



**ESPO MANAGEMENT COMMITTEE – 6 MARCH 2014**

**DIRECTOR'S PROGRESS UPDATE**

**REPORT OF THE DIRECTOR**

**Purpose of Briefing Note**

- The purpose of this report is to update members of the actions and progress made since the last ESPO Management Committee meeting held on 5 December 2013.

**Overall Financial Performance**

- Overall financial performance can be summarised as:
  - Sales to December at £69.4m are ahead of budget of £63.4m.
  - Rebates, a proxy for framework engagement, are ahead of target at £2.77m against a budget £2.5m.
  - Overall surplus is at £1.37m year to date. Year to date is ahead of budget of £820k year to date.

**Balanced Scorecard**

- The balanced scorecard is circulated on a quarterly basis to members and is included as Appendix 1 to this report.
- Key figures underlying the total sales to December are as follows:

	<b><u>COMBINED PRELIMINARY RESULTS</u></b>			<b><u>Dec-13</u></b>		
				<b><u>MONTH</u></b>		
	ACTUAL	BUDGET	PRIOR YEAR	ACTUAL	BUDGET	PRIOR YEAR
	£000	£000	£000	£000	£000	£000
<b><u>SALES</u></b>						
STORES	2,115.5	1,776.7	1,793.7	32,428.0	31,625.7	30,713.6
DIRECT	1,260.2	969.3	1,363.2	16,931.9	15,776.0	17,070.7
GAS	2,699.7	2,412.7	2,434.0	16,240.2	12,439.3	13,483.6
CATALOGUE ADVERTISING	2.4	0.0	13.6	870.3	894.1	889.3
REBATE INCOME	125.3	182.7	(53.5)	2,774.4	2,502.7	2,972.9
MISCELLANEOUS INCOME	1.1	5.3	5.1	158.9	165.7	208.7
<b><u>TOTAL SALES</u></b>	<b>6,204.1</b>	<b>5,346.7</b>	<b>5,556.0</b>	<b>69,403.8</b>	<b>63,403.5</b>	<b>65,338.7</b>

## **External Activities and Developments**

### **PBOs, Pro5 members and beyond**

5. I have had several meetings with Yorkshire Purchasing Organisation (YPO) and various bodies in the private sector helping me to develop a further understanding of market dynamics, which is increasingly changing.
6. The Central Buying Consortium (CBC) led a Pro5 Directors meeting 16 December 2013 at ESPO. This was attended by myself (ESPO), Neil Jones (CBC), Ian Taylor (NEPO) and Simon Hill (YPO). Along with the Assistant Director, Procurement & Compliance, I also attended a meeting between the Local Government Association and Pro5 directors held 22 January 2014.
7. On 11 December 2013, a Member Category Open Day took place at ESPO. Member operational teams met their counterparts to gain a greater understanding of the change in scope and personnel within ESPO procurement teams. Nineteen attended from Leicestershire, Leicester City, Norfolk and Lincolnshire councils. Those attending took away comprehensive information packs to share with Heads of Procurement. Another Open Day is scheduled 26 March 2014.

Work is also underway to develop Heads of Procurement networking events generally.

8. ESPO is in the process of engaging a partner to support the training, interpretation and benefit realisation from the forthcoming new EU procurement directive for both ESPO and Member Authorities to utilise. This is likely to become statute in mid-2014, replacing the existing public contract regulations 2006.

### **Update on Consortium Membership**

9. At its meeting on 5 December 2013, the Management Committee was advised that the Legal and Governance Group had met and that a proposal had been put to Leicester City Council establishing the basis for that authority to leave the Consortium. Leicester City Council has confirmed that they wish to leave subject to payment of the dividend for 2013-14 and an agreement as to liabilities which may arise prior to leaving the Consortium. A proposed form of words has been drafted by the Leicester City Council and is currently the subject of consideration by lawyers working for the other authorities. The Committee will be updated as to progress at the meeting and further reports will be presented to the ESPO Chief Officer Group.
10. ESPO has conducted a 'due diligence exercise' in relation to risks and liabilities arising from the departure of Leicester City Council and this issue is addressed within the exempt Director's Supplementary report, elsewhere on the agenda.

11. Management Committee is asked to agree that authorities in ESPO now take the necessary decisions to enable agreement to be reached on the terms for Leicester City Council to leave the Consortium.

### **ESPO Internal Developments**

#### **Member Liaison**

12. I continue to meet members on a quarterly basis to discuss key themes which are arising and any items pertinent to members' specific needs. The regularity of these meetings will be reviewed to meet members' needs.
13. I informed members that ESPO had been reviewing the Spend Analytics offerings available including Apsiz solutions, Spikes Cavell and the Lincolnshire Category Analysis Tool (LCAT) offering at Procurement Lincolnshire. We have engaged with Member Authorities to get support for a trial to further inform the evaluation of these options. Leicestershire supported this critical appraisal. We will report further outcomes of this review, but acknowledge the Senior Officer Group (SOG) feedback that LCAT already hosts a significant amount of member spend data.

