



## ESPO MANAGEMENT COMMITTEE – 4 DECEMBER 2014

### DIRECTOR'S PROGRESS UPDATE

#### Purpose of Report

1. The purpose of this report is to update members of the actions and progress made since the last ESPO Management Committee meeting held on 25 September 2014.

#### Overall Financial Performance

2. Overall financial performance for the seven months to October 2014 can be summarised as:
  - Sales to October at £53.3m are behind budget of £57.3m principally down to lower Gas sales which are weather dependant (see table below);
  - Rebate income is £2.6m compared to a budget of £1.9m and is tracking ahead of the prior year at this point, indicating a continued engagement in ESPO's procurement solutions;
  - Overall surplus is ahead of budget by £67K YTD.
3. Key figures underlying the total sales to October 2014 are as follows:

	<u>YEAR TO DATE</u>		
	ACTUAL £m	BUDGET £m	PRIOR YEAR £m
<u>SALES</u>			
STORES	28.028	28.144	27.112
DIRECT	12.435	12.436	14.222
GAS	9.400	13.846	11.806
CATALOGUE ADVERTISING	0.737	0.877	0.867
REBATE INCOME	2.614	1.911	2.141
MISCELLANEOUS INCOME	0.054	0.112	0.137
<u>TOTAL SALES</u>	<u>53.271</u>	<u>57.327</u>	<u>56.288</u>

4. A strategic discussion document to inform MTFs assumptions for 2015-16 and a report on the MTFs monitoring for the first six months of 2014-15 were originally presented to COG on 27 October 2014. The planning assumptions paper is included on this agenda at item number 12.

## **Balanced Scorecard**

5. The balanced scorecard is attached as Appendix 1.

## **External Activities and Developments**

### **PBOs, Pro5 members and beyond**

6. Officers from Cambridgeshire, Leicestershire and Warwickshire attended the EU Procurement training session sponsored by ESPO on 16 September, 14 October and 18 November. These sessions are being offered free of charge to members through the Senior Officers Group. A final session is scheduled for 11 December.
7. Norfolk, Leicestershire, Warwickshire, Cambridgeshire and Lincolnshire are now committed to a spend analytics programme which will enable those members to focus efforts on the areas for the highest potential savings. The authorities' data is to be uploaded into LCAT. Subsequently this will be shared with ESPO to identify collaborative procurement opportunities.
8. I met with Matt Denham, Crown Commercial Services, on 17 October 2014. The key objectives of this meeting were around relationship and any potential collaboration which would result in better commercial outcomes for our members.
9. Professional buying organisations were invited to a National Advisory Group (NAG) meeting on 24 November 2014 to which ESPO attended. Discussions took place around progress against the National Procurement Strategy that went live in July 2014.
10. Consideration of that NAG meeting will be incorporated into the Pro5 event being hosted by ESPO and YPO in Birmingham on 27 January 2015. A broad collection of Public Sector procurement organisations will be invited to consider challenges from the Select Committee, and consider outcomes of the NAG meeting. It is intended that the future shape of Pro5 be utilised to consider 'place' from a procurement perspective.

## **ESPO Internal Developments**

### **Member Liaison**

11. I continue to meet members on a quarterly basis to discuss key themes which are arising and any items pertinent to members' specific needs. We discussed the ambitions of ESPO's future direction. Options for this are included within the strategic discussion document to inform MTFS assumptions for 2015-16.

### Staff Survey

12. ESPO conducted its annual staff survey in August, with a total of 214 responses (circa 60%) completed by staff from all areas of ESPO. The results are being analysed by an independent party to provide an objective overview and comparison to last year's survey to determine progress against actions previously identified and to highlight themes for improvement over the course of 2014/15.
13. 'All Staff' briefings were held on 6 November to update on half-year progress and to give ESPO's employees an opportunity to raise questions. Generally, our staff are well engaged but there is also an underlying concern around satisfying customer demand during peak. This is a theme that was also raised in the staff survey.

### **ESPO Operational Progress**

#### Warehouse

14. The warehouse team used August to process school holiday orders (SHO) whereby schools defer their delivery outside of the busy June and July peak. A total of £1.2m orders were processed comprising 62k lines. Deliveries were made to schools that are open during the school holiday, mainly secondary schools that were running summer events.

### **Sales & Marketing**

#### Press and Media Coverage

15. The Leicester Mercury ran a favourable article on ESPO on line and in print on 18 November. It outlined ESPO's history, product range, and public sector ethos. It also favourably highlighted ESPO's strong connection with Leicestershire businesses and SMEs in particular.
16. ESPO's press coverage goes from strength to strength with August seeing our debut on BBC East Midlands Today. A short showcase of ESPO's schools' and stores' business featured ESPO's warehouse and provided a positive overview of our operations.

#### Website and IT

17. A data portal is being developed to allow account managers easy access to customer catalogue spend information. The team is starting to use this information to prioritise customer visits, frequency of contact and to support customers in a more effective way.

