With the departure of the CEO of Buying Solutions, the Procurement Delivery Director for ERG (ex-OGC) has taken interim control with the remit to effectively transform Buying Solutions into a leaner and more cost effective organisation at the centre of the central government procurement requirements.
34. The interim CEO has made it clear that he wants to collaborate with Pro5 and the wider public sector whilst focusing Buying Solutions on the demands of central government. It is clear that there are mutual benefits to both central government and the local government sectors for further and increased collaboration and aggregation to obtain greater leverage in key markets to the benefit of the whole public sector.
35. In March it was agreed that the Pro5 Category Teams would be 'mapped' against the existing Category Teams of Buying Solutions to establish where the synergies lie and to ensure that there is adequate dialogue and engagement on a reciprocal basis where appropriate. It has been made clear that although ERG sees Buying Solutions as the major vehicle for central government procurement, the organisation's market engagements would still be widely procured so as to enable participation by the wider public sector where appropriate. However the future for Buying Solutions is now to rely more heavily on E-enablement in terms of both marketing and access to contracts

36. Buying Solutions intends to establish a common commodities theme across all central government departments to standardise on specifications and to significantly rationalise the existing supply base. The interim CEO aims to vastly reduce the cost base of the organisation which will result in a considerable reduction in people numbers and provide a much leaner, more efficient and performance managed Buying Solutions.
37. Working with Pro5, Buying Solutions intends to rationalise its current contracts, to focus on central government, but where synergies are available across the whole of the public sector to work with them. There will be more stakeholder engagement by Buying Solutions with Pro5's Category Teams to avoid duplication of effort. However it is recognised that Pro5 will have a far greater procurement influence within the local government sector and in terms of collaboration generally with Buying Solutions, if it could have a greater level of engagement with both the Department for Communities and Local Government (CLG) and the Local Government Association, to ensure a full understanding of the various 'policy issues' in markets such as Adult Social Care and Children's Social Care.
38. Examples of current collaboration are:
39. Since the conclusion of the MSTAR award ESPO has been approached by the ERG with a view to providing input as 'critical friends' to the central government's Consultancy and Contingent Labour Project which is being lead by Buying Solutions on behalf of central government.
40. The Pro5 Professional Services Category Team is working with Buying Solutions to map the Professional Consultancy needs around those already available from Buying Solutions.
41. The Pro5 Travel Category Team is looking at the work Buying Solutions has done with its well established Travel frameworks, which in future will focus on government travel but where such knowledge can be transferred to producing similar local government frameworks.
42. The Buying Solutions ICT Team is now working with the Pro5 ICT Category Team in order to share the benefits of a current market engagement for bespoke and complex software solutions that may be required within both central government, local government and the wider public sector.
43. Future joint work will include:
44. Once the joint framework agreement mapping of solutions has been completed the intention is to undertake a comprehensive benchmarking exercise to establish the benefits of the various

offerings and to look at those markets where competing frameworks currently subsist.

45. From an operational procurement perspective the intention is to move to a position where Pro5 and/or Buying Solutions can issue OJEU contract notices specifically identifying both central government and local government demand within a single market engagement. The customer facing activity for the local government sector would fall within the domain of Pro5 and this would avoid the previous confusions over competing frameworks.
46. Benchmarking, which will look at contract performance data and the costs of procurement (ie the costs of establishing the frameworks) and signposting Best Value solutions (whoever's framework that may be).
47. At a recent regional procurement event sponsored by the West Midlands Regional Improvement Partnership, ESPO (on behalf of Pro5) and Buying Solutions presented this more joined-up approach to collaboration and contract planning, confirming our intent to collaborate more fully with Buying Solutions in markets where it is clearly to the benefit of the local government sector.

Staffing Matters

Staff turnover

48. There have been 29 leavers since April 2010 (including 10 retirees), split divisionally as follows:

Operations:	22	(8 retirees and 1 Death in Service)
Strategic	2	
Commodity	4	(1 retiree)
Finance & IT	0	
Management	1	(1 retiree)

This equates to a staff turnover of 5%.

Time Monitoring/Resources

49. This involves the review and assessment of how staff are used within the organisation to achieve a better understanding of how projects are planned, resources allocated and managed, and costs allocated to each stage of the project. By designing a recording mechanism it will enable staff utilisation to be better managed and accounted for, and will determine the level of staff resources needed to ensure timely delivery of future projects.
50. Initial proposals will look at resource allocation, activities on projects and staged processes, with the end focus on managing project resources and costs. The immediate issue is to address the range of skills needed/used to manage a variety of job elements.

Programme of Work

51. A Human Resource (HR) Category Pilot project has begun with all Member Authorities, under the leadership of Lincolnshire and with the intention of going to market through one market engagement, but with a potential variable outcome through a number of 'lots'. Categories under consideration include Learning and Development, Recruitment (permanent and temporary staff), and Employee Care and Welfare. Information gathering is currently underway to identify gaps in Member knowledge and market intelligence, scope out a baseline position and identify existing contractual arrangements. This stage will be completed by the end of June. The intention is to present a report to the Management Committee in September 2011.
52. The key contracts due for renewal form part of the Management of Business Risk report shown elsewhere on the agenda.

Audit Log

53. Since the Management Committee meeting in March 2011, I have updated the Audit Log to take account of completed actions (see Appendix 1, attached).

Resources Implications

54. There are no resource implications additional to those previously reported.

Conclusion

55. As highlighted in other reports on the agenda there are significant developments taking place within ESPO. These are intended to continue over the next few months as part of the ongoing improvements to ESPO's operational performance.

Recommendation

56. Members are asked to note and approve the content of this report.

Equal Opportunities Implications

57. None

Risk Assessment

58. Carried out for each project on an individual basis as necessary.

Background Papers

59. Report to ESPO Management Committee – Frameworks for the Supply of Gas and Energy – 6th December 2010;

Report to ESPO Management Committee - National Temporary Staffing Framework (MSTAR) – 25th March 2011;
Report to ESPO Management Committee - Progress Report of the Director – 25th March 2011.

Officer to Contact

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Appendices

Appendix 1 - Audit Log