

## **ESPO MANAGEMENT COMMITTEE – 25 JUNE 2012**

### **AGENDA ITEM NO. 9**

#### **PROGRESS REPORT OF THE INTERIM DIRECTOR**

##### **Purpose**

1. To update the Management Committee on developments since its last meeting on 2 March 2012.

##### **Background**

2. Since the last Committee meeting key management time has focused on communicating and discussing with staff the new employee terms and conditions, the compensation payment for the bonus scheme and preparing the budget for 2012/13 which are discussed elsewhere on this agenda. This report summarises action in other key areas.

##### **Indigo – ESPO Warehouse Improvements – Indigo ‘Interactive Warehouse’ Picking and Marshalling System**

3. The Indigo System was scheduled to be delivered to ESPO in early December 2011, for system testing and training in time for installation in February 2012.
4. The software was delivered slightly behind schedule, and despite all the efforts of the project team, testing and developing procedures took longer than planned through January, and February 2012. However a ‘go live’ with the upgraded Goods Receiving and Put Away modules was achieved during the school half term holiday in February 2012.
5. Staff training continued through March, and the Replenishment, Picking and Marshalling modules were launched at the beginning of April, at the start of the school Easter holidays.
6. Some initial ‘bugs’ were found and quickly resolved. However, despite lower volumes of work in the warehouse picking system as a result of the school holiday, it was quickly evident that the required training for staff and first line supervisors had been underestimated.
7. Although we were picking and shipping goods, I concluded on the Wednesday after Easter, that we did not have sufficient time to ensure that all staff would be trained to work with adequate and improving

efficiency in order that deliveries to customers would continue in accord with the established schedules from the start of the school term.

8. It was therefore decided to revert to the original 'paper' picking system with immediate effect, with the intention of developing a further training program and detailed plan. It is now intended to transfer to the InterActive Warehouse system at the next available opportunity in terms of a time at which work volumes will be reduced, which would be during the Summer holidays.
9. In the meantime the software supplier saw the benefits of being able to run the new system in parallel with the current live system. New software modifications were delivered and implemented in the second week in May. These have now been satisfactorily tested. This will mean implementation has already started on a load by load step roll out, enabling staff to be trained and become confident of the new ways of working with a full implementation to occur in the quieter summer holidays.
10. The project team continues to believe that the Indigo system, as intended, is the right system for ESPO's operations, and positive feedback was received from many of the staff using the system.
11. Unfortunately we lost the planned benefit of the Indigo system for the busy period leading up to the Summer holidays, and with the current and predicted volumes of orders this will mean an increase in temporary staff above that budgeted.
12. The consequential financial impact can be summarised as follows:
  - i) Additional professional support as the implementation will occur over three phases (February, April and August 2012):

- 29 additional days	£29,412
----------------------	---------

ii) Additional system enhancements	£ 4,425
------------------------------------	---------

iii) Additional temporary staff - Summer Term	£90,000
---	---------

Items i) & ii) above will be contained within the original project budgets costs as originally £40k had been budgeted for 'conveyor systems and marshalling hardware changes' which will not be required.

Item 3 will be an additional cost, and the 2012/13 budget has been re-profiled accordingly. The bottom line of the original budget allocation will remain the same though, with the intention to achieve additional efficiencies.

## **Phonics**

13. The original phonics catalogue was created after a procurement exercise which resulted in 1497 unique product lines (1752 listed lines across several categories) from 37 suppliers, and 86 courses from 21 training providers. The final catalogue was published in September 2011.
14. The DfE saw the matching funding arrangement as a way of both encouraging schools to engage more with phonics as well as to encourage innovation from suppliers. It also always saw a further procurement exercise as a way to encourage increased take up by both users and suppliers.
15. Phase 2 procurement has resulted in a further submission of 1092 unique product lines submitted by 38 suppliers, resulting in 607 lines passing (24 suppliers) and 89 courses submitted by 23 training suppliers, resulting in 45 courses passed, with 16 suppliers.
16. A new online supplementary catalogue will be published on or before 18 June 2012 and a final catalogue incorporating all items from both phases of the procurement will be published in September 2012. At the end of May, of the original DfE match fund budget of £72m, 25% has been utilised with ESPO achieving 28% of total Pro5 sales.

