



## **MANAGEMENT COMMITTEE – 28 FEBRUARY 2018**

### **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 29 November 2017.

##### **Overall Financial Performance**

2. Overall financial performance to December 2017 year to date is as outlined in the MTFs monitoring report which appears elsewhere on the agenda.
3. The balanced scorecard for December is attached as Appendix 1.

##### **ESPO Operational Progress**

4. In January ESPO processed £4.042m of customer orders making 23,415 deliveries. Warehouse picking was performed at a rate of 39 lines per hour, improving on the target of 28 lines per hour. The YTD average order value for stock orders was £149.64 which is £7.84 higher than last year. Operational costs to December 2017 including Catalogue were £6.492m against a budget of £6.698m, a reduction of £205k on budget and a reduction of £128k on last year.
5. In January, Customer Services and the Catalogue Admin team handled 7,947 telephone calls with an abandonment rate of 6% against a target of 3%. This standard is being analysed using individual extension activity to improve the overall performance. Lines processed to-date by Data Entry is 1.895m. On-line orders in January have risen 40.4% of all orders processed helped by a new system introduced by IT for digitising pdf orders. ESPO's year-to-date FIFO rating is 4.6/5 (92%).
6. The stock optimisation team maintained product availability of 98.82% and stock value was £4.688m with a stock-turn of 8.92. There is £136,019 of direct orders over 2 months which are being expedited. In most cases these are part fulfilled orders where certain lines were unavailable from the supplier.
7. The Catalogue team are at the final stages of proof reading the 1,824 pages of the 2018/19 catalogue. We are producing 55,000 copies of the catalogue which is the same quantity as last year. The printing will be completed on 28th February with distribution to customers taking place from 5th March onwards.

8. There was one Health and Safety incident an accident in the goods inwards area where a member of staff tripped over a pallet and sustained an injury to her ribs. The individual has been re trained in the need to create a safe working environment whereby sufficient floor space is left between pallets.
9. Facilities management activity in January included water tank cleaning and samples tested for Legionella; replacement of faulty fire alarm sounders in the offices and the installation of two new break-glass call points on the mezzanine.
10. On 31st January three people entered the service yard at 23:40 hours caused damage to a Ford Fiesta lease car. The Police were informed and nothing was stolen. The service yard gates were open at the time of the incident because we were expecting the yard to be gritted. In future the gates will be closed at 7 pm. A Health & Safety Advisor is being recruited through a service agreement with LCC. It is expected that this position will be filled by April 1st.
11. An internal audit report on Obsolete Stock has been completed and recommendations for creating a written process for determining disposition routes is being followed. A Business Continuity update exercise has been carried out with Daisy our business continuity partner. This reflects changes to structure and contains a revised Impact assessment analysis.
12. A procurement has been conducted through a competitive tender for the replacement of the reach-truck fleet which is now over 12 years old and subject to increased maintenance costs. The new fleet will have additional safety features which include camera-guided put-away facilities and a blue light to warn pedestrians that the machine is in the vicinity.

### **Staffing**

13. As at 31st October 2017, ESPO's sickness absence rate was at 11.78 days lost per FTE and this increased to 12.05 days lost at 30th November 2017 and 12.12 days lost as at 31st December 2018. An investigation into all current sickness absences was undertaken to ensure that they were all being managed in line with the policies and procedures. This investigation showed that sickness absence was input onto Oracle once a month and sickness absences were being managed in different ways within each department.
14. Therefore, an intensive absence management programme commenced in January 2018 whereby managers have to report all sickness absences to HR on the day of an employee's sickness absence / return to work. A weekly report is then provided to the Leadership Team to review every week to ensure that all sickness absences are being managed in line with the policy and procedures.
15. A two part training course has been developed for all line managers at ESPO. The first part will cover the basic principles, toolkits, policy and reporting requirements and the stages in managing sickness absence. This will be delivered internally at ESPO on a rolling programme commencing mid-February. Part 2 has been developed in conjunction with Leicestershire County Council

and will focus directly on spotting, proactively addressing and managing employee stress / mental ill health. It is intended that Part 2 will be rolled out in May 2018 and places will be made available for ESPO managers to join alongside LCC managers who are dealing with similar issues in order to get a wider perspective.

