



ESPO MANAGEMENT COMMITTEE – 3rd NOVEMBER 2011

AGENDA ITEM NO. 5

ESPO CHANGE PROGRAMME PROGRESS REPORT

REPORT OF THE CONSORTIUM SECRETARY AND CONSORTIUM TREASURER

Purpose of Report

1. The purpose of this report is to:
 - a) present the final draft of the Programme Initiation Document (PID) which sets out the scope, approach and delivery plan for the implementation of the ESPO Change Programme, for approval;
 - b) present an appraisal from the Legal and Governance Workstream that examines alternative legal structures for ESPO and to seek approval for its recommendations therein.

Background

2. The ESPO Management Committee, through its Business Strategy Review, undertook a fundamental review of the role and purpose of ESPO which 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.
3. An Outline Implementation Programme was approved at the 24 June 2011 meeting together with the development of the Programme Initiation Document for submission to this meeting (see Appendix 1 to this report), for approval.
4. In addition to the budgetary provision of £750k in 2011/12 previously agreed by the Management Committee in March 2011 for this programme of change (comprising £300k for general support (e.g. interim structural changes) and £450k for an invest-to-save warehouse project), an approved budget reserve of £0.4 million to support the implementation of the Review was approved
5. It was noted that the budget reserve would be inclusive of any costs arising from the further exploration of alternative governance models, particularly that of a Limited Company, within the Legal

and Governance Workstream, as requested by members to take place ahead of this meeting.

6. As a consequence a paper has been prepared by the Legal and Governance Workstream, which examines alternative legal structures for ESPO.

Change Programme and Preparation of the Programme Initiation Document

7. Programme planning took place with representatives of Member Authorities and workstreams and their leads have been confirmed and agreed.
8. The scope of the Programme has been structured to deliver the success criteria which were identified within the Business Strategy Review:
 - a) Ensuring the strategy is achievable and addresses the need for change;
 - b) Ensuring the ongoing strategic alignment of ESPO and the Consortium authorities;
 - c) Enabling significant savings for the consortium;
 - d) Managing ESPO's risk exposure transparently;
 - e) Having a strong governance framework to facilitate a collaborative and transparent relationship;
 - f) Achieving results rapidly;
 - g) Having a cost neutral plan of investment;
 - h) Raising the prominence of procurement within each member authority;
 - i) Developing/recruiting sufficiently skilled resources across the Consortium;
 - j) Providing an ongoing cost effective service; and
 - k) Using leadership to deploy resources to share best practices.
9. In order to achieve this, the following key deliverables have been identified:
 - a) Constitution- Revised legal structure to provide protection to Consortium Members so that the accountability and liability is clear and fair and that appropriate indemnities are provided.
 - b) Decision making (governance) and risk management- A new governance model to improve the transparency of the decision making process and management of risk.
 - c) Business model- A defined model of how ESPO creates, delivers and captures value for its customers. The process of business model construction will be part of the business strategy. This will represent core aspects of the business including purpose, revenue generation mechanism, strategies, infrastructure, trading practices and operational processes and policies.

- d) Organisational structures and capabilities- New ways of working considering the complex relationship between tasks, workflow, responsibility and accountability, and making sure these all support the objectives of the business.
 - e) Performance Management Framework- An integrated framework (corporate, operational and individual) that brings together the strategies, plans, policies and performance measures to continuously drive performance improvements and to deliver ESPO vision.
 - f) Category Management Approach- A common framework for implementing category management across all Member Authorities within the pilot category and providing a roadmap for rolling out the framework for other categories.
10. The programme management arrangement has now been established and is being supported by Leicestershire County Council Change Management Unit.
 11. The detailed delivery programme plan together with assigned roles and responsibilities and timescales is under development with the support of workstream leads from Member Authorities.
 12. An outstanding issue (see Appendix 3) is membership of a revised Management Committee. The Business Strategy Review recommended a committee comprising two members from each Consortium Authority, one of whom should be drawn from each Authority's Executive/Cabinet. The views of the Management Committee are sought.
 13. In addition, it will now be timely for the Management Committee to consider the recruitment of a permanent Director of ESPO.

Alternative Legal structures for ESPO.