## **Purchasing Cards**

17. ESPO is committed to the introduction of Purchasing Cards with full level three functionality. Our partner will be ITS using the Procurer Advance product. Contractual details are being finalised with ITS and new quotes will be obtained from Infor (our software partner) to implement the solution. Support from the Senior Officer Group to make this a cost effective solution for ESPO has enabled this project to proceed and the draft timescale for full implementation is six months.

## **Risk Management**

18. Business Continuity documentation has been completed and action taken to implement the necessary processes.
19. Risk escalation of projects: Four projects have been referred to ESPO's SMT:
  - i) Provision of Systematic Synthetic Phonics Resources and Training (*Supplementary*). Referred to SMT meeting 17/01/12 'for information' on the basis of dependencies and links and in relation to sunk cost information and procurement activity cost information. SMT endorsed the progression of the

supplementary procurement without reference to the Chief Officer Group or the Management Committee. The Interim Director referred to this in his report to ESPO's Management Committee meeting on 2 March 2012.

- ii) Provision of Placements for Children with Emotional, Behavioural and Social Difficulties for Leicestershire County Council. Referred to SMT meeting 17/01/12 'for information' on the basis of contract value and 'servicing authority' demand requirement. SMT endorsed the progression of the procurement without reference to the Chief Officer Group or the Management Committee.
- iii) Provision of Community Life Choices and Supported Living Services Leicestershire County Council. Referred to SMT meeting 27/03/12 'for information' on the basis that the contract provides for an innovative solution. SMT endorsed the progression of the procurement without reference to the Chief Officer Group or the Management Committee.
- iv) Provision of Hospital to Home Service Leicestershire County Council. Referred to SMT meeting 31/01/12 'for information'. SMT did not refer the procurement to the Chief Officer Group or the Management Committee. SMT, did, however, direct that the Group Buyer overseeing the procurement should talk to the Client and seek clarification in relation to recovery of ESPO costs

### **Performance to end of May**

- 20. The use of MSTAR (Managed Services for Temporary Agency Resources) continues to expand with nearly fifty different agreements in place. These range from single entities (Borough, District, City, and County Councils, police constabulary and university) to multi-users (fifteen councils in one agreement). Currently the anticipated annual spend is over £200m.
- 21. ESPO has awarded two contracts on behalf of the House of Commons for Groceries and Frozen Foods. Both contracts commenced in May and have now been mobilised.
- 22. ESPO Food successfully managed the supply of Groceries to Member and non Member authorities following DBC (the incumbent Grocery supplier) going into administration. A number of short term supply contracts were put in place (following rapid competitive tender

processes) and from June longer term contracts have been established following further tender exercises.

23. ESPO is collaborating with both Pro5 and the Government Procurement Service (GPS) to establish a national framework agreement for insurance services. It is believed that this will be the first such national agreement for these services.
24. ESPO has been engaged by a group of local authorities in Norfolk to provide procurement support and expertise for a materials recycling contract. The new contract will supersede the present arrangements which expire in March 2014 (when the current contract, also let by ESPO on behalf of the group, ends). The new contract is intended to build upon the excellent success rates achieved so far, and to further promote the social, environmental and economic benefits of recycling.
25. With regard to the catering framework update (a report on which the Management Committee received on 24 June 2011) after steady progress during its first year of operation, there are two particular developments to report:
  - a) ESPO was asked to conduct a secondary competition under the framework agreement by the Isle of Wight Council. This work is currently in progress and with forty six schools and colleges included it represents the largest single piece of business so far handled under the framework, bringing the total value of business awarded or projected to some £6m.
  - b) Based on experience gained to date, it was decided to conduct a further tender exercise with the aim of supplementing the existing framework agreement. In particular, it became apparent that some regions of the UK were less well served by companies from the SME sector than was ideal, resulting in some schools receiving relatively few tenders (particularly if tendering individually or in small clusters). The supplementary tender exercise is therefore focussed upon engaging with such suppliers.
26. Gas Contract - The new contracts for the supply of gas commenced on 1st April, when over 6,000 supply points transferred to the new supplier, Total Gas & Power. Prior to the transfer, all existing customers were invited to participate in the new arrangements and to enter into a Service Agreement appointing ESPO as their agent. In order to facilitate the migration of schools to Academy status, agreements were this time extended to individual schools, who had previously been able to access the arrangements through their Local Authority; the new Service Agreements will only require these to be novated at the time each school becomes an Academy.

