MANAGEMENT COMMITTEE – 30 NOVEMBER 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 27 September 2016.

Overall Financial Performance

1. Overall financial performance to October 2016 year to date is outlined below:

- Total sales to the end of October are £49.2m compared to the prior year £52.7m. The variances come from gas sales (£2.6m) and rebates (£0.2m).

- The reason for the fall in gas sales compared to the prior year is mild weather and reduced wholesale prices. Below is a comparison of kWh invoiced:

  April – October 2015: 347,737,916 kWh invoiced
  April – October 2016: 281,158,721 kWh invoiced (-19%)

- Additionally, the contract price of gas was reduced by, on average, 20% with effect from 1 April.

- There were some 'losses' of customers at the end of the last contract (March). Although not the primary reason for the fall in gas sales, it will be a factor.

- Three significant new customers were added to the portfolio last month - Coventry, Derby and Calico Housing. The income for these will start to flow through this month (all gas and electricity income is now settled monthly with the supplier, Total Gas & Power)

- Total gross margin is £12.5m which is down on budget by £0.1m and £0.2m up on the prior year. This is due to a better margin on stores sales as a result of lower discounting and higher margins on exercise books as a result of international sourcing.

- Rebate income is £2.7m which is £0.1m down on budget and £0.2m down on the prior year due to continuing pressures arising from contract usage as opposed to supplier payment.

- Total expenditure is £10.3m compared to a budget of £10.5m. This is a saving of £0.2m or 1.9%.

- Consequently, surplus is £2.2m compared to a budget of £2.1m, a positive variance of £0.1m. We are cautiously optimistic about achieving the £3.9m budget surplus, although there remains five months trading in a challenging market.

2. Key figures underlying the total sales to 30 October 2016 are as follows:

	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
SALES						
STORES	27,269.7		27,413.9		27,338.8	
DIRECT	11,376.2		11,987.8		11,987.3	
GAS	7,043.6		11,412.8		9,639.2	
CATALOGUE ADVERTISING	798.5		871.3		798.9	
REBATE INCOME	2,671.6		2,812.0		2,870.0	
MISCELLANEOUS INCOME	58.1		99.2		34.4	
TOTAL SALES	**49,217.7**		**54,597.0**		**52,668.6**	

3. The balanced scorecard for October is attached as Appendix 1.

ESPO Operational Progress

Operations

4. This year so far ESPO has enjoyed a strong peak period which has been carried forward into an underlying level of operational performance.

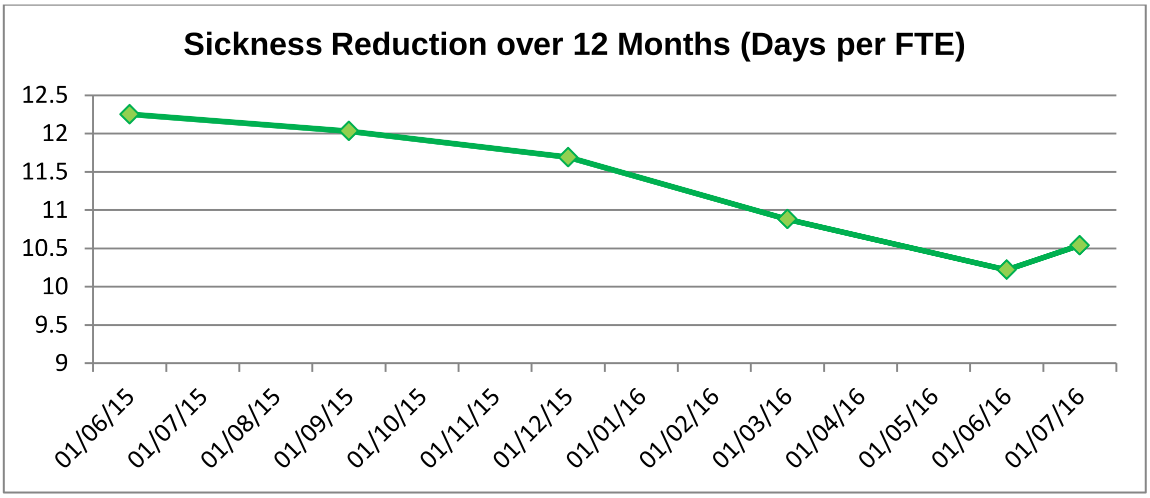
5. In the first six months of 2016/17, Operations successfully managed the processing and delivery of £27.2m of customer orders making 277,526 on-time deliveries weighing 9.5m kg. This critical ‘peak’ trading period is the acid test of operational robustness and ESPO have performed well.

6. The School Holiday Offer was particularly well received this year with £2.5m of orders processed and delivered to schools during August.

