



## **ESPO MANAGEMENT COMMITTEE – 4 DECEMBER 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 28 September 2015.

#### **Overall Financial Performance**

2. Overall financial performance for the six months to September 2015 can be summarised as:
  - Total sales to September are £45.3m against a challenging budget of £45.4m. This represents a slight increase on prior year.
  - Our stores' margin improved in September to over 36% which is down to mix and a lack of discounting, following the activity targeted at re-phasing sales in the summer.
  - Rebate income is £2.08m compared to budget of £1.70m and is tracking ahead of the prior year for the year to date to September.
  - Overall costs as percentage of sales have fallen to 19.3% from 19.5% last year and 19.8% in the budget. This is down to overheads being £159k better than budget and £110k better than last year. Agency costs were also £100k better than last year.
  - Overall surplus for the six months is £1.52m compared to a budget of £1.41m.

3. Key figures underlying the total sales to 30 September 2015 are as follows:

	<u>YEAR TO DATE</u>		<u>PRIOR</u>
	ACTUAL	BUDGET	YEAR
	£m	£m	£m
<u>SALES</u>			
STORES	24.08	25.20	24.11
DIRECT	9.87	9.91	10.24
GAS	8.49	7.77	8.41
CATALOGUE ADVERTISING	0.80	0.78	0.74
REBATE INCOME	2.08	1.70	1.80
MISCELLANEOUS INCOME	0.03	0.08	0.03
<u>TOTAL SALES</u>	<u>45.35</u>	<u>45.44</u>	<u>45.33</u>

### External Activities and Developments

#### PBO and beyond

- On 9 October, the PBO Forum convened to discuss the impact of the election on government procurement strategy and the role of PBOs in the LGA National Procurement. This was attended by The Central Buying Consortium (CBC), Crown Commercial Services (CCS), North East Purchasing Organisation (NEPO), and the Yorkshire Purchasing Organisation (YPO).
- The British Educational Suppliers Association (BESA) is the recognised trade body for educational supplies in the UK and is highly respected within Government, the supply chain and customer base. On behalf of ESPO, I have sought to be part of the BESA Executive Council and am pleased to confirm success in securing this with effect from 11 November and running for a period of two years. At a time of significant change in this marketplace, election to the council quite rightly gives ESPO a voice in this forum.
- On 15 October, I attended the BESA New Schools Network Conference bringing together the Free Schools Agency and the New Schools Network for a briefing on the Government's flagship education policy, including the Free Schools' Programme and the latest ambition for the academies programme.
- On 21 October, I gave a presentation at the BESA Launchpad/SME Conference. The purpose of the presentation was to help smaller suppliers and SMEs understand how they can engage with organisations like ESPO to supply into our customer base through our catalogue and framework solutions.
- Every year, ESPO nominates a number of charities to which it provides some match funding. This year, ESPO employees have run charitable events to support the following causes:

- 28 Leicestershire Scout Group
- Alzheimer's Society
- Bodie Hodges Foundation
- Macmillan Cancer Research
- Children in Need
- East Midlands Air Ambulance
- Think Pink – Breast Cancer Awareness

9. Further to this, I have had conversations with EducAid, a charity supporting education in Sierra Leone (the Ebola struck region of Africa). The crux of the charity's intent is to invest in the country's education, to raise the standards which historically have been very low. There is an opportunity for ESPO to support this charity with outdated stock which would otherwise find its way into the grey market. ESPO is only responsible for shipment to London where the charity has organised a container to be shipped over to Africa.

### **ESPO Internal Developments**

#### **Staffing**

10. Our HR Strategic Business Partner and HR Advisor continue to work closely with ESPO's managers to improve attendance numbers.
11. In July 2015, the cumulative figure was 12.71. As at 30 September this has now been reduced to 12.03. 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.

	<b>1/7/2014 – 30/6/2015</b>	<b>1/8/2014 – 31/7/2015</b>	<b>1/10/2014 – 30/09/2015</b>
<b>Days lost per FTE</b>	12.25 days	12.71 days	12.03 days
<b>Percentage of days lost due to sickness</b>	4.9%	5%	4.77%

12. An Attendance Management training course has been designed specifically for ESPO which will be delivered in December 2015 and January 2016. This will be mandatory training for all line managers.
13. By implementing a systematic process for reporting and monitoring sickness, we anticipate bringing this down from twelve days to 7.5 days per employee by 2016/17. This is supported by a series of panels and consequent actions that are already having an impact.
14. A separate report is presented elsewhere on the agenda to review the impact of the Living Wage.

### All Staff Briefing

15. On 2 October, we held an All Staff Briefing where we acknowledged a successful year, set out our ambitions for our four-year MTFS, and invited in training for our staff around taking a positive and proactive approach to work – a key ingredient as a first step to achieving our growth ambitions. This is in addition to regular monthly updates and weekly staff communications.

