



## **ESPO MANAGEMENT COMMITTEE – 24 JUNE 2015**

### **DIRECTOR'S PROGRESS UPDATE**

#### **Purpose of Briefing Note**

1. The purpose of this update is to inform members of the actions and progress made since the last ESPO Management Committee meeting held on 4 March 2015.

#### **Overall Financial Performance**

2. Overall financial performance can be summarised as:
  - Overall surplus came in at £2.2m in line with budget and at the upper end of the forecast range indicated to Members in December 2014.
  - Sales to March were at £92.9m as set out in the table in paragraph 3;
  - Compared to the prior year gas sales were lower by £2.8m, down to lower kwh usage linked to the milder weather. The actual number of customers/MPR has shown a small increase to over 6000.
  - ESPO enjoyed its 14<sup>th</sup> successive year of record Stores sales finishing at £43.4m, £1.1m ahead 2013/14;
  - Rebate income closed at £5.99m which is a strong performance compared to prior year and budget. This is down to increased customer engagement, framework usage and improved internal processes between finance and procurement.

3. Key figures underlying the total sales to 31 March 2015 are as follows:

<u>SALES</u>	<u>YEAR TO DATE</u>		
	ACTUAL £m	BUDGET £m	PRIOR YEAR £m
STORES	43.40	44.14	42.33
DIRECT	20.51	19.52	21.63
GAS	22.71	30.58	25.47
CATALOGUE ADVERTISING	0.80	0.94	0.93
REBATE INCOME	5.99	4.34	5.05
MISCELLANEOUS INCOME	0.17	0.20	0.13
<u>TOTAL SALES</u>	<u>93.58</u>	<u>99.72</u>	<u>95.54</u>

4. The balanced scorecard for 2014/15 and the proposed balanced score card for 2015/16 are included in Appendix 1.

### **External Activities and Developments**

#### **Election impact**

5. The expectation of further pressure on Local Government funding will continue. ESPO's recently agreed strategy which increases the requirement to achieve increased financial return to members remains appropriate.
6. Whilst Education did not seem to feature as an election theme; in real terms, the expectation is that Education budgets will be further pressed and hence ESPO's pricing strategy, and clear focus on improving service also remains valid.

#### **PBO development**

7. The intent to develop a PBO procurement forum (reaching wider than the functional boundaries and geography previously associated with Pro5) to share insights, to develop and share best practice, to respond to procurement challenges posed centrally, and to continue to bring appropriate collaboration to the sector was initiated at an event hosted jointly by ESPO and Yorkshire Purchasing Organisation (YPO) on 30 March 2015.
8. This was attended by ESPO, YPO, North East Procurement Organisation, Central Buying Consortium, National Advisory Group, Crown Commercial Services, and the National Procurement Service Wales.
9. The group agreed:
  - To hold an annual meeting to break down barriers from Local Government to wider parts of the public sector, to drive value for common goods and services;

- To prioritise activity around the Select Committee findings on PBO involvement in Local Government procurement;
- To create a group to help decipher and translate procurement policy on behalf of Local Government, that shares know-how and experiences (akin to a trade association).

### Recognition and awards

10. At the Education Resources Awards 2015 held 20 March 2015, ESPO was awarded Marketing Campaign of the Year Award for the work done on Universal Infant Free School Meals campaign. The judges, an independent panel of experienced educational professionals, most of whom are classroom teachers, said:

“The return on investment for this free school meals marketing campaign was exceptionally high. ESPO’s professional campaign used a variety of channels to provide essential information to schools at a time when they need key support and advice on implementing the new government policy”.

Our campaign delivered information, catalogue and framework solutions to our customers, successfully generating brand awareness, sales margin and rebate for ESPO.

11. The Society of Procurement Officers in Local Government (SOPO) held its annual conference on 20 April 2015. ESPO was proud to be presented with finalist awards in four categories, winning the Best Supplier Engagement Category for the Banking Services framework. Finalist awards were collected by team members for Best Collaboration Project, Team of the Year (ESPO’s food team) and Outstanding Savings Project. In addition to this, Steve Burton, Procurement & Development Lead, People & Communities, attended the event to collect his finalist award for Lifetime Achievement Award.
12. The awards ceremony followed a conference and exhibition which gave our Corporate Accounts team the opportunity to develop links with procurement teams from local authorities across the UK.