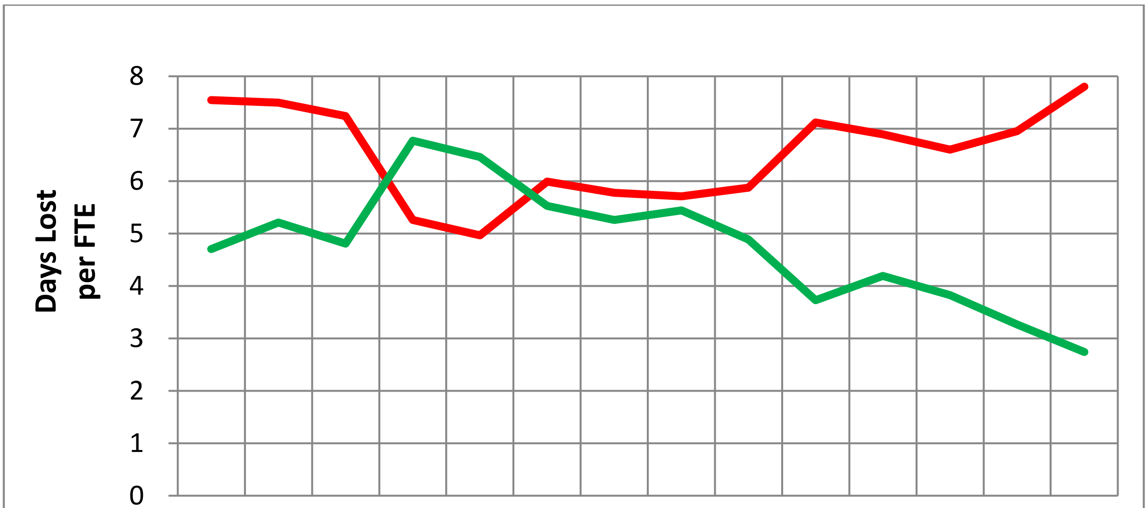
7. A tender is being prepared for the replacement of the eight existing warehouse reach trucks. This is expected to conclude by March 2017.

Staffing

8. Over the rolling twelve-month period to 31 July 2016, the total number of days lost to sickness absence was 10.54 per FTE. This is as an overall organisation. While this has shown a slight increase compared to the previous month, there has continued to be a significant reduction over the twelve-month period. All sickness absences at ESPO continues to be managed in line with the Attendance Management policy and procedure.



Overall declining trend due to long-term absence being managed



	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
Cum. LT Days per FTE	7.55	7.50	7.24	5.26	4.96	5.99	5.78	5.71	5.87	7.12	6.89	6.60	6.96	7.80
Cum. ST Days per FTE	4.70	5.21	4.81	6.77	6.46	5.53	5.26	5.44	4.89	3.73	4.19	3.83	3.26	2.74
Cum. Days per FTE	12.25	12.71	12.05	12.03	11.43	11.51	11.04	11.15	10.76	10.84	11.08	10.43	10.22	10.54

Long Term and Short Term Sickness Levels

9. While the last 12 months has seen a continuous drop in Short Term sickness, from 178 FTE days (6.46 days per FTE) for October 2015 to 105 FTE days (2.74 days per FTE) in September 2016, there has unfortunately been a steady rise in Long Term sickness, from 136 FTE days (4.96 days per FTE) in October 2015 to 212 FTE days (7.80 days per FTE) in September 2016.

10. As part of the current service level agreement for ESPO, the HR Business Partner has arranged for ESPO to have its own recruitment portal with East Midlands Shared Services. This will allow ESPO to have its own web pages to advertise vacancies. The team is currently working on developing these web pages to be fully implemented in December 2016.

11. The ESPO Leadership Team has agreed the programme of mandatory and optional training to be covered at ESPO. A work plan will be developed to ensure that all ESPO staff have completed these modules in order to close the 'training gap'. Bespoke training for job roles will also be developed over the coming months.

12. Mental Health First Aid training took place and was very well received. ESPO is hoping to run another session soon. In order to increase the number of qualified first aiders at ESPO, three Emergency First Aid training courses were also conducted in the last quarter. Fire marshal training for over thirty staff will take place in November; this takes place every three years.

ESPO Risk and Governance Update

Health & Safety

13. There have been no RIDDOR reportable incidents in the second quarter and all accidents have been relatively minor. Focussing on health and safety inductions with our more vulnerable agency staff has ensured that these numbers continued to be low during our busiest period.

14. In the second quarter, there were a total of six reported accidents. Injuries included strain/sprains (2), bruise/bumps (1), superficial injury (1) and slips/trips/falls (2).

15. There was one incident of property damage on a counterbalance truck which was subsequently fixed. There was one near miss with a fork lift reversing and damaging a beam which was replaced as a matter of course.

16. Improvements carried out in the quarter which impact health & safety in Operations include:

    - Repairs and relining of the sprinkler system tank
    - Service yard safety marking

Corporate Risk Register

17. In September, ESPO's Leadership Team held its quarterly review of Major Risk Records (MRRs).

18. The following new risk was identified for which an MRR will be written up in the coming quarter:

- MRR65 Modern Slavery (as reflected in the Modern Slavery Act)

19. There are eight high risks which will be reviewed monthly:

- MRR 8 Potential governance failures by management
- MRR 25 Increased competition
- MRR 34 Robust business continuity in the event of an emergency
- MRR 38 Potential failure of the Optima implementation
- MRR 46 Loss of income through not recovering all we are entitled to through supplier rebates, including on collaboration supply arrangements
- MRR 60 Non-delivery of Business Development Agenda to MTFS
- MRR 63 Implications of exiting the European Union
- MRR 64 Energy Contracts financial risk exposure regarding variations

Resources Implications

20. None arising directly from this report.

Recommendation

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

Officer to Contact

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Appendices

Appendix 1: Balanced Scorecard

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