



ESPO MANAGEMENT COMMITTEE – 28 SEPTEMBER 2015

DIRECTOR'S PROGRESS UPDATE

Purpose of Update

1. The purpose of this update is to inform members of the actions and progress made since the last Management Committee meeting held on 24 June 2015.

Overall Financial Performance

2. Overall financial performance for the four months to July 2015 can be summarised as:
 - Total sales to July were strong at £33.1m and are ahead of a challenging budget of £31.7m. The increase on prior year is down to higher store sales principally as a result of deliveries being made on time this year.
 - The key drivers of catalogue sales this year over the prior year are the increase of on time deliveries during our peak period and the phasing of Easter holidays being more favourably weighted in 2015/16.
 - a) Sales were impacted by phasing of the Easter holidays within the academic year, and a focus on customer service.
 - b) Our pricing strategy was to hold the prices on the key top selling lines but to make marginal increases in the lower volume less price sensitive lines. Our overall increase was 2.9% in the budget (£46m budget versus £44.67m last year); this was comprised of a 1.57% price increase and a 9.33% volume increase, equivalent to £1.05m.
 - c) The broader benefits of being on time will show further in the form of better controlled overheads and improved cash flow, as well as the valuable but softer benefits in terms of morale and customer perception.
 - Rebate income is £1.49m compared to budget of £0.97m and is tracking ahead of the prior year for the year to date to July.
 - Overall surplus for the four months is £1.36m compared to a budget of £1.19m.

- Overall costs as percentage of sales have fallen to 18.5% from 19.3% last year and 19.3% in the budget.

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

	<u>YEAR TO DATE</u>		
	ACTUAL £m	BUDGET £m	PRIOR YEAR £m
<u>SALES</u>			
STORES	17.428	17.878	16.091
DIRECT	6.601	6.352	6.603
GAS	6.787	5.634	6.630
CATALOGUE ADVERTISING	0.788	0.770	0.735
REBATE INCOME	1.486	0.973	1.029
MISCELLANEOUS INCOME	0.023	0.050	0.012
<u>TOTAL SALES</u>	<u>33.113</u>	<u>31.657</u>	<u>31.100</u>

4. At the June Management Committee, it was resolved that the dividend surplus for 2015 be held at the prior year distribution level of £1.5m.
5. The balanced scorecard for July is included in Appendix 1.

ESPO Internal Developments

Change Programme (formerly referred to as Business Strategy Projects)

6. The peak trading period processes up to 50% more customer orders than non-peak trading months. In the past, this has often caused difficulties in our operations and customer service as this big spike in demand has proved challenging to service. The change programme has made significant alterations to the way we handle peak and it felt very different this year. The months of hard work, planning and testing made a massive difference with the business reaping the rewards with a calmer, more planned and organised working environment across the board.
7. A significant part of the planning involved the utilisation of a seasonal warehouse to pick and deliver some fast moving lines on our behalf. CEVA's Daventry operation complemented the picking and shipping from Grove Park. CEVA picked and shipped about 4k lines per day, as expected, and on time. This is the first year ESPO has complemented the capacity at Grove Park and its success is a credit to those key staff within Operations and IT who made this happen.
8. The changes outlined above complemented core alterations made to the design and layout of our warehouse enabling us to pick, pack and ship more efficiently right through the year and, in particular, summer peak.
9. A Phase 2 end of project report will be presented to the Management Committee at its next meeting in December.

10. The ESPO Leadership Team has selected four projects to commence in phase three of the Change Programme. These are building refurbishment, improving the customer experience (a continuation from phase two), supply chain management and the enterprise resource management software upgrade.

Servicing Authority Service Level Agreement (SLA)

11. I met with Leicestershire County Council's Assistant Director - People & Transformation in July to review the servicing authority's SLA with ESPO. This concluded the SLA position for 2014/15 and agreed the shape of the SLA for 2015/16.
12. In late May, ESPO's new HR Business Partner was put in place, along with an additional HR Advisor providing full-time provision of HR support. This additional resource will provide ESPO with the skilled resource to manage sickness, PDRs, training and recruitment.
13. The HR Strategic Business Partner and HR Advisor have been working closely with ESPO's managers to improve attendance numbers. At the start of April, there were twelve employees on long-term absence with several more added to that in subsequent months. Since April however, nine have returned to work, one has resigned and two have taken ill health retirement. There are currently only five members of staff on long-term absence. Whilst this positively impacts reported statistics, we will continue to handle each case individually and sensitively.
14. While the current twelve-month rolling figure is at 12.71 days per FTE, we have set an interim target of nine days per FTE by the end of March 2016 with a view to achieving the overall target of 7.5 days per FTE during 2016/17.

