



ESPO MANAGEMENT COMMITTEE – 26 JUNE 2014

DIRECTOR'S PROGRESS UPDATE

Purpose of Briefing Note

1. The purpose of this report is to update members of the actions and progress made since the last ESPO Management Committee meeting held on 6 March 2014.

Overall Financial Performance

2. Overall financial performance can be summarised as:
 - The draft out-turn surplus for the year is £2.4m compared to the March forecast of £2.1m and the budget of £1.8m.
 - Sales to March at £95.6m are ahead of budget of £94.2m;
 - ESPO enjoyed its 13th successive year of record Stores sales finishing at £42.3m, which is 0.2% ahead of budget and 5% ahead of 2012/13;
 - Rebate income of £5m, a proxy for framework engagement, is now finalised in line with the requirements of Pricewaterhouse Coopers (PwC) to keep the books open until 9 May 2014.
3. Key figures underlying the total sales to 31 March 2014 are as follows:

		<u>YEAR TO DATE</u>		
		ACTUAL	BUDGET	PRIOR YEAR
		£m	£m	£m
<u>SALES</u>				
	STORES	42.3	42.3	40.3
	DIRECT	21.6	21.1	23.3
	GAS	25.5	25.6	24.4
	CATALOGUE ADVERTISING	0.9	0.9	0.9
	REBATE INCOME	5.0	4.1	4.9
	MISCELLANEOUS INCOME	0.2	0.2	0.2
<u>TOTAL SALES</u>		95.6	94.2	94.0

Proposed ESPO Balanced Scorecard for 2014/15

4. The proposed balanced scorecard is attached as Appendix 1. In accordance with the decision of the Management Committee on 6 March, this version now reports on SMEs providing services through ESPO contracts.

External Activities and Developments

PBOs, Pro5 members and beyond

5. The market place for procurement solutions and the provision of stationery and education consumables continues to evolve. I continually scan the market place for developments and emerging trends. As part of this process, on 26 March 2014, a Member Category Open Day took place at ESPO to further inform developments in the market, focussing on frameworks. Members from Cambridgeshire, Northamptonshire, Warwickshire and Leicestershire attended.
6. ESPO has invited all Senior Officer Group members to training sessions, without charge, on the interpretation and benefit realisation from the forthcoming new EU procurement directive. Norfolk will be taking up an offer local to itself, enabling the distribution of its places to other members. The offer has been well received with dates to start from September 2014.
7. ESPO led a Pro5 Directors' Meeting on 30 April 2014 which was attended by John Doherty and Kristian Smith (ESPO), Glenn Facey and Andrew Foster (Central Buying Consortium), Julia Veall (North East Procurement Organisation) and Simon Hill and Paul Smith (Yorkshire Purchasing Organisation). Discussions centred on the future of Pro5, and our need to operate with 'One Voice' when engaging in developments with the Local Government Association (LGA) and responses to the House of Commons Public Administration Select Committee findings.

ESPO Internal Developments

Member Liaison

8. I continue to meet members on a quarterly basis to discuss key themes which are arising and any items pertinent to members' specific needs. I informed them that ESPO had been reviewing the Spend Analytics offerings as reported under strategic projects. ESPO is trying to achieve an overview of members' spend, to help inform the ESPO work plan, but also to explore further commercial advantage on behalf of the membership. ESPO has confirmed that it is working with Lincolnshire and the LCAT solution to achieve these aims. Full member sign up to the LCAT solution will enhance the potential opportunities available here.
9. Key deliverables from the SOG work programme are to deliver procurement savings through Spend Analytics and eAuctions; share best practice in terms of procurement templates and market intelligence, and promote better joined up working; develop a set of procurement performance measures; deliver e-procurement solutions; and deliver social value.

People Plan

10. The key themes of the 'People Plan' are now being addressed as follows:

- Communication

A new internal communications plan has been implemented with a Weekly Update informing of activity across the business. It also includes feel-good Friday, acknowledging thanks for all the extra work people do in the regular course of their work week. A Director's Update is issued monthly to keep everyone up to date with the strategic direction of the business and informing on progress on areas identified by the Staff Survey.