27. Overall the retention rate was 96% (measured as a percentage of meter points). The principal customers that decided not to continue to use the ESPO solution were Peterborough City Council (reason not known) – sixty six meter points (1.1%), and Warwickshire Police (who had notified us some time ago they had decided to align arrangements with those for electricity i.e. by using a single buying organisation), accounting for eighteen meter points (0.3%). A further 160 meter points (2.6%) associated with individual sites, predominantly schools/ Academies, accounted for the balance of sites leaving. There is no predominant reason for this, but a significant proportion of single site customers appear to have switched to private sector intermediaries, which are very active in this market.
28. Despite these 'losses', the overall portfolio remains approximately 15% larger than a year ago, partly due to the Black Country Consortium joining the contract, and will also be offset to an extent as a result of Nuneaton and Bedworth Borough Council confirming they will be joining the contract from October (sixty meter points).
29. The new electricity contract commences on 1st October and a similar process is underway. Although not all responses have been received, the current indications are that the retention rate will be higher than that for gas.

### **Business Strategy**

30. The final draft of the Business Strategy has been circulated and discussed individually with Officers and Members from each Authority. The final draft document is presented elsewhere on the agenda for this meeting.

### **Marketing Plan**

31. An outline of action for the eighteen months, of a commercially sensitive nature, going forward from 1/4/12 is also presented in an exempt report elsewhere on the agenda for this meeting.

### **Staffing Matters**

32. Following the successful recruitment of three Trainee Buyers last year three more trainees will join ESPO in July.
33. Since the last Committee meeting the Assistant Director - Operations has retired. The existing Warehouse Manager is acting as the interim Assistant Director and managing a 'mini operations management team' with the Shift Managers and Transport Manager. This will enable a six month experiment of a flatter structure and more empowerment of middle managers. It will also enable the new Director, appointed by the Appointments Subcommittee in April 2012, to be involved in the permanent appointment.

34. A two year training programme has been designed for all staff with the objective of focusing on management and supervisor capabilities. This is intended to complement the existing professional training programme.
35. The key focus of such a programme will be on developing ESPO's staff capabilities to support ESPO's strategy. These can be summarised as:
  - Understanding the role of a manager and managing both staff and team outputs
  - Performance management, including budgets (both direct expenditure and income), managing and monitoring staff utilisation, and project management
  - Better understanding and management of risk
  - Improving customer engagement, by understanding customers needs, handling their requirements and understanding how this fits into marketing
  - Improved understanding of what marketing is (as opposed to 'selling')
  - Developing skills around learning as an individual and as a team; reflective practice as part of a continuous improvement cycle, and collaboration skills (to support our Learning Organisation objective)
36. A skills audit will also be done, with a particular focus on basic skills in the use of spreadsheets, and word.
37. In order to achieve such a complex programme of training staff have been segmented in order that training is focused to developing capabilities for:
  - SMT
  - Middle managers
  - Team Leaders and Supervisors
  - Administration staff
  - 'Other staff'
38. Programmes of learning will include:
  - A bespoke Leadership Programme 2012
  - e-learning modules
  - HR management
  - Performance management
  - Marketing
  - Risk management

39. The LCC management programme – ‘Leading for High Performance’ for senior and middle managers will commence during June.

### **Audit Reports**

40. Since last reporting on actions in response to internal and external Audit Reports I have updated the audit log which is attached in Appendix 1. This will now be reported quarterly to your Management Committee.

### **Supplementary Information Informing the Progress Report**

41. Further information of a commercially sensitive nature which informs this report is contained under **Item 16 (Exempt Report)**, on the agenda for this meeting.

### **Recommendation**

42. The Management Committee is asked to:
- i. Note the contents of this briefing note and the progress made in relation to ESPO
  - ii. Note the financial impact of the Indigo Project outlined in para. 12 above and the consequential re profiling required within the existing budget allocation for 2012/13.

### **Equal Opportunities Implications**

43. None.

### **Risk Assessment**

44. A risk assessment has been carried out for each project on an individual basis as necessary.

### **Background Papers**

Interim Director’s Progress Report to the Management Committee on 2 March 2012

### **Officer to Contact**

Mr D Summersgill – Interim Director (Tel: 0116 265 7930)

### **List of Appendices**

Appendix 1 - Audit Log