



**ESPO MANAGEMENT COMMITTEE – 24 JUNE 2011**

**AGENDA ITEM NO. 6(a)**

**REVIEW OF ESPO'S BUSINESS STRATEGY**  
**PROJECT CLOSURE REPORT**

**REPORT OF THE CONSORTIUM SECRETARY AND**  
**TREASURER**

**Purpose of Report**

1. The purpose of this report is to seek formal agreement to close the Review of ESPO's Business Strategy.

**Background**

2. This Member-led review was initiated at a special meeting of the Management Committee on 24 September 2010. Deloitte was subsequently engaged to undertake the Review following a competitive tender exercise.
3. The purpose of the Review was to assess:
  - the anticipated future role and purpose of ESPO;
  - the value of partnering with ESPO for the Consortium Authorities;
  - the appropriateness of the current business strategy;
  - the potential future strategic options for ESPO.
4. A three-phased approach was adopted to the Review with Member Workshops taking place during each phase:
  - Phase 1: Review of evidence and information (November/December 2010);
  - Phase 2: Consultation and developing options for service delivery (January/February 2011);
  - Phase 3: Options report with recommendation and transition plan (March 2011).
5. Support was also provided by the Chief Officer Group (COG) to assist the Review process with specialist support being provided by a COG subgroup:
  - Commercial: Norfolk County Council
  - Finance: Cambridgeshire County Council
  - Legal and Governance: Warwickshire County Council
  - Procurement: Leicestershire County Council

## **Project Objectives and Achievements**

6. A comparison of the areas within the project scope and actual achievement are shown in Appendix A. This shows that all the original project objectives have been achieved either as part of the Review itself, or as a result of activity undertaken by the Interim Director outside the Review (e.g. interim changes to ESPO's management structure, the introduction of a business process for the management of business risk and the development of a 4-year Business Strategy and Action Plan).
7. A copy of the final deliverables (i.e. reports for each Phase of the Review) is attached elsewhere on the agenda for this meeting under Item 17 (Exempt Report). which seeks the approval of the Management Committee to a new governance model for ESPO.
8. During the course of the Review, the following changes were made:

### **Phase 1**

- *Stakeholder Consultation*: The lack of availability of key stakeholders from across the Consortium Authorities and from customers and suppliers meant completing the stakeholder consultation in Phase 2. The feedback provided in Phase 2 served to validate the initial findings from Phase 1.

### **Phase 2**

- *Options Analysis*: This phase of the Review was expected to generate a range of options for the future development of ESPO. However Deloitte's findings indicated that there was broad consensus among Consortium Members of the future role to be played by ESPO within the local government procurement landscape. Members therefore agreed that a single strategy and menu of service options (rather than an option appraisal) was more appropriate. Members' preference was for ESPO to focus primarily on meeting the different needs of Member Authorities.
- *Skills Survey*: The capability assessment questionnaire was completed by Leicestershire, Leicester City and Peterborough City councils and by ESPO. However the remaining Member Authorities were unable to complete the survey and provided feedback regarding skills and capacity gaps through the Consortium stakeholder days.

### **Phase 3**

- *Commercial Valuation*: Member Authorities agreed that the figures provided by the Interim Director, validated by the Servicing Authority, would be used instead of Deloitte undertaking a separate commercial valuation.
- *Timescales*: The Phase 3 report was originally scheduled to be presented to a meeting of the Management Committee on 24 March 2011. However, the report was instead presented to the Member Workshop in April 2011 to enable Members to focus on the Review findings, with the project closure report (this report) being presented to the Management Committee at this meeting.