In addition to the Monthly Director's Update, ESPO staff attended an All Staff Briefing 29 and 30 April 2014 in which featured feedback on work instigated by the 'People Plan', and importantly cascading expectations as set out in the ESPO strategy.

- Reward and recognition

A new ESPO-wide Reward & Recognition Scheme was rolled out in April. The scheme rewards individual performance that goes above and beyond the day to day expectations with themes for achievement linked to ESPO's values. A suggestion scheme to pick up on good ideas is also included as part of the scheme.

- Investment in resources

We have now invested £40k for the renewal of kit and a further £42k in forklift repairs in the Warehouse. We are also looking at investment in CCTV, lighting, bike sheds, packing stations, new wagons for the fleet and appropriate kit for field-based employees. We have now allocated investment in 12 new vehicles (£360k), forklift trucks (£100k), and packing stations (£10k).

- Leadership and team management & Learning and development

Senior Management Team Performance Development Reviews (PDR) were completed in January and Section Leaders have received training with the intention that at the end of March everyone will have had some form of PDR.

Line managers are now driving PDRs throughout ESPO and have opened up communications between departments through the Weekly Update.

- ESPO brand

We have reviewed our brand and visual identity and developed a new set of brand guidelines; this introduces a simpler version of our logo

(shown at the top of this report) which will be rolled out gradually. The ESPO stripes will tie all of our graphic designs together and guidance will be provided on how we write and talk to customers so that we are always consistent. The new ESPO catalogue front cover has moved away from its abstract design to feature our product range, clearly demonstrating the new graphic style for ESPO.

Audit Reports

11. There have been a number of audits carried out by Leicestershire County Council (LCC). There have been no High Importance recommendations.
12. The Annual Report of the LCC internal audit service was presented to the Finance and Audit subcommittee in June, which concluded that reasonable assurance on Governance, Risk Management and Internal financial and ICT controls could be drawn following its work at ESPO in 2013/14.
13. Progress continues to be made in the areas identified in the LCC Health & Safety audit report. ESPO has produced a Health & Safety Policy and Local arrangements, as well as a Fire Emergency Plan, which are held on the ESPO intranet, on the warehouse Health & Safety notice board, and in the Health & Safety Planning office. All staff members have been briefed on the location of these documents. General Risk Assessments for Picking, Replenishment, and Goods Out are now available. A new Health & Safety Officer, Hugh Gormley, has been appointed and he will continue to work closely with the LCC team.
14. Internal audit carried out a risk management audit reported in January, and payroll audit reported in March. There were no issues to escalate.

Sales & Marketing

Website

15. The new website project is now in its final development stage for launch. Internal soft launch will ensure full functionality testing by internal staff and stakeholders prior to full external launch during June.

ESPO Catalogue

16. The new 2014/15 ESPO catalogue launched one week ahead of schedule. It has been distributed across member and non-member areas. The total range has been expanded to 27,000 lines, including 600 new products (c. 3,000 new lines). Prices have been held on more than 15,000 products, achieving sub-inflation price increases across the product range. Smart Buy own label products also feature heavily.
17. New mini spin-off catalogues have been produced for each of the main catalogue categories. These will be distributed to schools and held centrally for distribution.
18. The new 2014/15 Dealing Direct Framework catalogue showcasing frameworks and contracts to Public Sector customers was formally launched

at The Public Sector Show, ExCel Centre, London on 13 May 2014. It contains details of all ESPO's new and existing contracts. ESPO's Corporate team will be meeting with delegates from Central and local government and the health sector as well as representatives from the wider public sector across the UK.

19. Meetings are continuing with key Direct Delivery furniture suppliers in an attempt to resolve last summer's customer complaints regarding damaged goods and late delivery issues.

Campaigns, activities and newsletters

20. In April, ESPO attended The Academy Show at ExCel Centre, London. Its stand generated a high level of interest from suppliers and customers with particular focus on Free School Meals and Education frameworks. Organisers reported more than 3,000 visitors with ESPO receiving more than 100 requests for catalogues and high quality leads to present to the Woodland Academies Trust in Kent, run procurement workshops for a group of 27 secondary schools in Sussex, four schools in Salford and a group of three church schools in Gloucestershire.

