

## ESPO MANAGEMENT COMMITTEE – 12 JUNE 2024

### PROGRESS UPDATE

### REPORT OF THE DIRECTOR

#### Purpose of the Report

1. The purpose of this report is to inform the Management Committee of the actions and progress made since the last update provided to Members in March 2024.

#### Background

#### Financial Performance – 1 month to April 2024

#### Summary

Year to April 2024 – Period 1					
£m	Actual	B/(w) than Budget		B/(w) than LY	
Stores Sales	3.1	0.1	3.5%	0.1	3.9%
Direct Sales	1.0	(0.1)	(8.2%)	(0.0)	(3.3%)
Rebate income	1.4	(0.1)	(5.6%)	(0.1)	(3.6%)
<b>Total Sales (Exc Gas)</b>	<b>5.5</b>	<b>(0.1)</b>	<b>(1.2%)</b>	<b>0.0</b>	<b>0.6%</b>
Total Gross Margin	2.7	0.1	4.5%	0.1	4.8%
Total Expenditure	2.2	0.1	5.3%	(0.2)	(9.0%)
<b>Trading Surplus</b>	<b>0.6</b>	<b>0.2</b>		<b>-0.1</b>	
Trading Surplus %	10.0%	4.2%		(1.7%)	

2. After 1 month, **a surplus of £0.6m has been made which is £0.2m better than budget** and in line with last year.
3. ESPO launched its April 2024 catalogue with a highly competitive pricing offer and despite much of April seeing schools closed for the Easter vacation, **early catalogue trading is showing promising signs** with catalogue sales largely in the with budget. The benchmarked basket of key goods remains cheaper than ESPOs competitors, especially exercise books, and this is expected to set ESPO in a great position for the summer peak trading period.
4. **Rebate income has started positively**, with £1.4m collected, and is only marginally behind the budget for April due to some small timing differences which will catch up in the coming months.
5. **Costs continue to be tightly controlled** with expenditure of £2.2m slightly below budget, benefitting from savings in warehouse staff. Expenditure as a % of sales is 39.2% and 1.5% better than budget as a result.

6. **For the full year, the budget is a surplus of £7.1m** and at this very early stage in the year this remains the best guidance for members. The trading environment remains competitive, creating a number of risks and opportunities across ESPO's activities.

### **Operational Progress**

7. In March, ESPO's distribution centre picked and despatched 124,422 order lines, valued at £4.035m and the transport fleet with couriers made 20,679 deliveries. Warehouse picking was performed at a rate of 32 lines per hour against a target of 32 and the error rate detected by quality assurance (QA) was 0% against the budget of 3%. The average order value for stock orders in March was £219.02 compared to the budget of £195.34. Operational and Information Technology (IT) costs year to March 2024 were £14.108m against a budget of £14.192m. Stock availability averaged 98.6% and 99.42% on the top 1,000 lines in March, the stock value was £10.715m with a stock turn of 5.29.
8. The Customer Services Team handled 3,670 calls across the three customer service channels. Average wait times across all teams was 16 seconds with 96% in less than 30 seconds. The team processed 26,250 customer orders valued at £4.127m. Online and electronic converted orders were at 86.5% of the total, aided by the new automated order processing system. Direct orders currently valued at £845k are being managed from suppliers to customers. Late suppliers are being expedited by the customer services team and customers are kept informed of the estimated delivery date. 5,023 responses to email enquiries were recorded using the e-ticketing system and the customer satisfaction rating was 93.7%. ESPO received 49 service ratings from FEEFO and our customer rating improved to 96%. ESPO commenced the annual benchmarking customer survey using the Institute of Customer Services where the results are compared to companies in the non-food sector.
9. Facilities management (FM) in March ensured that all statutory inspections and repair and maintenance services took place on their relevant due date. All the site washrooms were refurbished and general plumbing repairs undertaken. The glass office doors on the ground floor were reinforced to allow for effective utilisation and future proofing. In conjunction with insurers, the sprinkler fire pump is in the process of replacement and on-schedule; completion planned for the end of May 2024. The FM team have been active in supporting the warehouse extension project; liaising with potential forklift truck and racking suppliers and in considering the consequential improvement plan. Following a procurement exercise, a supplier has been chosen for the provision of a narrow aisle truck that will operate in the new warehouse extension.
10. There were no reported injuries in March. A Health and Safety audit was performed by Leicestershire County Council (LCC) on 15 and 16 February. It was pleasing to see that there were no major non-conformities. Minor non-conformities and observations are being followed-up by ESPO's Health and Safety Manager. A stress management risk assessment was undertaken on the night shift to support staff with their mental health. ESPO continues to follow Health and Safety Executive guidance and implement controls that support shift work. Health surveillance details collected from night shift workers and being processed by Human Resources, this will be sent to Optima (LCC Occupational Health contract) for processing. On 3 March it came to light that a member of staff had concealed themselves in the ESPO building after business hours. This situation was not detected by the operations team that

conducted a sweep of the building. It subsequently became clear that this person, who held a position of trust, was suffering mental health problems and was subsequently repatriated to their family. Additional security measures are being implemented to include additional CCTV cameras in stairwells and greater vigilance in the Friday evening sweep.