	1/6/14 – 31/5/15	1/7/14 – 30/6/15	1/8/14 – 31/7/15
Days lost per FTE	11.84 days	12.25 days	12.71 days
Percentage of days lost due to sickness	4.70%	4.9%	5%

15. Accurate data collection, close management of long-term sickness, the identification of patterns in short-term sickness, implementation of improvement plans, and mandatory attendance management training are expected to drive down absence figures.
16. The summer budget increased the National Minimum Wage by 11% from £6.50 per hour to £7.20 from April 2016 for over 25's and renamed it the Living Wage. It has been outlined that it will increase to 60% of the national median wage by 2020. A detailed discussion paper regarding the potential impact of the Living Wage will be submitted in due course.

Sales & Marketing

Campaigns, activities and newsletters

17. In June, ESPO exhibited at the Public Sector Show at the ExCel Centre, London. The show provided plenty of opportunities to engage with new and existing customers from all areas of the Public Sector and provided framework and procurement leads for follow up over the coming weeks. ESPO delivered a well-attended seminar and discussion on procurement of social care and health services, a strategic area of expenditure within local government.
18. ESPO also exhibited at the Chartered Institute of Housing Annual Conference and Exhibition in Manchester, the leading social and affordable housing event in the UK which brought together housing associations and Local Authorities. Customers were able to discuss frameworks on how Local Authorities, Housing Associations, and Registered Social Landlords can benefit from using ESPO procurement solutions.
19. A 'Corporate Update' newsletter was issued in June with articles about ESPO's active SME supplier management strategy, the launch of the new MSTAR2 framework for agency staff and the Gas framework extending another three years.
20. The quarterly 'Education Update' newsletter was also distributed with articles about keeping summer furniture ordering hassle free, schools saving 50% on waste and recycling, and ICT changing the classroom.

Customer service

21. The Customer Service change programme has created a more stable peak environment for staff and customers with feedback noting our much improved customer service levels. Feefo customer feedback continues to rate ESPO at 97% customer satisfaction levels with 63% rating the service as 'Excellent'.
22. The order acknowledgment process is now fully implemented having been rolled out across all schools in May. This allows ESPO to confirm customer items and delivery dates of their orders. A key benefit is the reduced numbers of customer calls chasing and querying orders and an improved level of service.
23. Officers at ESPO have been working with Lincolnshire County Council to resolve the issue of duplicate orders which became apparent on its implementation of Agresso. While Agresso orders were being processed through the system, some customers were duplicating their orders by contacting ESPO directly due to processing issues caused by the implementation creating delays. We are now looking to manage returns generated by duplication of Directs orders being delivered in September.
24. Plans are underway to undertake a survey of c.10,000 Public Sector customers across member and non-member areas in September. The last survey of this kind was undertaken in 2009, and since that time customer

expectations from within that sector have changed. Survey feedback is expected in December and will help inform future plans and strategy, to better focus framework messages, and capture future procurement challenges expected by the sector.

ESPO Catalogue

25. Plans are already underway in developing the 2016/17 ESPO catalogue. Category plans have been developed by Product Managers covering a review of their product ranges, highlighting improved supplier management, increasing product profitability, developing SmartBuy ranges and driving page sales. All plans will contribute towards delivering our 2016/17 MTFS.

Recognition and awards

26. The UK Public Sector Communication Awards celebrate and reward excellent communication strategies and campaigns, teams and individuals in local and national government, emergency services and not-for-profit bodies from across the UK. ESPO attended the presentation which took place in London on 9 July and while we did not take home an award, we were shortlisted in two areas of work for which we are rightfully proud:
 - Website of the Year
ESPO was shortlisted in this category for creating a brand new website for www.espo.org (in collaboration with Control F1) launched August 2014. The new website combined the old espo.org, dealing direct, academies, ICT and energy websites into one comprehensive website for customers and staff.
 - Media Relations Campaign of the Year
This was in collaboration with the work done with Skout PR.

Resources Implications

27. None arising directly from this report.

Recommendation

28. The Committee is asked to note the contents of the report.

Officer to Contact

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Appendices

Appendix 1 - Balanced scorecard