



ESPO MANAGEMENT COMMITTEE – 7 MARCH 2013

AGENDA ITEM 8

PROGRESS REPORT OF THE DIRECTOR

Purpose of Report

1. The purpose of this report is to update members on the actions and progress made since the last Management Committee meeting on 6 December 2012.

External Activities and Developments

2. Members were advised at the last meeting that a meeting was planned with the East Midlands Heads of Procurement Officers and this took place on 24 January at ESPO. Officers consisted of a mix of member and non-member heads of procurement and included wider public sector representation, e.g. the Leicestershire Constabulary. The meeting discussed a range of topics with the resultant actions being to build on existing communication channels, broaden consultation on frameworks and engage with wider procurement challenges with the East Midlands public sector bodies.
3. On 6 February ESPO, Local Government Procurement Service (LGPS) and YPO met, on behalf of Pro5, with the Chair of the London Heads of Procurement Group and the Chair of the London Consortium Supplies Group, to discuss how Pro5's influence in London can be moved forward. As a result of that meeting a proposal will be drafted for consideration by the two London groups with the clear understanding that there will be no rebate income for them as a consequence.
4. A further round of Member Authority visits are in progress with common themes discussed and progressed, e.g. corporate benchmarking, management information through the members' portal and broader, practical application of the Public Services (Social Values) Act. Further insights into current procurement challenges and inter-member procurement training are also key. This is consistent with the iterations around the Core Services schedule which have emerged from members over the last year. I will continue to visit members and chief officers on a quarterly basis and ad hoc as required.
5. ESPO, YPO and GPS have submitted an Expression of Interest to become the procurement arm of the Chief Fire Officers' Association. Proposals are required by mid-March.
6. A trial on GP servicing in Warwickshire has come to a close and phase two will commence in May 2013 in Leicestershire under the guidance of ESPO's Business Development function. In addition, in order to explore broadening our heavy reliance on the education sector, we have started exploratory conversations with a company which has links to the Coventry and Warwickshire Partnership Trust (NHS) to explore mutual opportunities in the NHS sector.

Contracts/Frameworks**ESPO Portfolio**

7. Members will be pleased to note that ESPO now has more than 500 contracts and frameworks in which its customers can participate.

Phonics

8. The DfE will continue with Phonics until October 2013 and is extending the offer to Key Stage 2 students – note that this is to absorb existing funds allocated to Phonics and is not, therefore, new monies. Pro5 downstream marketing activity will continue on that basis until the end of October 2013.

Pro5 Consultancy Framework

9. Pro5 and GPS are developing a suite of frameworks to cover a diverse range of public sector consultancy needs. This includes a new Pro5 framework offering a range of consultancy areas specific to local government and the wider public sector, including (but not limited to):
- a) Environmental
 - b) Food and catering
 - c) Facilities Management
 - d) Social Care
 - e) Health and Safety
 - f) Regeneration
 - g) Waste Management
10. To ensure the new framework is reflective of local government and the wider public needs, Pro5 has consulted with a wide range of customers throughout the procurement, including members of Pro5 and the East Midlands Consultancy Working Group, as well as authorities in London and the South West. The new GPS ConsultancyONE framework will cover a range of business transformation and management consultancy solutions forming part of the suite.
11. Pro5 solutions are developed via established category teams comprising representatives of the participating buying organisations. ESPO is represented on these category teams and we ensure appropriate category leads within the member authorities are consulted on these developments.

Academies

12. The Pro5 Consultancy Framework has now been awarded, with an education category incorporating Academy Conversion Consultancy. Another framework of significant benefit to academies is Insurance Services. This is a collaborative procurement between ESPO/YPO/GPS, and is currently going through evaluation, with a view to award shortly. The potential usage could be considerable, as the procurement of insurance services is an area for which schools have not had responsibility in the past, and is something that they all must hold. Additional work is also taking place on the preliminary stages of a framework to support schools with back office services, with a view to putting this to the market later this year.

13. We are aware of the potential impact on members' existing traded services, particularly where academies choose to explore alternative service provision. In this respect ESPO strategy will maximise the potential for members' traded services to be included within ESPO's framework solutions. This approach will also provide commercial opportunity for members' traded services to be offered to a wider schools and academies customer base. This will form part of the Education Strategy to be implemented by ESPO's newly-formed Education Hub.
14. Creation of the collaborative EduBuy website was referred to at the last Management Committee meeting. GPS launched the concept of EduBuy to schools at The Academies Show in November. There have been some technical issues during testing which are now resolved and the web site will go live during late February. A draft press release has been drawn up and agreed by all parties: ESPO, YPO, GPS and the DfE (Appendix 1) which will be issued shortly. ESPO frameworks are well represented on the site, with EduBuy itself signposting the customers through to ESPO web sites.