11. A Joint Consultative Committee meeting was held on 1 March with union representatives. The installation of cameras and proximity sensors on large goods vehicles was discussed.
12. The Information Technology (IT) helpdesk handled 427 enquiries with a 100% satisfaction rating from internal customers. A range of projects progressed through final stage as we approach year-end, including web pricing for the new catalogue, e-catalogue production, and SIMS/FMS Integration. All other IT project commitments are up to date. For uSecure, the staff awareness training system, the overall Risk Score reduced for consecutive months from 135 to 127, and the course completion rate has improved from 95.9% to 97.2%.
13. The Information Technology Decision Group (ITDG) agreed a number of updated standard IT policies. Following a review of the procurement options for the provision of a cloud-based hosting solution for ESPO's ERP system the team have identified a CCS framework as a possible solution. The framework uses standard framework terms and conditions and is specifically designed for Software as a Service solutions and has a direct award option. Subject to due diligence and governance requirements it is hoped to make the award in Quarter 2 of financial year 2024/25.
14. The warehouse extension build plan at Grove Park is progressing well with steel structure, brick work and cladding all complete. The floor slab has been laid and the sprinkler pipes have been extended ready to be connected. The next stage will see the racking installed together with mechanical and electrical applications being fitted. The project board continue to monitor progress in conjunction with consultants Pick Everard. The completion and fit-out is scheduled for October 2024 and it is hoped that members can attend a launch event to coincide with the November Management Committee meeting. The photographs below show the progress to-date.

Pictures of both inside and outside the new warehouse extension



## Staffing

15. Sick absence levels in 2023/24 continue to track lower than in 2022/23, (see table 1 below). There has been an increase in absence due to several mental health cases which are being managed proactively with appropriate support signposted and return to works have taken place in April and expected in May, which should be visible in future figures.

Table 1

	Feb-23		Mar-23			Apr-23			
Department	FTE Days Lost	FTE	FTE days sick	FTE Days Lost	FTE	FTE days sick	FTE Days Lost	FTE	FTE days sick
ESPO	2702.54	324.33	8.33	2684.54	324.33	8.28	2501.51	321.14	7.79

  

	Feb-24		Mar-24			Apr-24			
Department	FTE Days Lost	FTE	FTE days sick	FTE Days Lost	FTE	FTE days sick	FTE Days Lost	FTE	FTE days sick
ESPO	2457.01	321.26	7.65	2514.11	318.58	7.89	2572.22	318.56	8.07

16. The four main causes of sick absence during April were:

	Mar-24	
	FTE_DAYS_LOST	Percentage
Stress/Depression, Mental Health	44.06	30.27%
Other Musculo-Skeletal Problems	19.06	13.10%
Cough, Cold, Flu	6.81	4.68%
Gastro-Stomach, Digestion	4.05	2.78%
Covid	1.01	0.69%

17. Due to the slight increase in Musculo-Skeletal absences additional manual handling training is being given although some injuries have been sustained outside of work.

## Staff Survey

18. ESPO has recently completed the third staff survey since 2019. The questions have been consistent but have included some additions this year:
- i) Staff wellbeing offer (2 questions)
  - ii) A bullying and harassment question
19. 211 responses were received which represents 60% of employees. This is the highest response rate of the three surveys. Compared to the 2021 results there is a clear improvement in responses.

20. Greatest improvements (all up by 24-26% points):
- i) My manager gives me constructive feedback on my performance
  - ii) I feel the reasons for change are well communicated to me
  - iii) I feel valued for the work I do
21. The most positive result is that 90.4% of respondents were in agreement that ESPO is a good employer, followed by feeling trusted to carry out their job effectively (86.9%) and knowing how to access wellbeing services for staff (96.3%).
22. While overall this was a positive response ESPO will continue to work to improve staff-wellbeing and the work-life balance of employees.

### Staff Changes

23. The new Human Resources Business Partner to ESPO was appointed on 7 May. They participate on the Leadership Team and will be attending the September Management Committee to present to Members by way of introduction.

### Resources Implications

24. There are no resources implications arising from the recommendations within this report.

### Recommendation

25. It is recommended that the Committee note the update provided by the Director on the actions and progress made since the last update provided to Members in March 2024.

### Equality and Human Rights Implications

26. There are no equality and human rights implications arising from the recommendations within this report.

### Background Papers

Director's Report to the ESPO Management Committee 20 March 2024 - <https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=704&MId=7519&Ver=4>

### Appendices

Appendix A – Balanced scorecard  
Appendix B – Risk Review Extract

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