

## MANAGEMENT COMMITTEE – 19 JUNE 2019

### 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 27 February 2019.

#### Overall Financial Performance

- Overall financial performance to March 2019 is outlined below:

#### Summary P & L

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
<b>SALES</b>						
STORES	44,072.5		42,580.0		41,441.3	
DIRECT	18,798.0		17,799.8		17,156.1	
GAS	15,684.2		14,375.1		13,887.4	
CATALOGUE ADVERTISING	823.9		920.0		915.8	
REBATE INCOME	7,449.6		6,650.0		6,608.2	
MISCELLANEOUS INCOME	155.9		195.0		102.1	
<b>TOTAL SALES</b>	<b>86,984.1</b>		<b>82,519.9</b>		<b>80,110.9</b>	
<b>TOTAL MARGIN</b>	<b>23,978.6</b>		<b>22,719.7</b>		<b>21,587.2</b>	
<b>TOTAL EXPENDITURE</b>	<b>18,870.4</b>	21.7%	<b>18,152.8</b>	22.0%	<b>17,279.1</b>	21.6%
As % of Total Sales Excluding Gas		26.5%		26.6%		26.1%
<b>TRADING SURPLUS</b>	<b>5,108.2</b>	5.9%	<b>4,567.0</b>	5.5%	<b>4,308.1</b>	5.4%

- Overall trading surplus is ahead of budget by £541k and last year by £800k
- Total sales at £87.0m are ahead of budget by £4.5m.
- Store sales £1.5m ahead of budget and £2.7m favourable to last year. The key area of improvement has been in our sales of exercise books and white paper as well as our Multi-Academy Trusts scheme and out of area sales growth.
- Direct sales are £1m ahead of budget principally down to higher MOD sales.
- Rebates are £0.8m ahead of budget. The growth has been enabled by better collection enforcement and through the use of our new framework CRM system that was developed in-house.

The balanced scorecard is attached at Appendix 1.

### **ESPO Operational Progress**

3. In March ESPO processed £2.789m of customer orders making 17,478 customer deliveries. Warehouse picking was performed at a rate of 37 lines per hour, an improvement on the target of 32 lines per hour. The error rate detected by QA was 2.6% which is in line with expectations. The YTD average order value for stock orders was £154.02 which is £7.37 higher than this time last year. Operational and supply chain costs for the full year were £10.473m against a budget of £9.830m, an increase on budget of £643k. This is principally due to higher transport and distribution costs which includes YTD £103k overspend against budget on repair and maintenance to maintain the fleet of older vehicles. These are due to be replaced in Quarter 1 2019/20.
4. Courier delivery costs have increased by £358k YTD through an increase in sales, particularly to 'out of area' locations and additional deliveries to expedite exercise books which came back into stock in October. Full year Courier deliveries are up 6% attributable to increased stock sales (up £1.5m on budget), particularly to 'out of area' locations. We are looking at the mix of courier tariffs to establish if any savings can be made in this area. Fuel costs are up £33k YTD on budget due to higher pump prices. A non-budgeted vehicle replacement provision of £100k was added to the costs in March to provide for future replacements. Agency staff costs in March were £43k higher than budget, due in part to March stock sales being £225k above budget and to provide holiday cover. Total operational as a percentage of stores sales were 23.8%.
5. In Customer Services the abandon call rate was in line with target at 3%. Across Customer Services, Directs and the Catalogue Admin the teams handled 8,265 telephone calls, up 2,300 on February. ESPO's FEEFO customer service rating was 92% (gold standard). Order lines processed in

March by Data Entry was 131,886. Online and electronic converted orders in December were at 55.3%. The online participation has risen 6.5% since April 2018. Customer Service staff have been trained to handle calls from Eduzone customers and process invoices on the Sage system. Following a review into ESPO's customer service teams a new role of Customer Experience Manager has been recruited to lead ESPO's call intake and customer service teams. This role will be crucial to improving the customer journey, to anticipate customer needs and to coordinate process improvements across the organisation that delivers enhanced customer satisfaction.