### **Staffing**

#### **People Plan**

14. A 'People Plan' has been developed by the Senior Management Team (SMT) based on their interpretation of the staff survey responses and key themes which will form a key part of the 'People Plan' with ESPO's emerging strategy.
15. The key themes are:
  - Communication at ESPO
  - Reward and recognition
  - Investment in resources
  - Performance Development Reviews (PDRs) and learning and development
  - Team management and teamwork between departments
  - ESPO image
16. We have begun to address these themes by:
  - Implementing a new internal communications plan with a Weekly Update informing of activity across the business, a Director's Update issued monthly to keep everyone up to date with the strategic direction of the business and informing of progress on areas identified by the Staff Survey.
  - Developing a Reward & Recognition Scheme which the SMT hopes to roll out in April.

- Setting aside funding for appropriate technology for the Sales Team and the renewal of kit including the delivery fleet and forklifts in the Warehouse.
  - Setting SMT PDRs in January with the intention that everyone at ESPO will have had some form of PDR by the end of March.
17. In addition to the Monthly Director's Update, ESPO staff attended a briefing held 6 December 2013 to review feedback in more detail.
  18. I will sponsor this plan within the organisation, ensure its delivery and report regularly within the organisation and to the Management Committee.

### **Sales & Marketing**

#### Website

19. The website development project, reported on at the last Management Committee, is currently in testing and will be implemented in April 2014.

#### ESPO Catalogue

20. Work is underway developing the new ESPO 2014/2015 catalogue for an April 2014 launch. New product ranges to be included cover Literature & Numeracy, Early Years, Science, ESPO Smart Buy and Value ranges. These will reflect the new September 2014 school curriculum.

### **ESPO Risk and Governance Update**

#### Annual Review of Organisational Approach to Risk Management

21. ESPO continues to strengthen its approach to risk management, both in framework creation and catalogue procurement. Also, our procedures have recently been subjected to an audit which has prompted further improvements to be made. As a consequence, it is my intention to take the annual review and approach to risk to the June 2014 Management Committee. This will allow the report to contain any recommendations from the live audit on risk and also to implement enhancements identified by the Assistant Director, Procurement and Compliance.

#### Audit Reports

22. There have been a number of audits carried out by Leicestershire County Council.
23. ESPO continues to address items highlighted in the September Health & Safety audit, looking at Health & Safety Management in warehouse activities, fleet management and general property management. A weekly health & safety walk-around is now conducted and a Health & Safety Forum has been convened to keep on top of issues as they emerge.

### Continuous Improvement

24. We have taken the approach of Continuous Improvement and sponsoring critical strategic projects through which to drive long-term strategic change into ESPO, as well as short-term performance by regular management. We are adopting the principles of PRINCE2 methodology and report progress through the Senior Management Team. In respect of the e-tendering project, we are sharing a Project Management resource with Leicestershire County Council.
25. The top eight key change projects are as follows:
- E-tendering
  - Peak planning
  - Warehouse & logistics review
  - Demand planning
  - GEMS
  - Customer Relationship Management system
  - Spend analytics
  - Supplier relationship system

With the following ongoing projects delivered through the existing structure:

- Thought leadership
- Indigo implementation
- Health & Safety
- People Plan
- Customer analysis
- Internal financial reporting

### E-tendering

26. E-tendering is one of the projects on ESPO's Continuous Improvement programme for 2014 being monitored by its SMT. ESPO is 'behind the curve' on procurement technologies. The requirement to issue and receive tenders electronically is both government policy and also widely expected to be a mandatory feature of the new Public Procurement legislation.
27. Having completed the system procurement of Due North, ESPO is now actively implementing it. The project is being managed by an officer from Leicestershire County Council who is splitting their time between there and ESPO, given the synergies of both organisations implementing the same system. Internally, ESPO has formed a project team for implementation and ESPO's SMT will occupy the role of project board and steering group. The officer is in the final stages of completing and distributing a project plan and articulated project approach based on PRINCE2 (light).
28. The first milestone is 1 April 2014 for data migration which will allow the use of the 'e-mailbox' functionality over a phased timeline. The second

phase of the project focusses on the implementation of the wider functionality, e.g. contract management. This is expected to be completed by September 2014.

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

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

### **Resources Implications**

30. None arising directly from this report.

### **Recommendation**

31. Members are asked:
  - a) to note the contents of the report;
  - b) to agree that authorities in ESPO now take the necessary decisions to enable agreement to be reached on the terms for Leicester City Council to leave the Consortium.

### **Officer to Contact**

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