



**ESPO MANAGEMENT COMMITTEE – 2 MARCH 2012**

**AGENDA ITEM NO. 7**

**PROGRESS REPORT OF THE INTERIM DIRECTOR**

**Purpose of Report**

1. To update Members on developments since the Committee last met on 3 November 2011.

**Background**

2. Since the last Committee meeting key management time has focused on communicating and discussing with staff the new employee terms and conditions; risk management; and preparing the budget for 2012/13 (discussed elsewhere on this agenda under item 6). This report summarises action in these and other key areas.

**Staffing**

3. The recruitment for the new Director has commenced with the intention of appointing in April 2012.
4. A new Assistant Director – Finance was appointed and commenced work on 6 February. The retiring Assistant Director has agreed to remain to the end of April to ensure a smooth handover at a peak time for Finance (budget, year end accounts, and the development of the Medium Term Financial Plan).
5. Our Assistant Director – Operations will be retiring in April/May 2012 and his replacement is in the process of being recruited.

**Structure**

6. Work has now begun on creating a new structure for the organisation. The proposals are intended to support the evolving strategy and enable the organisation to be better able to respond to the challenges of the changing external environment and the diverse needs of our customers.

7. The structure is intended to support the following objectives:
- Demonstrate a clear golden thread of succession planning from the bottom to the top of the organisation. A buyer progression scheme has already been implemented and the structure will build on this, in particular to develop Senior and Group Buyers into a more management-oriented function;
  - Resilience: key skills are recognised and shared (an example is energy trading where skills will be lost over time to the private sector (higher pay), and this, where possible, is minimised by robust training;
  - Enables better project and performance management to be delivered;
  - Enables a more flexible use of staff resources, and thus enable the organisation to be more adept at responding to market opportunities;
  - Positioning ESPO as the facilitator/enabler between the customer and the market to enable improved understanding that will enable better outcomes for both parties;
  - Acknowledges the importance of understanding better customer needs;
  - Acknowledges that ESPO needs to do more to understand and influence the market ;
  - Ensures knowledge is captured and shared, both within the organisation and with our key customers;
  - Ensures risk management and compliance is embedded and sense checked through an independent 'arm' of the organisation.

It is intended that it will be finalised over the next 2-3 months as the Strategy document is completed.

### **Change Management Programme**

8. Since the mobilisation of the Programme, considerable progress has been made in all of the workstreams. In summary these are:
9. Work is progressing on the new Partnership Agreement. Key principles have been considered and were agreed by the Chief Officer Group on 16<sup>th</sup> February which will support the completion and agreement of the Partnership Agreement in autumn 2012. The outline Constitution, Statement of Works, Terms of Business for Suppliers and Customer Access Agreement documentations have been drafted, awaiting the finalisation of the Partnership Agreement for further refinement and sign-off of these products.
10. The business strategy objectives were approved by the Management Committee on 3 November 2011. In order to ensure an evidence base for the development of business and marketing strategies, an external resource has been brought in to gather and analyse business data and market intelligence. (See paragraphs 28-31 below).

11. Procurement business case and risk assessment tools have been developed and standard operating procedures completed and implemented to minimise risk exposure of ESPO and member authorities against any procurement risks. (see paragraphs 24-27 below)
12. The Medium Term Financial Plan is under development and the Asset Register has been collated and shared with the member authorities.
13. The Corporate Performance Management Framework, in the form of a Balanced Score Card, is in the early stages of development. A workshop took place in early February with ESPO's Senior Management Team to develop top level priorities for monitoring performance. The monitoring and reporting requirements of the Chief Officer Group and the Management Committee as defined within Deloitte review reports and agreed at Management Committee on 3 November 2011 will be taken into account, during the development of the framework.
14. Efficiency projects are progressing well against targets with key technology project implementations being well underway.
15. New organisational structure development is in progress with discussions being held with ESPO Senior Management Team. (see paragraphs 6-7 above)
16. The Employee Performance Management Framework has been implemented and Senior Managers have undergone Performance and Development Review (PDR) training. The training is now rolling out across all levels and PDRs will commence in the new financial year. The annual learning and development plan will also be developed.
17. Sub-category plans within the Category Management Workstream have been developed and spend analysis has taken place. The need for developing a common understanding of Category Management concepts required member authorities' category management staff to undergo training. Training needs were identified and suitable training sourced from the Chartered Institute of Purchasing. The Pilot has helped to drive closer relationships between ESPO and member authorities and identified opportunities for joint work in three of the four sub-categories that are being actively pursued.

### **Phonics**

18. You will already be aware that last year ESPO led, on behalf of Pro5, in undertaking a large procurement project for the Department for Education (DfE) to establish contracts and create a catalogue for the provision of Systematic Synthetic Phonics resources and training. The need for such resources and training arose following the DfE

publishing The Schools White Paper, *The Importance of Teaching* (Nov 10) which made a commitment to ensure there is support available for schools for the teaching of Systematic Synthetic Phonics as the best method of teaching reading. Synthetic phonics refers to an approach associated with the teaching of reading in which phonemes (sounds) associated with particular graphemes (letters) are pronounced in isolation and blended together (synthesised).