### Supply Chain Management

16. The summer peak trading activity was the best since ESPO was formed in 1981; the effective processing, picking, packing and delivery of customer orders carried right through the peak and continued during the mini back to school peak experienced in September. Our on-time in-full and product availability measures were consistently on target and maintained right through September.
17. The Supply Chain Panel has contributed to improvements in our supplier performance and therefore our order fulfilment process.
18. The Service Level Agreement (SLA) has now been updated and improved following feedback and monitoring of the previous SLA. It is now part of the Invitation to Tender documentation and thus embedded in our Catalogue Product Procurement processes. Thirty-eight key suppliers are now under an SLA, comprising 45% of all catalogue sales.
19. The Leadership Team are engaged with the top 25 catalogue suppliers, building relationships as an important aspect of supply chain management principles, encouraging two-way open dialogue and discussions. This will be further supported by the recruitment of a Supply Chain Analyst.

### Rebates

20. The pilot to maintain and increase rebate income has begun with Coventry City Council and a first phase of data gathering and exchange has been completed. A baseline spend of £11.54m has been identified, with a further £8.84m in the pipeline.
21. A number of potential discrepancies between customer and supplier spend data are being investigated, although it is recognised that at least a proportion of this is spend with framework suppliers that was not identified as being against the framework at the time of call-off. These discrepancies are being investigated further as a potential 'rebate recovery' exercise.
22. Future growth potential has been identified and a proposal is being developed to incentivise the client, based on growth in total turnover.
23. Coventry City Council feedback on the exercise has been positive, with two new frameworks identified for which they have indicated their intent to use the ESPO solutions, and a number of others which will be reviewed against their current arrangements.

## **Sales & Marketing**

### Campaigns, activities and newsletters

24. We continue to build on the successful launch of our Hidden Gems campaign, with further promotion of our 'Introduction to Frameworks' video and features across our print and digital publications. Account managers have also been given additional framework resources and a spinning wheel display to drive engagement at our forthcoming NASBM conference and Academies Show exhibitions. This concerted promotion has contributed to a large increase in framework page visits, more than doubling in the past twelve months.
25. Our annual ESPO calendar is currently in production for December delivery. Planning is also underway for two sales promotions in the new year and the marketing of the 2016/17 ESPO catalogue.
26. Our new 2015 edition of the framework directory has recently been distributed to customers. This features our 150+ framework solutions available for use nationwide with signposting to our esporg website for further information and access to user guides. It also features information about our specialist procurement service offered by the procurement teams to support customers' individual and bespoke procurement requirements.
27. Corporate customers have received the latest edition of our newsletter 'Corporate Update' and digital publication 'Corporate Bulletin'.
28. Our teams have attended shows and events across the country including the Cambridgeshire teachers' conference, Peterborough 'Meet the Buyer' event and the Nottingham Association of School Business Managers (NASBM) conference. Each of these events gave our account managers and framework teams the opportunity to engage directly with our existing and potential customers.

### Customer service

29. Operations assumed responsibility for the Customer Services and Directs team as part of the recent reorganisation. The Head of Sales & Customer Service continues to manage this team reporting into the Assistant Director, Operations.
30. Customers continue to enjoy the benefits introduced through the change programme with satisfaction levels monitored through Feefo continuing at 98%. There has been a noticeable improvement in Customer Service through a better working environment and a general increase in staff morale.
31. The improvement in service levels resulted in 6,000 fewer phone calls being received this year during the peak period which enabled staff to manage order input more efficiently and ensure all orders were entered on the day received. Order acknowledgement has played a key role in improving customer experience with positive feedback from many customers.

32. ESPO has worked together with Lincolnshire County Council to help resolve the issues around duplicate and lost orders following the implementation of Agresso. Whilst we have been able to minimise orders being duplicated and identified orders that had not been released through Agresso, year-on-year trade has reduced as school customers continue to find transacting with ESPO difficult down to new procedures now in place. We are working with Lincolnshire to resolve this situation.
33. A trial to “punchout” to the ESPO catalogue is currently underway with five schools which will be rolled out across the county when any issues have been resolved.

## **ESPO Risk and Governance Update**

### Audit Reports

34. In the last quarter, audit reports have been issued for Information Management, Applications Management and Rebates Income. They all received substantial assurance. There were no hi recommendations.

### Health & Safety

35. In the second quarter, there were a total of 23 reported incidents. This included 14 injuries, five property damages and four near misses.
36. The injuries included bruises, bumps, strains and cuts; this has been minimised by the removal of personal cutting tools in the warehouse.

The property damage was all related to a single agency forklift driver who no longer works with ESPO.

The near misses related to pallets that are pushed through the racking, a typical experience in running a warehouse.

37. Manual handling and repetitive strain assessments are being rolled out to appropriate groups in the warehouse. Risk assessments are also being conducted end to end for drivers.

### Corporate Risk Register

38. In September, ESPO’s Leadership Team held its quarterly review of Major Risk Records (MRRs).
39. MRRs are being written up to address newly identified risks as follows:
  - Impact of the implementation of the Living Wage
  - Business lost to private companies
40. There are four high risks which are reviewed monthly. These relate to attracting and retaining quality staff; potential governance failures by management; robust business continuity in the event of an emergency; and

the impact of the Comprehensive Spending Review on local authorities and lack of growth in this sector.

**Resources Implications**

41. None arising directly from this report.

**Recommendation**

42. Officers are asked to note the contents of the report.

**Officer to Contact**

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**Appendices**

None.