Surveys

15. On 6 December 2012 the Management Committee was advised of an on-line Brand Survey and a Customer Survey, which has now been completed.
16. The results and recommendations of the ESPO on-line Brand Survey and the Schools/Academies Survey have been discussed at Senior Management Team level and an action plan is being finalised in conjunction with the marketing agencies utilised for the two surveys. The key outcomes will form part of the Marketing Plan for the next 18 months.
17. The following statements are extracts from the Brand Survey analysis:
 - 91% agree or strongly agree that ESPO has an excellent reputation
 - 95% believe ESPO is a trustworthy, reliable brand
 - "ESPO is a shortcut to compliant procurement"
 - "ESPO engenders thoughts of reliability and quality procurement at the best possible price"
 - "ESPO is the 'John Lewis' of the Public Sector"
18. These highlight the core strengths and possible brand values that ESPO will use to formulate brand identity, image, values and proposition moving forward.
19. The following statements are extracts from the Schools/Academies/FE Colleges Survey which is carried out on a biennial basis nationally, conducted by an independent company:
 - 98% of all respondents consider ESPO to be an impartial resource
 - 98% of all member schools use ESPO for all or most supplies
 - 91% of member area academies use ESPO for all or most supplies
 - 86% of member schools consider ESPO prices to be excellent/competitive
 - 73% of member area academies consider ESPO prices to be excellent/competitive
 - The three most valued attributes customers associate with ESPO:

- Value for money
 - No quibble returns policy
 - Quality Assured
- In describing ESPO's brand values the top five were:
 - Easy to deal with
 - Reliable
 - Supply what teachers want
 - Efficient
 - Responds well whenever I ask
20. Overall these are good results but also offer an insight into those areas we need to focus on in order to continue to improve our business, e.g. with regard to framework contracts where usage and awareness amongst our core customers needs to be strengthened.
21. Due to the commercially sensitive nature of the content, the survey recommendations for both surveys are contained within the Director's Supplementary Information Report contained elsewhere on this agenda, as exempt information.

ESPO Services

22. The Legal and Governance Workstream has now produced a final draft of the Consortium Partnership Agreement, together with a draft Constitution (addressed elsewhere on the agenda).
23. Schedule 2 of the Partnership Agreement is intended to describe the range of ESPO services available. These were considered by the Senior Officer Group on 30 January 2013, with recommendations submitted to the Chief Officer Group on 5 February.
24. Schedule 3 of the Partnership Agreement sets out the obligations of Leicestershire County Council as the Servicing Authority.

ESPO Efficiencies

Efficiency Projects

25. Of the 45 original projects 26 have been completed with a further 3 expected to be completed by the end of the financial year. The remaining 16 projects are currently being reviewed to ensure they remain valid and will deliver the expected efficiencies originally envisaged.

Indigo Warehouse Management System

26. As members will be aware, a proposal to upgrade the Indigo warehouse management system was first approved at Management Committee in March 2011 (please refer to the Interim Director's Progress Report of 25 March 2011).
27. The proposal was based on the report from Indigo of December 2009 and February 2010, submitted as a potential second/third phase of the proposals for the upgrade of the main Enterprise software Infor System 21, that was implemented and went live in August 2010.

28. Customer demand remains high and although we were shipping orders through the Indigo system it became apparent during December that we would not be able to sustain on-time deliveries with the then current levels of output, as the system has not yet proven to be scalable.
29. As customer service is our primary concern we temporarily returned to the existing paper based system which has enabled us to remain on time with customer orders. We have met with representatives from Indigo and together we have developed an action plan that will address the significant issues that are limiting productivity, our expectation is that the action plan will be implemented at the first opportunity without compromising customer service.
30. There are 3 phases to the action plan:
 - To ensure that all the members of the Warehouse Management Team (WMT) are trained to a standard that will allow them to train other staff.
 - To implement 3 operational changes to the packing process to improve efficiency.
 - To train the packing staff incorporating the new operational practices.
31. The first phase of training for the WMT will be complete by 21 February and the programme to retrain the packing staff has commenced. We expect this to continue until the end of March 2013. Throughout this training programme we will gradually increase output through the Indigo system.
32. We are working closely with Indigo to ensure that re-implementation is successful. Engagement with staff is key and workshops/staff forums are linking in with Indigo staff to make sure the operational elements of the system work in tandem with the hardware and software applications.

P-Cards

33. The software has been delivered to ESPO and is currently undergoing IT testing which is going well. It will then be subject to user testing before final implementation. Costs are in line with the revised estimates presented in December. It is expected that the system will be fully live by the end of February. ESPO is working with members towards implementation of P-Cards in their areas, and in particular, is assisting representatives from Warwickshire and Leicestershire.

Sickness Absence

34. ESPO has experienced a seasonal rise in short term sickness absence which we expect will reduce significantly in the run up to the end of the financial year, March 2012. Long term absences also continue at a high level. The results are not acceptable and a revised Sickness Absence action plan is being produced by our LCC HR partner.