### Campaigns, activities and newsletters

18. Further press coverage has concentrated on the print media with features in Educating magazine, PCR magazine, Ed Quarter magazine, Government Today magazine, University Business magazine, Emergency Services Times and Supply Management; coverage has been as diverse as ESPO's offering and included features on Free School Meals, our new banking framework, IT in schools, using frameworks and an introduction of ESPO to the housing sector.
19. Our annual price benchmarking exercise once again showed ESPO's current pricing policy is working, proving ESPO to be the cheapest supplier by 8%; the nearest other supplier was Nottinghamshire County Supplies. The exercise compares ESPO's top 100 lines, with ESPO comparing very favourably to other national suppliers, when taking into account the volume of sales across the range. The same basket of goods based on ESPO's volumes would have cost 35% more with Consortium/West Mercia Supplies, 27% more with GLS Educational Supplies and 12% more with YPO. Hertfordshire Supplies, Kent County Supplies and Nottinghamshire County Supplies were all about 8-10% more expensive.
20. Our biennial customer survey is issued to education and corporate customers in early December. In the main, it will follow the previous survey to allow for an accurate comparison to the previous survey; however some of the questions have been updated to reflect the current environment. The results will be independently analysed and a final report is expected in spring 2015.
21. Our latest marketing campaign focussed on 'back to school' with our new ESPO Essentials catalogue sent to all schools in England and Wales and approximately 8000 corporate customers that had also received our food and catering catalogue to further promote our Universal Infant Free School Meals (UIFSM) offer. The ESPO Essentials catalogue features our most popular 1000 lines alongside our SmartBuy range with a new look page design, some elements of which will be rolled through to the 2015/16 main catalogue.
22. Our Sales and Marketing team also undertook a Boston Matrix session with Heads of Category to establish the importance and priority of each of ESPO's frameworks. This has helped to inform our framework marketing plan and prioritise our efforts to further increase framework rebates.

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

#### Annual Review of Organisational Approach to Risk Management

23. A risk paper was presented separately to COG on 27 October 2014 at which time COG members were invited to contribute towards further shaping the ESPO risk strategy.

Corporate Risk Register

24. There have been no changes to the Major Risk Records in this quarter.

Audit Reports

25. There have been no audit reports in this quarter.

**Resources Implications**

26. None arising directly from this report.

**Recommendation**

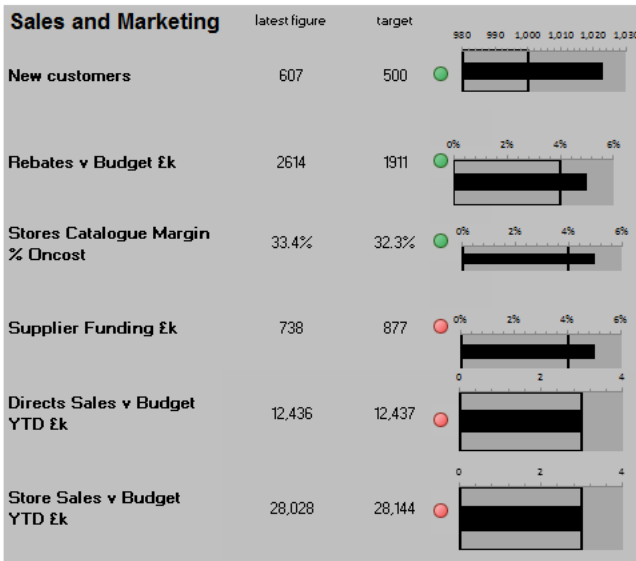
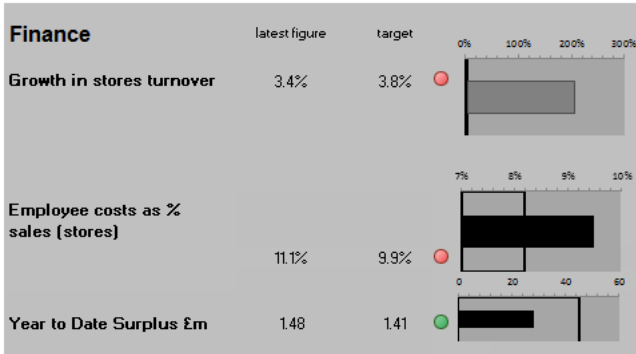
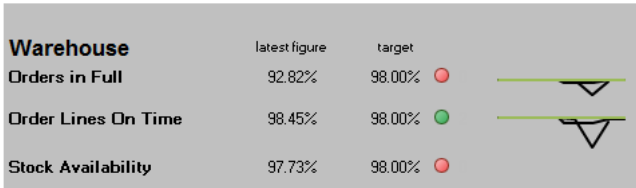
27. Members are asked to note the contents of the report.

**Officer to Contact**

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**Appendix 1**

**Balanced Scorecard**



A= All      S= Stores      D= Directs      E=Energy & Fuels  
 F= Frameworks      C= Consultancy      M= Major Projects