14. The review of the alternative legal delivery models (attached as Appendix 2) undertaken by the Legal and Governance Workstream, led by Warwickshire County Council, examines the current structure of ESPO i.e. a Joint Committee against a corporate structure i.e. a company structure, and involved an examination of the following:
 - a) Powers;
 - b) Key issues;
 - c) Advantages and Disadvantages;
 - d) Financial implications; and
 - e) Key Considerations of the options available.

Conclusions from the review

15. The revised vision of ESPO concentrates on the holistic (not limited to financial) benefits the Consortium can deliver for its Members. It is therefore important to ensure that ESPO's legal structure moving forward can deliver ESPO's vision.
16. One of the main benefits the ESPO structure has for its Members is the fact that no EU procurement process is required when a Member wants to buy ESPO's goods and services; this is a benefit that Consortium Members wish to retain. On the other hand, a concern with the current structure is exposure to the risk of liabilities and the perception of financial uncertainty.
17. Based on the assessment undertaken to consider the legal delivery model, it has been established that a Joint Committee has distinct advantages over the Company structure and aligns with ESPO's vision. However, if the Joint Committee structure is retained, the issue of reducing the exposure to liability of members would need to be considered further, e.g. this could mean exploring either increasing or adding additional insurances to cover Consortium Members' risk exposure, putting further checks and balances in place to reduce the possibility of a risk arising in the first place, or creating additional reserves.
18. As the servicing authority, Leicestershire County Council carries greater exposure to risk than the other Member Authorities. Whilst the County Council is willing to continue in this role, all the above options for reducing that exposure should be fully explored.
19. It is suggested by the Legal and Governance Workstream across the Member Authorities that circumstances can and do change such that a corporate model (e.g. a company) should not be ruled out and that it may be beneficial to reconsider the issue at a later date. Further to discussion at the ESPO Chief Officer Group and recognising the need for work to be undertaken to establish the new governance arrangements and for a period of stability, it is suggested the corporate model could be further considered after a period of three years and that the group of officers within the Legal and Governance Workstream that has led the review of structures continues to work to improve the governance arrangements underpinning the Consortium.

Resources Implications

20. A budgetary provision of £750,000 plus a reserve of £400,000 has been allocated for this programme of change and to support its implementation.

Recommendation

21. The Management Committee is asked to:
- a) Approve the Programme Initiation Document for the ESPO Change Programme (attached as Appendix 1 to this report);
 - b) Note the outcome of the review of alternative legal structures for ESPO by the Legal and Governance Workstream (attached as Appendix 2 to this report);
 - c) To consider the recommendations from the Business Strategy Review to request each Member Authority to identify two Councillors (one of whom should be drawn from the Authority's Executive), to become members of the revised ESPO Management Committee from 4 March 2012;
 - d) Consequently to approve a revised Joint Committee governance model for ESPO [attached as Appendix 3 to this report) to be reviewed after a period of three years.
 - e) Approve the recruitment of a new Director of ESPO in order to continue the delivery of this programme of step change.

Equal Opportunities Implications

22. An Equality Impact Assessment (EIA) will be undertaken during implementation of the Programme (which includes service design, performance and employment) to help identify any equality issues.

Risk Assessment

23. One of the key priorities for the Programme is the reduction of Member Authorities' exposure to risk. The Programme therefore includes the provision of a robust risk management framework at strategic and operational levels.

Background Papers

Project Closure Report – Report to ESPO Management Committee, 24 June 2011;

Outline Implementation Programme – Report to ESPO Management Committee, 24 June 2011

Officers to Contact:

John Sinnott
Consortium Secretary
john.sinnott@leics.gov.uk
Tel: 0116 305 6000

Brian Roberts
Consortium Treasurer
brian.roberts@leics.gov.uk
Tel. 0116 305 7830

Suzanne Burrell
Senior Solicitor
suzanneburrell@warwickshire.gov.uk
Tel: 01926 418198

Appendices

Appendix 1 - ESPO Change Programme Project Initiation Document (PID)
Appendix 2 - ESPO Alternative Delivery Models Options Appraisal
Appendix 3 - Revised Joint Committee Governance Model