## **Project Success Criteria**

9. During the initiation phase, a number of success criteria were identified for this project. The table below demonstrates that these criteria have been met:

	<b>Success Criteria</b>	<b>Actual Position</b>
1	Clarification of the role and purpose of ESPO for member authorities.	New vision and general direction of travel identified in Phase 2 report, section 4.3) to characterise the new ESPO being 'recognised as a leading centre of procurement expertise'. A single strategy and menu of service options was proposed to reflect the differing needs of Member Authorities.
2	A number of options are identified and outlined for the future of ESPO.	Broad consensus was achieved on the role to be played by ESPO and it was therefore agreed that a strategic options appraisal was no longer appropriate (Phase 2 report, section 2.5.2). Menu of service options was identified and defined in Phase 2 report (section 4.3) and in Phase 3 report (section 3.3)
3	Those options are understood by Member Authorities	Member Workshops (March and April 2011) explained ESPO's target operating model and built an understanding of and agreement to the proposed approach.
4	Achievement of broad agreement among Member Authorities of the merits of each option.	At the Member Workshop in March 2011, Members agreed to support a new ESPO offering a menu of service options with significantly strengthened performance, risk and financial management arrangements, underpinned by more transparent governance and decision making.
5	A detailed plan for the implementation of the preferred option.	The Implementation Plan was provided in the Phase 3 report. The Member Workshop in April 2011 agreed the proposed strategy and implementation approach.

## **Immediate Actions**

10. At the Member Workshop in April 2011, Members agreed that:
- *a new governance model should be proposed* for agreement by the Management Committee on 24 June 2011 as part of the Review 'sign off', with a view to the revised model being in place at the next Management Committee meeting in September. This should include:
    - a revised membership for the Management Committee – 2 designated Councillors from each Consortium Authority, one of whom, should be drawn from the Executive;
    - meeting on a quarterly basis rather than on three occasions per annum.

- *work should begin on a new outline 4-year Business Strategy* for ESPO, to be presented to the Management Committee in June 2011 and finalised in September 2011;
  - *implementation of the revised Business Strategy* should be progressed through the following workstreams and project leads:
    - Governance and Legal (Suzanne Burrell, Warwickshire);
    - Organisational Design (Dave Summersgill, ESPO);
    - Operational Efficiency (Dave Summersgill, ESPO, with support from Nick Dawe, Cambridgeshire);
    - New Service Offering (Sharon Cuff, Lincolnshire);
    - Employee Pay and Remuneration (Simon Nearney, Leicestershire).
11. Separate reports on this agenda provide further information on the Outline Implementation Programme (agenda item 6b) and the new outline 4-year Business Strategy (agenda item 7).

### **Resources Implications**

12. The Review was undertaken by Deloitte for a fixed cost of £75k, which was agreed at the outset of the Review. Payments were linked to satisfactory completion of each stage of the Review. Separate budgetary provision has been made by the Management Committee for implementation, as detailed in a separate report on the agenda.

### **Recommendations**

13. The Management Committee is recommended:
- (a) To agree that the Review has been completed in line with the original project objectives and therefore to approve its closure;
  - (b) That the project's stakeholders be notified of the approval of project closure, and of arrangements for implementation of the outcome of the Review; and
  - (c) To thank staff in Member Authorities, key customers and suppliers and other stakeholders who have contributed to the Review for their involvement.

### **Equal Opportunities Implications**

14. An Equality Impact Assessment (EIA) will be undertaken during the implementation phase (which includes both service design performance and employment) to help identify any equality issues. Equality Impact Assessments have also been identified as a key operational document to help monitor, scrutinise and manage ESPO's operations.

### **Risk Assessment**

15. The Review has made recommendations for a new governance and risk management framework. This includes a process for evaluating the level of risk before ESPO takes on any work. A separate report on this agenda on the 'Management of Business Risk' (agenda item 10) provides further detail on the implementation of this approach.

### **Background Papers**

Joint Report of the Consortium Secretary and Treasurer to the ESPO Management Committee, 'Review of the Business Strategy for ESPO', 24<sup>th</sup> September 2010.

### **Officers to Contact**

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### **Appendix**

A - Comparison of Project Objectives and Achievements