

MANAGEMENT COMMITTEE – 26 NOVEMBER 2018

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of the Briefing Note

- The purpose of this update is to inform Management Committee of the actions and progress made since the last Management Committee meeting held on 12 September 2018.

Overall Financial Performance

- Overall financial performance to September 2018 to date is outlined below:

Summary P & L

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
SALES						
STORES	25,861.6		25,183.6		24,520.6	
DIRECT	9,959.3		10,076.7		9,227.5	
GAS	6,324.7		7,187.6		5,307.0	
CATALOGUE ADVERTISING	638.6		838.0		792.3	
REBATE INCOME	3,109.4		2,519.1		2,443.4	
MISCELLANEOUS INCOME	61.3		97.1		30.5	
TOTAL SALES	45,954.7		45,902.2		42,321.3	
TOTAL MARGIN	12,467.4		12,030.5		11,337.8	
TOTAL EXPENDITURE	9,364.9	20.4%	9,246.5	20.1%	8,745.9	20.7%
As % of Total Sales Excluding Gas		23.6%		23.9%		23.6%
TRADING SURPLUS	3,102.6	6.8%	2,784.0	6.1%	2,591.9	6.1%

- Overall trading surplus YTD is ahead of budget and ahead of last year.
- Total sales at £45.9m are in line with budget of £45.9m.
- Store sales £700k ahead of budget and £1341k favourable to last year. The key area of improvement has been in our sales of exercise books and white paper.
- Direct sales are £117k behind budget principally down to lower corporate sales due to austerity.
- Rebates are £590k ahead of budget. The growth is also enabled by better collection enforcement and the benefits of our new framework CRM system that was developed in-house are being felt.

The balanced scorecard is attached at Appendix 1.

ESPO Operational Progress

3. In September ESPO processed £4.798m of customer orders making 24,608 deliveries. Warehouse picking was performed at a rate of 32 lines per hour, consistent with the target of 32 lines per hour. The YTD average order value for stock orders was £181.87 which is £9.24 higher than this time last year. Operational and supply chain costs YTD are £5.144m against a budget of £5.081m, an increase on budget of £64k and an increase of £327k on last year. The overspend is attributable to distribution costs which comprises non-budgeted vehicle repair and additional carrier costs.
4. In September we experienced an 80% increase in calls handled by Customer Services, over the normal monthly average. The length of the calls handled was also perceived to be longer than the normal average of 2.1 minutes. This was caused by a combination of the normal peak associated with the start of a new school term and the high number of queries regarding the availability of exercise books. Customer Services, Directs and the Catalogue Admin Team handled 17,433 telephone calls with a peak abandonment rate of 20% against a target of 3%.
5. A review, by LCC Transformation team, into the ESPO's customer services and admin function is currently underway. It is expected that this will highlight opportunities for integrating previously individual teams around a common theme of serving the customer and for highlighting improvements such as eliminating unnecessary agent contact and making the most of agent resources.

6. Order lines processed in September by Data Entry was 200,651. On-line and electronic converted orders in September were at 50.4%. On-line participation is stabilising around the 50% level. Customer Service staff have been trained to handle calls from Eduzone customers and a member of staff who transferred from Eduzone has been appointed to a position in customer Services.
7. The stock optimisation team maintained product availability of 98.30% with 157 lines temporarily unavailable; stock value was £6.164m with a stock-turn of 6.54. We have experienced availability issues on some stock keeping units with our exercise book supplier. Outstanding customer orders were completed by the end of October. Longer term this risk is being managed by moving greater production of the exercise books to a more reliable printer based in Poland.
8. There were two accidents and one near miss event. An agency worker cut a finger whilst using a knife. Staff have been briefed on the need to use safety knives that have been provided by ESPO, there was no lost time recorded. An agency worker sustained an upper back strain as a result of poor manual handling technique. Staff advised as to safe handling methods. No lost time recorded. The incident was a pallet-push through due to shrink wrap covering the pallet aperture. There was no injury or damage sustained. The fork lift driver was re-trained.
9. In October, further to prior approval, we installed mechanised handling equipment to enable products to be safely moved from the mezzanine to the ground floor. This comprises of powered conveyors and a goods-lift. Facilities management activity was focussed on supporting the electricity provider with a service on the sub-station in the yard. Power was taken down and the emergency generator was on line to provided power to the server room. Panels that had become detached from the warehouse roof through high winds were replaced. A service inspection by Allianz our insurance provider was carried out on the vehicle tail-lifts and lifting equipment. The team visited Indigo our warehouse management system provider to assess new hand held scanners and portable printer units as part of the equipment upgrade and replacement plan.
10. Two ESPO drivers were supported with their training to enable them to pass their large goods vehicle test. This will enable them to drive vehicles plated at 12 ton. This will enable ESPO to utilise their preferred vehicle of a 12 ton rigid which has a greater pay load capability. This delivers vehicle scheduling efficiency gains.
11. The catalogue management group have been meeting regularly to oversee the production of the new catalogue portfolio for 2019/20. This comprises the main catalogue with a primary and secondary school wrapper; an Early Years and Eduzone catalogue and a Corporate catalogue. It is envisaged that we will continue to develop a more customised offering to our customers which meet their particular requirements.

Staffing

12. The HR dashboard that provides the 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 31 October 2018, is attached at Appendix 2.
13. Sickness absence continues to decrease and Q2 saw a 7% fall from the previous quarter. When the absence figures are compared to this time last year, ESPO are showing a 15% decrease in absence. These are the greatest decreases of any directorate group. Whilst these statistics are highly encouraging, HR are still working with managers to implement appropriate support plans to help individuals return to work in a timely manner, and to also continue with the intensive support programme.
14. To assist with this positive trend, the ESPO Wellbeing strategy is also now being finalised, and a Wellbeing Group made up of employees are volunteering to ensure that it is successfully implemented and that engagement remains high across the organisation.
15. Learning and Development opportunities are also expanding and ESPO are now signing up newly appointed managers to undertake an Institute of Leadership and Management Level 3 qualification in management. This development will help ensure that our employees have requisite skills to succeed in their roles.
16. The greater use of apprentices has also been mapped out within departments, and it is planned that new apprentice posts will be advertised shortly so that we can encourage further development opportunities and raise the profile of ESPO being a great place to work.

ESPO Risk and Governance Update**Health, Safety, Wellbeing and Facilities Management & Corporate Risk Register**

17. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) on 6 September 2018.

Resources Implications

None arising directly from this report.

Recommendation

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

Officer to Contact

Kristian Smith, Director

k.smith@espo.org

Tel: 0116 265 7887

Appendices

Appendix 1: Balanced Scorecard

Appendix 2: HR Dashboard

This page is intentionally left blank