19. The White Paper made a commitment to provide government funding for all (approximately 16,400) schools with Key Stage 1 pupils, so that they can purchase high quality systematic synthetic phonics training and classroom teaching resources. Core criteria that define the key features of an effective systematic synthetic phonics scheme were published to help schools in selecting an effective programme. In April 2011, the Government announced that it was to provide up to £3,000 of match-funding for individual schools to be used for purchasing approved training and products that best suits their needs. This means that each eligible school will be able to spend up to £6,000 on these items and only be charged directly for 50% of this. Funding is available until March 2013 to schools with Key Stage 1 pupils in England including Academies and Free Schools and it is at the discretion of the individual schools to decide if and on what items from an approved list that funding is spent.
20. The contract has been live since September 2011 and the catalogue can be viewed on the ESPO website at [www.espo.org](http://www.espo.org) if Members are interested in looking into more detail. Anticipated turnover has been less than budget for stores but more for direct suppliers. Currently the increased turnover through this initiative has been over £4m.
21. Following discussions between the Department for Education and Officers of ESPO and Pro5, two secondary procurements are underway in order to increase the offering of products and training eligible for match funding under the Department's scheme. It is intended that these additional products and courses will be published initially as a pdf interim supplement to the current catalogue (available by the end of the summer term 2012) and then incorporated with the existing products and training previously procured in a new edition of "The Importance of Phonics" for September 2012."
22. Following a complaint the Office of Fair Trading (OFT) undertook a preliminary inquiry which led to co-operation from the members of Pro 5. The recommendations made by the OFT have been implemented.
23. It is important to stress that there was no formal investigation but rather a preliminary inquiry which led to co-operation from the purchasing consortia. ESPO Management was quite happy to implement the recommendations as they were of the view that there

has been and should be no restriction on the freedom of schools to purchase goods and services from any supplier, wherever those schools may be situated.

## **Risk**

24. The current ESPO Risk Management Statement has been updated and its scope increased and is attached at Appendix 1.
25. Its scope has been extended to cover health and safety, the new project compliance process and business continuity. It has also been strengthened by clarifying roles and responsibilities, and ensuring all actions are clearly identified and timed. The resulting Corporate Risk Record is attached at Appendix 2, and an example of a Major Risk Record (MRR) is shown in Appendix 3.
26. The Corporate Risk Register will now be reviewed quarterly by SMT. Any increased risk, or new risk identified that could have a material impact on ESPO's business will be immediately reported to COG, and where appropriate to your Committee.
27. Continuing work will include:
  - Finalising ESPO's Business Continuity Strategy;
  - Aligning and standardising risk scoring across health and safety; compliance and the Major Risk Records; and
  - 'Fit' with the finalised governance arrangements.

## **Marketing**

28. ESPO's website ([www.espo.org](http://www.espo.org)) has been extensively upgraded and a new website for Academies has also been launched with a Shared Members Area.
29. An in-depth analysis, of a commercially sensitive nature, of Stores and Directs sales has been carried out to improve understanding of schools orders (order size, frequency, spend per pupil, etc.) This analysis can be found in a Supplementary Exempt Report contained elsewhere on the agenda under Item 11.
30. The importance of marketing intelligence has already been raised to the Committee and is being scoped to develop a 'tool' that ESPO can use across all of its markets. (Marketing Intelligence – the process of combining information on customer needs and insights, suppliers offerings, understanding trends in the market, new developments in the market, and potential changes.)
31. Currently well developed secondary sources are used by the Energy Section and for the quarterly Energy news letter. A similar approach, though using less developed secondary sources, is used in producing the Food Section newsletter. The intention is to develop a

'tool' which will create a framework for developing, retaining, and updating market intelligence across other market segments.

### **Indigo Warehouse Development System**

32. Unfortunately the new software arrived three weeks late which meant the final part of the full implementation of the new stores picking operation will now start in the first week in April (the next 'quiet' time for stores operation). However the software has been extensively tested alongside the existing software and was successfully uploaded to the live system over the weekend of 10-12 February. Elements of the new system will continue to be introduced prior to April.

### **Working with Government Procurement Services (GPS)**

33. At the 25 June meeting of the Committee I outlined the potential joint working we were developing with the Government Procurement Services. One of the outputs of this collaboration is a contract for Multifunctional Devices and Services (MFD's), Managed Print Services and Print Audit Services. One highlight identified is a potential saving on hardware of an average 46% and an average saving on click rates of 49%. This savings analysis is based on GPS/Pro5 price comparisons. The rebate for this contract is 0.7% (reduced from 4%) and applies across all four lots tendered. The results show potential huge savings for customers, demonstrating the impact that such collaboration can achieve. Although ESPO margins are much reduced, increased volumes will partly make up the shortfall.

### **E-Tendering Solution**

34. ESPO is currently working with a group of East Midlands authorities to procure an E-Tendering solution. Nottinghamshire County Council are the lead authority and are co-ordinating the requirements of other authorities including Derby City, Derbyshire, and Nottingham City working closely with ESPO and Leicestershire County Council in development of the specification for the requirements. This is anticipated to go out to tender in March 2012, and a solution implemented starting in Summer 2012.

### **Resources Implications**

35. Any potential additional resource implications have been accounted for within the budget report elsewhere on this agenda.

### **Conclusion**

36. The report highlights continuing developments and actions on major projects. Over the next period the strategy, supporting systems and processes, and strategy will be

finalised and a comprehensive report brought to your next committee.

**Recommendation**

37. Members are asked to note the contents of the Progress Report.

**Equal Opportunities Implications**

None identified.

**Risk Assessment**

Not applicable.

**Background Papers**

The Schools White Paper, *The Importance of Teaching* (Nov 10)

**Officer to Contact**

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**Appendices**

Appendix 1 - Risk Management Statement  
Appendix 2 - ESPO Corporate Risk Register  
Appendix 3 - Example Major Risk Record