Food Mislabelling Investigations

35. Members will be aware that the Food Standards Agency is urgently investigating, in conjunction with other Government departments, local authorities and the food industry, how a number of beef products on sale in the UK came to contain horse meat.
36. ESPO is checking the robustness of the supply chain of its relevant suppliers/distributors. As a matter of course this is done at tender stage (i.e. before a contract is awarded) and then at regular intervals throughout the contract term.
37. Members will know from the BBC News that Lancashire School Meals have identified horse DNA in a cottage pie product that they purchase from their Frozen Food distributor. This distributor is one of the UK's leading food suppliers and an established supplier under ESPO framework 241 (Frozen Foods).
38. A number of ESPO authorities use the same distributor, but do not use the same product. Product from the manufacturer of the cottage pie has been replaced and/or re-sourced by the distributor.
39. ESPO's Head of Category – Food and Catering has met with the Managing Director and Board of the distributor to confirm the robustness of their supply chain. Discussion took place on how authenticity tests on products can be embedded for the remainder of the contract period and consequent contracts.
40. Similar meetings will take place with all ESPO's food suppliers and will now form an intrinsic part of our pre-procurement process.
41. ESPO works closely with Support & Training Services Ltd (STS), a food safety consultancy, and adopts their codes of practice as baseline quality assurance standards for its suppliers. STS are currently requiring all meat product suppliers to submit evidence that satisfactory authenticity tests have been conducted. The outcome of these tests should be known at the time of the Management Committee meeting.
42. ESPO is in liaison with all member authorities and in particular Leicestershire County Council Trading Standards service in respect of independent product sampling. This includes taking product samples independently of those taken by STS.
43. The first batch of test results undertaken by Leicestershire County Council's Trading Standards was received on Friday 22 February 2013. All eight samples have returned negative results for the presence of horse meat. However, the presence of pork has been indicated for two of the samples – beef burgers and chopped and shaped beef - which will now undergo further tests to determine the amount of pork present.
44. Following recent criticism of local authorities in the media, the Chair of the LGA Safer Communities Board responded with "the law is 100 per cent clear that it is the responsibility of the manufacturer, supplier, and retailer to make sure the product they sell us is what it says it is. There has been a major supply chain failure that's not the fault of consumers, councils or hospitals. The companies that supply our food need to take responsibility and focus on getting their house in order. The vast majority of retailers, caterers and manufacturers are doing this".

45. ESPO awards food contracts on a most economically advantageous basis based on exacting qualitative criteria and best value – never on price alone. The majority of meat purchased by member authorities is from known UK sources. ESPO continues to work with all member authorities to co-ordinate activities.
46. Leicestershire County Council has issued a press release regarding the findings of its testing of meat products, a copy of which is attached appended to this report marked Appendix 2. A number of other authorities have also prepared press releases and copies are awaited.

Goods Vehicle Operating Licence

47. A Public Inquiry held by The Traffic Commissioner took place on 16 January. The Traffic Commissioner heard full legal argument and witness evidence in relation to whether or not ESPO was an entity capable of holding an Operating Licence in its own name. The Commissioner accepted the arguments put forward by Leicestershire County Council and ESPO that as a Joint Committee (Under Section 102 of the Local Government Act 1972) ESPO is not a legally distinct entity and that management and control of the ESPO Goods Vehicle fleet should properly remain part of the traffic management responsibility of Leicestershire County Council as ESPO's servicing or host authority and as employers of the drivers of the ESPO vehicle fleet. The Traffic Commissioner expressed concern that the discharge of this responsibility must be by Leicestershire County Council as licence holder only and not, therefore, subject to any external controls or dispute resolution processes, as provided for within the Consortium Agreement.
48. LCC was required, as part of the decision of the Traffic Commissioner, to give an undertaking to use its best endeavours to ensure that a clause is inserted into the Consortium Agreement which explicitly states that control and authority in relation to decision making about the use of Goods Vehicles under the licence vests in Leicestershire County Council only. The Traffic Commissioner instructed Leicestershire County Council to report back to the Traffic Commissioner if this undertaking could not be complied with. The version of the Agreement elsewhere on this agenda contains this amendment under Schedule 3, section 6.16.
49. LCC (on behalf of ESPO) received a warning for its failure to ensure the fleet was operated in accordance with the terms of the licence. The Traffic Commissioner is satisfied with the new arrangements now in place to ensure full and effective traffic management of the fleet between LCC and the ESPO Goods Vehicle operation.

Audit Reports on Risk

50. Only one Internal Audit Report associated with risk has been completed in this period. The report on Legislation Compliance confirmed no High Importance Recommendations.

Supplementary Information Informing the Progress Report

51. Further information of a commercially sensitive nature which informs this report is contained under Item 14 (Exempt Report J), on the agenda for this meeting.

Resource Implications

52. None arising directly from this report. Where particular projects are referred to, such as p-cards and phonics these are within the budgeted lines for the 2012/13 budget.

Recommendation

53. Members are asked to note the contents of this report.

Equal Opportunities Implications

54. None.

Risk Assessment

55. Not applicable.

Background Papers

Progress Report of the Interim Director – 25 June 2012

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Appendices:

1. Draft EduBuy Press Release
2. Leicestershire County Council Press Release