

### MANAGEMENT COMMITTEE – 19 SEPTEMBER 2019

#### PROGRESS UPDATE

#### REPORT OF THE DIRECTOR

#### Purpose of the Briefing Note

- 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 19 June 2019.

#### Overall Financial Performance

- Overall financial performance to July 2019 is outlined below:

#### Summary P & L

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
<b>SALES</b>						
STORES	17,711.6		17,215.3		16,853.9	
DIRECT	5,730.8		5,356.3		5,860.3	
GAS	4,758.6		4,439.0		4,879.1	
CATALOGUE ADVERTISING	650.7		628.1		619.4	
REBATE INCOME	1,993.8		1,608.9		2,050.7	
MISCELLANEOUS INCOME	102.7		50.8		31.2	
<b>TOTAL SALES</b>	<b>30,948.3</b>		<b>29,298.4</b>		<b>30,294.5</b>	
<b>TOTAL MARGIN</b>	<b>8,798.8</b>		<b>8,126.7</b>		<b>8,233.9</b>	
<b>TOTAL EXPENDITURE</b>	<b>6,528.5</b>	21.1%	<b>6,516.6</b>	22.2%	<b>6,093.1</b>	20.1%
As % of Total Sales Excluding Gas		24.9%		26.2%		24.0%
<b>TRADING SURPLUS</b>	<b>2,270.3</b>	7.3%	<b>1,610.1</b>	5.5%	<b>2,140.8</b>	7.1%

- Overall trading surplus is ahead of budget by £660k and last year by £130k.
- The reason the budget at this period is lower than last year is the annual budget includes an allowance for one offs each year. The timing of these have been earlier this year than allowed for in the budget but are consistent with the prior year.
- Total sales at £30.9m are ahead of budget by £1.6m.
- Store sales £0.5m ahead of budget and £0.9m favourable to last year. The performance during peak has been strong both in terms of value and customer service. Some sales have been bought forward from August compared to last year (around 2% in the month).
- Direct sales are £0.3m ahead of budget YTD.
- Rebates are £0.4m ahead of budget and in line with last year. The key comparison is to last year. If we achieve a similar level of rebates to the prior year this will be a key driver to achieving our surplus target for the year.
- Eduzone sales are in line with last year and tracking slightly behind a revised budget. Overall profitability is in line with budget due to lower overheads.

The balanced scorecard is attached at Appendix 1.

### **ESPO Operational Progress**

3. In July ESPO processed £6.015m of customer orders making 17,814 customer deliveries. Warehouse picking was performed at a rate of 35 lines per hour, an improvement on the target of 32 lines per hour. The error rate detected by QA was 1% which is an improvement on the budget of 3%. The YTD average order value for stock orders was £207.20 which is £14.79 higher than this time last year. Operational and supply chain YTD costs were £3.747m against a budget of £3.633m, which is £113k above budget. Warehouse agency costs increased by £46k due to increased hours to meet the sales activity driven by peak promotions. Certain one-off training and premises costs occurred in the month which will balance out over the course of the financial year. Total operational costs as a percentage of stores sales were 21% in line with budget.
4. The peak trading period of June and July has again been successfully managed, with all customer delivery promises met on time. We have moved to a lower cost transport courier tariff and we have replaced eight old large goods vehicles which will help reduce full year maintenance costs. The vehicle renewal provision has been increased to build reserves for future fleet upgrades. We are looking to recruit a number of drivers to replace those who have or are due to retire.
5. In Customer Services the abandon call rate was 6% against a rolling target of 3%. The number of abandoned calls for customer services is slightly higher

than expected but does reflect our busiest period. It is an improvement on the same period last year. We are also looking at an additional metric which shows how long customers had to wait before having their call answered. Across Customer Services, Directs and the Catalogue Admin the teams handled 10,557 telephone calls, up 19% on May. ESPO's FEEFO customer service rating was typical for the period at 88%. Order lines processed in July by Data Entry was 351,665. Online and electronic converted orders in May were at 49.5% reflecting the increase in promotional orders which are handled manually. Direct deliveries due into the customer valued at £2.5m are being carefully managed to ensure that suppliers deliver to customers on time.

6. 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. An Action Plan is being created in conjunction with HR to create a structure and develop a skill-set that more efficiently meets the needs of our customers. A number of vacancies have been managed through temporary contracts whilst this review is taking place.
7. The stock optimisation team maintained product availability at 97.5% with 274 lines out of 9,871 temporarily unavailable; stock value was £6.532m a reduction of £2.045m over May with a stock turn of 6.89. This reflects the high rate of stock sold during the peak period. We are managing some key suppliers to improve their performance. Stock levels will be re-built in preparation for the September 'mini-peak' period. We have been pleased with the service received in the management of our outside storage of exercise books this year and we are now looking at storage options for 2020 and beyond as part of a larger agenda.
8. Facilities management in July was scaled back to allow for the peak trading period. This comprised the first phase replacement of the warehouse gas heaters; a full service of the air conditioning units throughout the building; the refurbishment of the warehouse washroom facilities and the replacement of chairs in the canteen.
9. There were five minor accidents in July. These comprised one minor cut to finger by an agency driver, two bruises/strains to agency drivers, a back strain to a contract cleaner and a warehouse operative with a cut to the ankle. A new role of driver trainer is being recruited following a job evaluation which will be used to strengthen the delivery of H&S processes throughout the driver resource. First day induction training was provided to new starters. First-aid signage was placed above all first-aider desks to provide better visual identification. An LCC audit on health & safety is planned for September.
10. The catalogue management group has brought together teams from product management, marketing and procurement to create an integrated category plan which will inform the way in which we present products through our catalogues to our customers in 2020/21. This will enable us to select appropriate products from across the range, coordinate promotional activity

and agree supplier terms. The teams are also looking at opportunities to develop sales in the direct sales channel particularly in the sports and secondary school sector. The portfolio for 2020/21 has been drafted. This includes the Primary and Secondary main catalogue; Early Years; Eduzone; Corporate; ETL Corporate. Through this portfolio ESPO will be able to expand its offering into the corporate market. A proposed publishing timetable has been created to ensure that the new catalogue portfolio is managed in line with business requirements. The team is looking to finalise supply arrangements for exercise books for the period up to March 2020/21. Thereafter existing requirements elapse; the contract period has seen the category grow from £3m to £5m and became strategically relevant to our surplus achievement and thus will be part of a major review and re-procurement exercise.

### **Staffing**

11. Sickness absence continues to be well managed and reductions in our overall levels still continue to be seen, despite covering our busiest periods of work. Managers continue to work with HR to implement appropriate support plans to help individuals return to work in a timely manner.
12. The completion rates for our mandatory training courses have now increased following a number of bespoke sessions for our warehouse staff and drivers. Further sessions will be scheduled throughout the year for a remaining number of warehouse staff so that these increases are maintained to target. The corporate induction programme has also commenced again and this ensures that our new starters are fully aware of our organisational values, and how they will be managed and supported during their employment at ESPO.
13. The staff survey has been made available for all employees to complete, and this will close during September. A summary of the outcomes will then be provided to Management Committee at the next meeting.

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

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

14. 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

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