### **ESPO Internal Developments**

#### Servicing Authority Service Level Agreement

13. I have agreed a Service Level Agreement with the Servicing Authority to set out the range, cost and depth of service being provided as detailed in the consortium agreement. As Director, it is important to ensure that ESPO receives the agreed services which is the case. These services are shown in the table below:

	<b>Budget 2014/15</b>	<b>Invoiced 2014/15</b>	<b>Budget 2015/16</b>
Corporate financial services	£13k	£13k	£13k
EMSS HR Admin and Payroll Services	£42k	£42k	£42k
Strategic HR Services	£103k	£85k	£95k
Internal Audit	£56k	£56k	£52k
Legal	£65k	£65k	£65k
Insurance	£7k	£7k	£7k
Committee Services	£18k	£18k	£18k
Learning & Development	Based on usage	Based on usage	Based on usage
<b>Total</b>	<b>£304k (plus L&amp;D)</b>	<b>£286k (plus L&amp;D)</b>	<b>£292k (plus L&amp;D)</b>

14. Following a series of meetings with Leicestershire County Council's Assistant Director – Corporate Services & Transformation, we have reviewed the provision of an appropriate level of HR support at ESPO.

This has resulted in a reduced cost for HR service from the Servicing Authority, supported in house at ESPO by an administrative support officer to complement this team.

#### Senior Officer Group

15. The Senior Officer Group requested social care market intelligence reports, of which the following have been provided: Care of the Older People, Care Home Pay Survey and the Fair Price For Care Toolkit. These have been progressed.

#### Building Refurbishment

16. Details of the recent building survey and proposed building refurbishment are outlined in a report elsewhere on the agenda.

### **ESPO Operational Progress**

#### Procurement Progress

Day rates

17. ESPO provides additional services for consulting and major projects services provided 'at a lower cost than may be charged by an employment agency or professional services firm' with 'differential pricing that will benefit Member Authorities (and Customers)'. This is set out as a required service within Schedule 2, section B of the Consortium Agreement.

18. The current charge out rates for such resource is £460 for members and £520 for non-members. This rate was set a number of years ago and had been overdue for a review which has now taken place.
19. As a result of this review, ESPO's Assistant Director for Finance & IT has calculated a blended day rate of £427 for members and this is being brought to members for approval. The Assistant Director for Procurement & Compliance will now review the non-member rates.

#### New Procurement Regulations

20. The PCR 2015 went live 26 February 2015, by which time ESPO had completed training for its staff and its members in addition to supporting broader cabinet office training initiative in region. The Assistant Director for Procurement will present these changes and its implications to the Management Committee today.

#### Procurement & Compliance Restructure

21. The restructure of ESPO's procurement division has been completed. This allows for the separation of commercial activity such as traded procurement, analytics, benefits measurement and income from procurement activity in which the model of 'good procurement' remains with high standards and service, utilising the regulations as an enabler rather than a constraint.

### **Sales & Marketing**

#### Campaigns, activities and newsletters

22. In March, ESPO exhibited at the Education Show at the NEC in Birmingham. The stand reflected the new ESPO catalogue message and colours. The show provided plenty of opportunities to engage with new and existing suppliers and school customers. It provided customer leads for follow up over the coming weeks.
23. As part of our strategic relationship, ESPO attended the annual Youth Sport Trust conference in Shropshire. The programme included targeted sessions for primary schools on how maximise the new sport funding for the benefit of all pupils. The event was attended by leading schools, Government officials, Ofsted, Head Teachers and Olympic and Paralympic athletes.
24. We have agreed an exclusive partnership with the Chartered Institute of Procurement & Supply (CIPS), becoming its Public Sector Procurement Partner. This allows information about ESPO frameworks, procurement solutions, case studies, events and updates being featured on their website and distributed across its various marketing channels to its 17,000 members. This also opens future opportunities to run events and surveys with its membership. This partnership specifically targets procurement professionals across the public sector and complements other ESPO partnerships across the Education sector.

#### 2015 ESPO catalogue

25. The ESPO 2015/16 catalogue launched in time for April. In addition to a new catalogue design with improved page layouts and categories easier to navigate, there is a refreshed product range featuring 4,000 new lines and a broader range of our SmartBuy products. New bundle packs have been introduced and single line items have been minimised or removed. Prices have been held on bestselling lines, with small percentage increases across our wider range. The pricing strategy supports delivery of our MTFS and remaining a market leader on price against competitors.