6. The stock optimisation team improved product availability to 99.22% with 76 lines out of 9,871 temporarily unavailable; stock value was £7.021m an increase of £425k over February with a stock turn of 6.28. This includes exercise stock building in preparation for peak trading. We signalled in October that we have been considering warehouse storage requirements ahead of the 2019 peak trading and being mindful of potential supply disruption caused through Brexit. For a period leading into, during and shortly after the call on ESPO's warehouse space is at its greatest as we seek to ensure maximum product availability for customers and to create a safe working environment in the warehouse. We have put in place an arrangement with Kent County Supplies to provide storage for up to 1750 pallets during this period. Costs will be circa £50k and in line with current budgets.
7. A stock take was conducted at the Leicester site and the out-bases at Felixstowe and Maidstone which hold stocks of exercise books. The results were within the budgeted tolerance.
8. Facilities management in March comprised a full site electrical installation condition report which tests wiring and fixed electrical equipment to check that they are safe, creating a hygienic secure pick zone for the recently introduced tea and coffee range and continuing installation of the mesh-decks in the bulk store racking, this is now 40% complete. The 'traffic light' system has been installed onto the loading docks to indicate that it is safe to move a vehicle onto or away from the loading dock.
9. There were five minor accidents in March. These comprised two bruises, two minor cuts to hand and one graze from a trip. Health and safety training during the month included a 'shift in focus' delivered to the three shifts in the warehouse by ESPO's health and safety advisor to reinvigorate the health and safety agenda; a risk assessment workshop delivered to seven warehouse section leaders as part of their ILM3 management course; counterbalance FLT refresher training in Wales; a one day SEMA managing rack maintenance training; and COSHH assessment training given to housekeepers.
10. A fire risk assessment was conducted at the Welsh depot and ESPO's lone working guidance documents were updated in conjunction with the sales team. An update to the site fire evacuation policy is being finalised using designated fire marshals to improve overall accountability.

11. A detailed project plan which sets out the health and safety compliance actions is reviewed weekly by the Leadership Team, and a minuted monthly meeting.
12. The 2019/20 catalogue portfolio was extended from two to five to reflect the need to differentiate ESPO's offer to its various markets. This year we have created an impactful range of catalogues which comprises the main ESPO catalogue of 1,608 pages with a primary and secondary school wrapper; an Early Years catalogue of 496 pages for nursery age groups; an Eduzone catalogue aimed at private sector customers which now combines janitorial and craft products in the nursey and childminding sectors and a Corporate catalogue of 688 pages aimed at non-school public sector customers. Whilst the ESPO catalogues were produced on time there was a need to reprint the Eduzone catalogue due to pricing errors. This resulted in a two week delay to the delivery plan and incurred additional printing costs. Following a review by internal audit this situation will be the subject of an HR process.

### **Staffing**

13. Sickness absence continues to be well managed and decreases in the overall levels are still being maintained. The annual figures for 2018-19 show that ESPO have achieved a 16% reduction in sickness absence over the last year. HR still continue to work with managers to implement appropriate support plans to help individuals return to work in a timely manner.
14. A new staff appraisal process has recently been launched across ESPO. The Annual Performance Review (APR), will ensure that performance is closely managed alongside providing an opportunity for individuals to reflect on their potential and development needs. A new one-on-one guidance document has also been issued to managers, to further develop and enhance performance management techniques. These processes are also closely aligned to the ESPO organisational values, and these are now displayed throughout the building.
15. Changes to pay have now been implemented for all staff. Taking effect from 1 April 2019, these are in line with the national pay award as agreed between Leicestershire County Council and the relevant trade unions. Staff have seen a minimum 2% rise in their salaries, with no employees being financially disadvantaged. These changes have been broadly welcomed and no concerns have been raised as a result of the implementation.
16. Joint Consultative Committee (JCC) meetings are held bi-monthly between management representatives and trade unions (namely Unison and GMB). These meetings provide opportunities to openly discuss a number of different topics that affect staffing. These include Health & Safety updates (for example fire safety, training), commercial issues (for example sales figures, new investments in equipment) and HR matters (for example recent changes to pay, and our new performance appraisal system). These meetings are always

held in a positive manner and good working relationships with the trade unions are in place as a result.

17. ESPO has planned to undertake a staff survey during the summer period. This survey will be in line with the forthcoming staff survey being undertaken by Leicestershire County Council which is due to take place during June. As this is the peak period of trading for ESPO, we will participate in August, after this high period of work completed. This should help encourage response levels from staff, and ensure that a broad representation of their thoughts are recorded.

#### Internal building signage

18. The ESPO building has recently had a face-lift. The purpose for this has been to bring our values to life while also adding personality and professionalism and to modernise the building. We hope that you can all agree that this has been achieved and that the building is now a place to be proud of when showing around suppliers, customers and even prospective employees.





## **ESPO Risk and Governance Update**

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

19. The ESPO Leadership Team held its quarterly review of Health, Safety and Wellbeing and Major Risk Records (MRRs) and the top risks are attached at Appendix 2.

### **Resources Implications**

None arising directly from this report.

### **Recommendation**

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

### **Officer to Contact**

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### **Appendices**

Appendix 1: Balanced Scorecard  
Appendix 2: CRR extract