



MANAGEMENT COMMITTEE – 12 SEPTEMBER 2018

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of Briefing Note

1. The purpose of this update is to inform the Management Committee of the actions and progress made since the last Management Committee meeting held on 13 June 2018.

Overall Financial Performance

2. Overall financial performance to July 2018 to date is outlined below:

Summary P & L

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
SALES						
STORES	16,853.9		16,401.5		15,879.9	
DIRECT	5,860.3		5,405.8		5,284.2	
GAS	4,879.1		4,699.6		4,053.2	
CATALOGUE ADVERTISING	619.4		735.5		695.4	
REBATE INCOME	2,050.7		1,522.2		1,476.4	
MISCELLANEOUS INCOME	43.6		65.0		19.6	
TOTAL SALES	30,306.9		28,829.5		27,408.7	
TOTAL MARGIN	8,246.3		7,885.3		7,417.2	
TOTAL EXPENDITURE	6,224.6	20.5%	6,229.0	21.6%	5,843.6	21.3%
As % of Total Sales Excluding Gas		24.5%		25.8%		25.0%
TRADING SURPLUS	2,021.7	6.7%	1,656.3	5.7%	1,573.6	5.7%

ESPO Operational Progress

3. In July alone ESPO processed £5.340m of customer orders making 25,482 deliveries. Warehouse picking was performed at a rate of 35 lines per hour, improving on the revised target of 32 lines per hour. The YTD average order value for stock orders was £192.59 which is £6.84 higher than this time last year. Operational and supply chain costs were £3.372m against a budget of £3.427m, a saving on budget of £55k and an increase of £134k on last year.
4. ESPO took delivery of 10 new large goods vehicles (LGVs) in July, in line with the approved asset replacement programme. There were four 7.5T and six 12T vehicles from DAF which provide greater payload capabilities than the Ford Iveco. This will enable us to retire older vehicles from the fleet and improve our cost position with better fuel consumption and reduced maintenance costs.
5. The peak trading period of June and July has again been successfully managed, with all customer delivery promises met on time. This year it has been noticeable that the quality of available agency staff has been much reduced evidenced by poor attendance records and reduced productivity. Mitigation of these temporary labour risks is incorporated into ESPO's 'Operational Efficiency plan' through the tactical deployment of material handling equipment in line with previous approval.
6. In July Customer Services, Directs and the Catalogue Admin team handled 10,664 telephone calls with an average abandonment rate of 8% against a target of 3%. Although the Customer Services team were depleted with term-time staff on holiday this performance is disappointing. A review, by LCC Transformation team, into the ESPO's customer services and admin function will take place in the next few months. It is expected that this will highlight opportunities for integrating previously individual teams around a common theme of serving the customer. Order lines processed in July by Data Entry was 359,165. On-line orders in July were at 44.7%; reflecting the greater volume of manual SHO orders. On-line participation is stabilising around the 49% level. ESPO's year-to-date measure of customer satisfaction provided by FIFO is 90%.
7. The stock optimisation team maintained product availability of 97.84% and stock value was £6.384m with a stock-turn of 6.65. We have experienced availability issues on some stock keeping units with our exercise book supplier but we are hoping to complete all customer orders before the end of September. Longer term this risk is being resolved by moving greater production of the exercise books to the more reliable printer based in Poland. There was £515k of direct orders over two months which are being expedited. In most cases these are orders waiting for the schools to re-open in August and September.
8. There were no accidents in July and two near miss events. A powered pallet truck and a pedestrian nearly came into contact through a misunderstanding on right of way. Both parties have been instructed as to the safe system of work.

The second event saw a plastic bottle of paint fall from a pallet in the racks as it was being moved. The action taking was to highlight the need for pallets to be securely wrapped.

9. A Senior Health & Safety Advisor has been recruited with a start date of 24th September. Up to point an interim Health & Safety Advisor will provide the necessary cover.
10. Facilities management activity was focussed on creating a self-contained working environment on the mezzanine floor to accommodate the Eduzone business. The transition from Eduzone's site in Cuffley to the ESPO's Leicester warehouse has been carefully managed. Stock and IT equipment have been transferred and the first orders were picked by ESPO staff on 13 August in line with the plan.
11. Seven new reach-trucks were delivered in July to replace the 12 year old existing fleet. These new lift trucks feature many new safety and performance features such as cameras to assist with safe retrieval and put-away; tracking devices that provide truck utilisation data and blue safety lights which shine on the floor ahead of the moving equipment to alert pedestrians to the presence. This will also help to reduce the cost of operating the equipment through reduced maintenance costs.
12. LCC Transformation team have completed their review of ESPO's catalogue production process and are about to start their review of customer service administration. The catalogue review has provided a number of recommendations aimed at improving overall efficiency. These are being considered with a view to implementing changes in time for the 2019/20 catalogue production.
13. An updated paper will be brought through to COG and to Management Committee on how Brexit is likely to affect ESPO. This will consider the consensus on the economic impacts, likely impact on the costs on imported products, Sterling/Euro exchange rate forecasts, potential labour shortages, and impact on wage rates. These issues to be considered in the short, medium and long term.

Staffing

14. The HR Dashboard that provides Leadership Team of a "health check" on its people analytics and the amount of work that is being progressed in the HR department as at 31st July 2018 is attached as Appendix B.
15. Mark Foote the new HR&OD Business Partner will commence on Monday 24th September 2018. Mark has paid a number of visits to ESPO since his appointment to familiarise himself with key members of the ESPO and HR Teams.

16. Further to retirements and maternity leave, the following Senior Management roles have been recruited to on a secondment basis:-
- a) Head of Commercial – Gary Ford has been seconded to this post until the 30th September 2018.
 - b) Head of Procurement and Compliance – Mark Ewen has been seconded to this post until 30th September 2018.
17. Marketing continue to work with HR to brand and promote the new Values and Behaviours and the Employment Deal.
18. Sickness absence continues to decrease and as of August 2018 has reduced to 10.6. HR is working with managers to continue this downward trend by continuing with the intensive support programme.
19. HR will be delivering a further training programme around the key policies in September/October 2018. This will be a series of half day training courses for new managers.
20. The mandatory training requirements for all ESPO employees have been widely published with the expectation that all courses should be completed. This is being supported by the Learning and Training Adviser.
21. Employees without access to the Learning Hub have completed the courses either via workbooks or training courses and have been issued with the relevant certificates.

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 18 June 2018. There are six high risks with a score of ten or greater.
23. A new risk has been added to reflect the potential impact of Amazon in the market place given recent meetings. In addition Catalogue production has been added to reflect recent acquisition and the challenges of producing multiple catalogues. Finally the integration of the Eduzone Ltd acquisition was added.

Resources Implications

24. None arising directly from this report.

Recommendation

25. Members are asked to note and support the contents of this report

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Appendices

Appendix A: Balanced Scorecard
Appendix B: July HR dashboard

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