### Customer service

26. As part of our strategy to improve Customer Engagement, the online Feefo customer review programme has gone live. This allows customers to rate and comment on ESPO's service delivery, product quality and prices, allowing us to track and benchmark our service performance and create a dialogue with our customers. To date, 246 customer reviews rate ESPO's level of service at 96% satisfaction. Customer comments made include "Easy to order, fast delivery always someone on the end of the phone to answer any queries", "All round excellent service", "Very pleased with price, quality and delivery". This feedback will link into the CRM system across Customer Services capturing key feedback, documenting calls and tracking call types.

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

#### Audit Reports

27. There has been one audit report issued in the quarter regarding ESPO's risk management. The recommendations have been accepted and are in the process of being implemented.

#### Receipt of Gifts and Hospitality and Declaration of Personal Interests

28. With the roll out of the updated Leicestershire County Council Code of Conduct, we have reviewed our handling of Gifts and Hospitality and Declarations of Personal Interests.
29. Being a procurement organisation, we are acutely aware of our susceptibility in regards to gifts and hospitality. Our first measure is to return gifts and to advise suppliers not to give any further gifts. Where it would incur costs to return an item, we put it aside for our Diwali and Christmas raffles. This year raffle contributions came to just over £600 and were distributed among Cancer Research, Dove Cottage Day Hospice, Friends of Chernobyl, and Guide Dogs for the Blind. A twice yearly review of the register is in place and I am satisfied that all transactions are dealt with appropriately.
30. Traditionally, our senior management team has reported its Declarations of Personal Interests through the Annual Governance Statement. In order to align with Leicestershire County Council, from this year we will solicit this information from all staff members as part of our annual PDR process.

### **Resources Implications**

31. None arising directly from this report.

### **Recommendation**

32. Members are asked to note the contents of the report and to agree the procurement blended day rate as outlined at paragraph 19.

### **Officer to Contact**

John Doherty, Director  
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### **Appendices**

Appendix 1      Balanced Scorecard

Balanced Scorecard – Quarter 4 (at March 2015)

Warehouse	latest figure	target	
Orders in Full	93.62%	98.00%	●
Order Lines On Time	98.73%	98.00%	●
Stock Availability	98.81%	98.00%	●

Finance	latest figure	target	
Growth in stores turnover	2.5%	4.2%	●
Employee costs as % sales (stores)	11.7%	10.5%	●
Year to Date Surplus £m	2.2	2.2	●

Sales and Marketing	latest figure	target	
New customers	1261	1000	●
Rebates v Budget £k	5,994	4,338	●
Stores Catalogue Margin % Oncost	34.4%	32.6%	●
Supplier Funding £k	800	940	●
Directs Sales v Budget YTD £k	20,508	19,519	●
Store Sales v Budget YTD £k	43,403	44,140	●

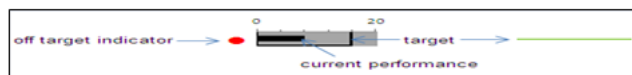
A= All      S= Stores      D= Directs      E=Energy & Fuels  
 F= Frameworks      C= Consultancy      M= Major Projects

Procurement and Commissioning	latest figure	target	
Customer Feedback Forms	3.28	2.4	●
% of challenges against percentage of completed procurements	0%	10%	●
E-tendering usage versus paper tendering usage as a percentage	100%	30%	●
% of ESPD national procurements renewed on time	98.8%	90%	●

Efficiency	latest figure	target	
Proportion of			
E-orders	18.0%	20.0%	●
E-invoices	13.0%	10.0%	●
Value of Web Orders £m	6.37	5.50	●

Audit and Risk	latest figure	target	
Rebate Audits completed	1	1	●
Residual Risk Reporting : Risk Score > 10	Director	4	
	SMT	3	
Hi Recommendations Outstanding	1	0	●

Workforce	latest figure	target	
Sickness absence rates (days per FTE)	12.07	7.5	●
Staff Turnover	4.8%	10%	





