



MANAGEMENT COMMITTEE – 27 SEPTEMBER 2016

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of Briefing Note

1. The purpose of this update is to inform Members of the actions and progress made since the last Management Committee meeting held on 21 July 2016.

Overall Financial Performance

2. Overall financial performance for July year to date is outlined below:
 - Total sales to 31 July 2016 are £30.0m compared to prior year £33.1m. The variances come from gas sales (£1.6m), store sales (£0.9m), direct sales (£0.4m) and rebates (£0.3m). However, the School Holiday Offer in August was strong, so will help to close the sales gap to budget.
 - The lower sales are partly offset by higher margins. Total gross margin is £7.4m which is down on budget £0.3m and £0.1m down on the prior year.
 - Rebate income is £1.1m which is 14.8% down on budget.
 - Total expenditure is £6.1m compared to a budget of £6.2m.
 - Consequently, surplus is £1.3m compared to a budget of £1.4m. The surplus target continues to be challenging.
3. Key figures underlying the total sales to 31 July 2016 are as follows:

Combined Preliminary Results

<u>SALES</u>	<u>YEAR TO DATE</u>		<u>PRIOR</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>YEAR</u>
	£m	£m	£m
STORES	16.58	17.34	17.43
DIRECT	6.22	6.41	6.60
GAS	5.16	8.18	6.79
CATALOGUE ADVERTISING	0.76	0.83	0.79
REBATE INCOME	1.14	1.34	1.49
MISCELLANEOUS INCOME	0.10	0.06	0.02
<u>TOTAL SALES</u>	<u>29.96</u>	<u>34.16</u>	<u>33.12</u>

4. The balanced scorecard for July is attached as Appendix 1.

ESPO Operational Progress

Operations

5. In the first quarter of 2016/17, Operations successfully managed the processing and delivery of £11.7m of customer orders making 64,000 on-time deliveries weighing 4.4m kg. This critical 'peak' trading period is the acid test of operational robustness and ESPO have delivered well. Product availability averaged 99.1%; the stock optimisation team managed a larger number of products sourced from overseas and the Feefo customer rating averaged 97% good to excellent.
6. The performance is a culmination of many improvements brought about by the change programme. This harmonised a spectrum of functional improvements including the warehouse management system, job design, work routines, business dashboard information and lean management techniques.
7. The project for introducing a minimum order value (MOV) has been successfully introduced and we have seen average order sizes rise by 10.1% from £150 to £165. This has contributed to more efficient processing and has helped to keep costs within budget.
8. The customer services team processed a record number of orders during the peak period, beating the previous daily record on three successive days. It is also noticeable that electronic orders are increasing in popularity with customers rising from 15% to 21% of lines processed.

Staffing

9. ESPO's dedicated HR Advisor left the Servicing Authority 30 June 2016 and has been replaced with an experienced advisor focussed on delivering the day-to-day operational work at ESPO. An additional advisor is working with the HR Strategic Business Partner one day per week to deliver outcomes against the Strategic HR work plan.
10. The pay award was agreed and implemented in time for the June 2016 payroll. Pay was backdated to April 2016.
11. At 30 June 2016, 10.22 days had been lost per FTE, representing a continued decrease in sickness absence and a significant reduction over the twelve-month period. All sickness absence at ESPO continues to be managed in line with the Attendance Management policy and procedure.
12. The HR Business Partner is working with East Midlands Shared Services to ensure that ESPO has its own web pages on its new recruitment portal. Implementation is anticipated by December 2016.
13. I would like to congratulate the Commercial Services Category Managers who were recently awarded The Institute of Line Managers (ILM) Level 3, following their investment in this development programme.

ESPO Risk and Governance Update

Health & Safety

14. The first quarter statistics were included in the 21 July report to Management Committee. No significant issues have arisen since last reporting.
15. With increasing summer temperatures, the air conditioning system in the building has failed on a number of occasions. Engineers are attempting to rectify the problem. The advance purchase of drum fans in the warehouse and mobile air conditioning in the office has meant that people's work is unaffected.

Corporate Risk Register

16. With the elongated Management Committee cycle in the previous quarter, two quarterly reviews of risk were reported. The next Leadership Team review is scheduled for 28 September and will therefore be reported in the next cycle.

Resources Implications

17. None arising directly from this report.

Recommendation

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

Equality and Human Rights Implications

19. None.

Officer to Contact

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Appendices

Appendix 1: Balanced Scorecard

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