21. ESPO attended The Education Show at Birmingham NEC to launch the new ESPO Catalogue and the new Education Frameworks catalogue. The stand generated a high level of interest from suppliers and customers, and generated two huge orders to furnish 23 classrooms at Alston Primary school and a whole school refurbishment at a school in Evesham.

N.B. ESPO is not an appointed project manager or agent, but a commitment has been made that all procurement needs will be satisfied through ESPO.

22. The ESPO Free School Meals initiative continues throughout May and June. ESPO will be attending nine LACA roadshows across the UK focusing on Universal Infant Free School Meals. With seminars, workshops and presentations these are attended by School Heads, School Business Managers and Local Authority representatives.
23. The next issue of £150m Sports Funding has been released via Local Authorities into primary schools across England. ESPO continues to promote its Schools Sport catalogue product offer with the ESPO Active campaign generating sales c. £75k per month.
24. Good PR coverage has been generated by recent activity from our new partners Skout PR. Articles on School Meals, an article commenting on framework timescales being unfriendly to SMEs, and coverage in The Guardian Teacher Network have been key media features for ESPO.
25. As well as increasing the number of new accounts in this financial year to date and there have been several significant orders received from the Ministry of Defence (MoD) as ESPO has been nominated as a preferred supplier, including orders c. £250k white goods for UK Army barrack refurbishments and £35k for schools consumables in The Falklands.

ESPO Risk and Governance Update

Annual Review of Organisational Approach to Risk Management

26. 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. Elsewhere on the agenda is the annual review of organisational approach to risk management. That report contains the recommendations from the recent internal audit on risk and also outlines the enhancements identified by the Assistant Director, Procurement and Compliance.
27. The approach to risk at ESPO was discussed at the Chief Officer Group (COG), where it was discussed that a risk workshop including some of the COG members may be helpful in further informing the risk appetite at ESPO.

Strategic Projects

28. Progress against the critical strategic projects is as follows:

- E-tendering: This project continues to progress well. Registration on the portal as a whole now exceeds 8,000 suppliers; 70% of ESPO's currently awarded suppliers are now successfully registered. Dedicated staff members continue to work toward the 100% total requirement with the intention that the majority will be signed-up in good time to support the roll-out programme. System testing continues through the final steps and contracts will begin to be tendered electronically from the end of May. Further training is scheduled for June and July. In parallel, initial preparatory work for Contract Management continues with training taking place in May, ready for the transition of record transfer to be planned and resourced.
- Warehouse Peak planning: An in-house group is meeting monthly and implementing recommendations. The school holiday offer is underway which allows schools to defer delivery until August.
- Warehouse & logistics review: A separate report on the Logistics review is elsewhere on the agenda.
- Demand planning: The new stock optimisation system is now in place. Stock availability is running at 98.13%.
- GEMS: The CCS Sprint ii framework was utilised to undertake the procurement of a suitable system to replace the existing one and provide enhanced functionality. The contract was awarded to Optima for roll-out during summer 2014 prior to the termination of GEMS in 2015. An external project manager has been appointed and has undertaken initial scoping work with Optima and ESPO, is "mapping" the current workflows and developing the Project Plan. We are exploring with Laser (the IP owner of the existing GEMS system) the scope for a copy of the

GEMS database being provided to Optima to facilitate and expedite the data migration process.

- Spend analytics: ESPO has committed to invest £15k to enhance Lincolnshire's LCAT solution with regard to showing SME level service provision, and to further engage the ESPO membership. There is a longer term goal to form a members' spend analytics to target resources, benchmark and develop stronger category links. Concurrently, Apsiz is analysing ESPO data for comparison against the existing LCAT offer.

This has been progressed via the SOG group, which has agreed in principle to sharing spend data across ESPO membership. A draft data sharing agreement has been drawn up and distributed to form the basis of the data sharing and it is awaiting SOG feedback. Members of SOG not signed up to utilising LCAT for spend analytics are seeking funding from their respective organisations to do so. ESPO's own spend analysis is set for June, with particular focus on supply chain improvements within the catalogue operations.

Resources Implications

29. None arising directly from this report.

Recommendation

30. Members are asked to note the contents of the report.

Officer to Contact

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Appendices

Appendix 1: Balanced scorecard

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