16. Workshops have been scheduled from mid-February 2018 to engage all of ESPO's employees in reviewing its values and behaviours as part of our People Strategy.
17. The Employment Engagement Group has agreed to work with HR on progressing the Employment Deal which will also link into the values and behaviours.
18. A People Dashboard has been drafted for Leadership Team which provides key people analytics such as headcount, staff turnover, number of vacancies etc. as well as HR service deliverables in terms of outcomes of the administration, operational and strategic HR activities in line with the HR work-plan.
19. The Sales and Marketing restructure has been completed and the new structure will take effect from 1st April 2018.
20. The recruitment of Assistant Director – Commercial has been progressed via Gatenby and Sanderson.

#### Internal Communications

21. The ESPO Employee of the Year was launched on Friday 24 November and ran until Thursday 7 December. The winners were announced at the annual Christmas Close Down event which took place in the Warehouse on Friday 22 December. The overall winner was Marketa Overton, a Procurement Officer who was commended for always going that extra mile when providing assistance and advice to customers. Other staff recognised for outstanding contribution were Rachel Glover, Marketing Campaigns Manager, for her hard work and efficiency in running the Communications Team during a colleague's period of maternity leave and Sandra Sewell, National Account Manager for her dedication and having outstanding knowledge of ESPO frameworks and being a true ambassador of ESPO. Nicholas Deacon also received special recognition for his quick thinking and bravery in preventing an accident when the driver of an ESPO lorry collapsed at the wheel in which he was a passenger.

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

##### Health, Safety, Wellbeing and Facilities Management & Corporate Risk Register

22. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) on 26 September 2017.
23. Following an audit by Leicestershire County Council's Internal Audit, ESPO has streamlined its reporting documentation, allowing a more detailed overview of its

risk profile. There are five high risks which are reviewed monthly and these are attached in the new format at Appendix 2.

24. A new risk will be added to reflect the potential impact and mitigation in place regarding the establishment of ESPO Trading Ltd. This is related to the credit risk exposure that comes with these new customers.
25. As the Government's position is now more certain and includes transitioning arrangements, the risk identified within MRR63: Exit from the European Union is now within accepted tolerance. This had previously been reported as a high risk.
26. In October, the annual disaster recovery exercise took place at Daisy in Nottingham with procedures updated accordingly. All servers are backed up with tapes stored at Iron Mountain and when loaded at Daisy, the systems can be configured to successfully communicate with each other on the new network; recovery took 16 hours. Daisy has provided the disaster recovery service to ESPO for a number of years and is familiar with ESPO's recovery processes.
27. Next year, the exercise will be extended to two weeks to test the upgrade of the iSeries operating system to v7.3 before implementing this on the live system. Staff from all areas of the business will perform extensive testing to ensure that systems are still working as expected after this upgrade.
28. IBM undertook an audit of licences at ESPO (as part of their worldwide audit of licences) in November and December 2017. ESPO purchased licenses consistent with its usage of our hardware. IBM are seeking to claim additional costs based on a contractual technicality and are seeking two years back maintenance and additional licenses. This is being handled by LCC Legal team. Throughout this process COG and Management Committee will be kept fully informed.
29. In the third quarter, the reported incidents and accidents. There was one Health and Safety incident an accident in the goods inwards area where a member of staff tripped over a pallet and sustained an injury to her ribs. The individual has been re trained in the need to create a safe working environment whereby sufficient floor space is left between pallets.
30. A report on a proposal to introduce random alcohol testing is being considered by the Chief Officers Team at Leicestershire County Council.
31. Facilities management activity in January included water tank cleaning and samples tested for Legionella; replacement of faulty fire alarm sounders in the offices and the installation of two new break-glass call points on the mezzanine.
32. A Health & Safety Advisor is being recruited through a service agreement with LCC. It is expected that this position will be filled by April 1st.

### **Resources Implications**

33. None arising directly from this report.

**Recommendation**

34. Members are asked:

- a) To note and support the contents of this report.

**Officer to Contact**

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**Appendices**

Appendix 1: Balanced Scorecard

Appendix 2: Corporate Risk Register (excerpt)

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