## Balanced Scorecard – Proposed Model for 2015/16

Summarised Balanced Scorecard May 15					
Financial					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Total Sales (inc Gas & Rebates)	£5,968,554	£6,278,077	↓ -4.9%	£14,003,285	↑ 11.2%
Total Gross Margin	£1,118,075	£1,250,492	↓ -10.6%	£2,659,487	↓ -6.1%
Total Expenditure	£1,381,500	£1,371,691	↑ 0.7%	£2,895,726	↓ -4.9%
Surplus	-£263,426	-£121,199	↓ -117.3%	-£236,239	↓ -10.7%
Net Profit Margin %	-4.41%	-1.93%	↓ -2.48pp	-1.69%	↑ 0.01pp
Rolling 12 months....					
Net Profit Margin %	2.32%	1.37%	↑ 0.95pp		
Asset Turnover	4.5	5.0	↓ -0.5		
ROCE	10.37%	6.82%	↑ 3.55pp		
Full year up to Apr 15 data....					
	No. FTE at Apr 15 month end...	Cum FTE days lost	Cum days lost per FTE	LY days lost per FTE	Var to LY days lost per FTE
Sickness Rate	303	3,678	12.2	8.5	↓ -3.7
Highlights					
Finance & IT					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Proportion of E Orders	12%	20%	↓ -8.49pp	12%	↓ -8.19pp
Proportion of E Invoices					
Web Sales	544,212	394,654	↑ 37.9%	1,059,376	↑ 44.8%
Sales & Marketing					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
New Customers					
FeeFo Feedback					
Rebate Revenue					
Operations					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Processing & Transport Cost per Order	£22.76	£16.78	↓ -35.6%	£22.11	0
Agency Cost	£103,252	£64,143	↓ -61.0%	£132,087	↓ -12.4%
No. of staff forum meetings					
Note: LY May had 5 weeks whereas TY there are 4					

# Operations Balanced Scorecard May 15

Financial					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stock Sales					
Margin £					
Margin %					
Orders					
ADV					
Stock Turnover (weeks)					
Operational					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Lines Picked					
No. of drops					
Warehouse Processing Cost per Order (inc Select, Goods In and Goods Out)					
Transport Cost per Order (inc Payroll, Fuel & Maintenance)					
Processing & Transport Cost per Order					
Wages & Salaries					
Agency Cost					
Productive Hours worked					
Lines picked per hour					
Error rate					
Returns Rate					
Customer					
Physical Stock £	Allocated Stock £	Avail Stock £	% Avail		
Employees					
No. of staff forum meetings	Every 6 Weeks				
Accidents/Near Misses	Number of accidents				
Full year up to Apr 15 data....					
	No. FTE at Apr 15 month end...	Cum FTE days lost	Cum days lost per FTE	LY days lost per FTE	Var to LY days lost per FTE
Sickness Rate					

Note: LY May had 5 weeks whereas TY there are 4

# Finance & IT Balanced Scorecard May 15

Financial					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stock & Direct Sales					
Margin £					
Margin %					
Orders					
AOV					
Stock Turnover (weeks)					
Debtor Days					
Creditor Days					
Finance & IT Costs					
Efficiency					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Proportion of E Orders					
Proportion of E Invoices					
Web Sales					
System Availability					
Employees					
Full year up to Apr 15 data....					
	No. FTE at Apr 15 month end...	Cum FTE days lost	Cum days lost per FTE	LY days lost per FTE	Var to LY days lost per FTE
Sickness Rate					
Note: LY May had 5 weeks whereas TY there are 4					

# Sales & Marketing Balanced Scorecard May 15

## Catalogue Metrics

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stock Sales					
Stock Margin £					
Stock Margin %					
Direct Sales					
Direct Margin					
Direct Margin %					
New Customers					
Supplier Funding £					

## Customer Service

### Customer Service

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Customer Complaints					
Calls Abandoned					
FeeFo Feedback					

## Framework

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Rebate Revenue					

## Customer Engagement

Comms Newsletters					
Focus Groups Held					

Note: LY May had 5 weeks whereas TY there are 4

# Procurement Scorecard May 15

Procurement Challenges					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
Frameworks					
	Actual	Budget /LY	Var	YTD Actual	YTD Var
% Renewed on time					
Fee Income					
Customer Satisfaction					
	Actual	Budget /LY	Var	YTD Actual	YTD Var

Note: LY May had 5 weeks whereas TY there are 4