



## MANAGEMENT COMMITTEE – 13 JUNE 2018

### PROGRESS UPDATE

### REPORT OF THE DIRECTOR

#### Purpose of Briefing Note

1. The purpose of this update is to inform Management Committee of the actions and progress made since the last Management Committee meeting held on 28 February 2018.

#### Overall Financial Performance

2. Overall financial performance to March 2018 year to date is outlined below:

COMBINED PRELIMINARY RESULTS	YEAR TO DATE					
	ACTUAL		BUDGET		PRIOR YEAR	
	£000	%	£000	%	£000	%
TOTAL SALES	80,110.9		85,032.1		81,645.2	
TOTAL MARGIN	21,587.2		21,949.1		21,646.2	
TOTAL EXPENDITURE	17,279.1	21.6%	17,749.1	20.9%	17,405.2	21.3%
As % of Total Sales Excluding Gas		26.1%		25.8%		25.9%
TRADING SURPLUS	4,308.1	5.4%	4,200.0	4.9%	4,241.0	5.2%

3. A more detailed report is included elsewhere on the agenda. Key points are as follows:
  - A record year surplus in line with the guidance given in the February Management Committee of £4.2m to £4.5m.
  - The trading environment became more difficult in February and March, we expect this to continue

- Rebates were strong at £6.6m but the principle reason we achieved the result was through good cost control.
- Headcount ended the year at 310 compared to a prior year 324.
- Early trading for 2018/19 is in line with budget in terms of surplus.

4. The balanced scorecard for March is attached as a appendix.

### **ESPO Operational Progress**

5. In March ESPO processed £2.232m of customer orders making 15,328 deliveries. Warehouse picking was performed at a rate of 38 lines per hour, improving on the revised target of 32 lines per hour. This a blended target reflecting the different pick rates for the main product types. The YTD average order value for stock orders was £146.65 which is £7.72 higher than last year. Operational costs to March 2018 including Catalogue were £9.441m against a budget of £9.778m, a reduction of £337k on budget and a reduction of £245k on last year.
6. In March, Customer Services and the Catalogue Admin team handled 8,183 telephone calls with an abandonment rate of 4% against a target of 3%. This standard is being analysed using individual extension activity to improve the overall performance. Lines processed to-date by Data Entry is 2.151m. On-line orders in January have risen by 47.1% of all orders processed helped by a new system introduced by IT for digitising pdf orders. ESPO's year-to-date FIFO rating is 4.6/5 (92%).
7. The stock optimisation team maintained product availability of 99.27% and stock value was £5.509m with a stock-turn of 7.53. There was £21,559 of direct orders over 2 months being expedited. The Supply Chain Panel review this regularly and in most cases these are part fulfilled orders where certain lines were unavailable from the supplier. The YTD Stores margin is 27.6%, which is 0.12pp above budget.
8. The 2018/19 ESPO Catalogue was sent to print. It contains over 25,000 products, including 4500 new items. This year we have increased our range of exercise books, curriculum products, writing equipment and stationery, sports equipment, cleaning materials and furniture. As always we have included our ESPO SmartBuy range, offering quality essential products at low prices. We are producing 55,000 copies of the catalogue which is the same quantity as last year with distribution to customers taking place from 13<sup>th</sup> March onwards.
9. There was one Health and Safety incident in March. A picker in the warehouse, bumped his head on a racking beam in the process of picking stock. There was no broken skin or tissue damage. The remedial action was to remind all pickers to pay attention to their surroundings, especially when emerging from a ground floor pick location.

10. A permanent Health and Safety Advisor is being recruited through a service agreement with LCC, an interim advisor remains with ESPO until then.
11. Facilities management activity in March included disabling three warehouse gas heaters which failed a service test. These will be replaced in due course. A new scissor lift was purchased in March to conform to health and safety legislation regarding working at height. The mezzanine floor is being re-planned to accommodate additional catalogue lines.
12. A stock count at the Leicester warehouse and the Felixstowe out-base was conducted in line with year-end protocols, and delivered a variance of circa £1k.

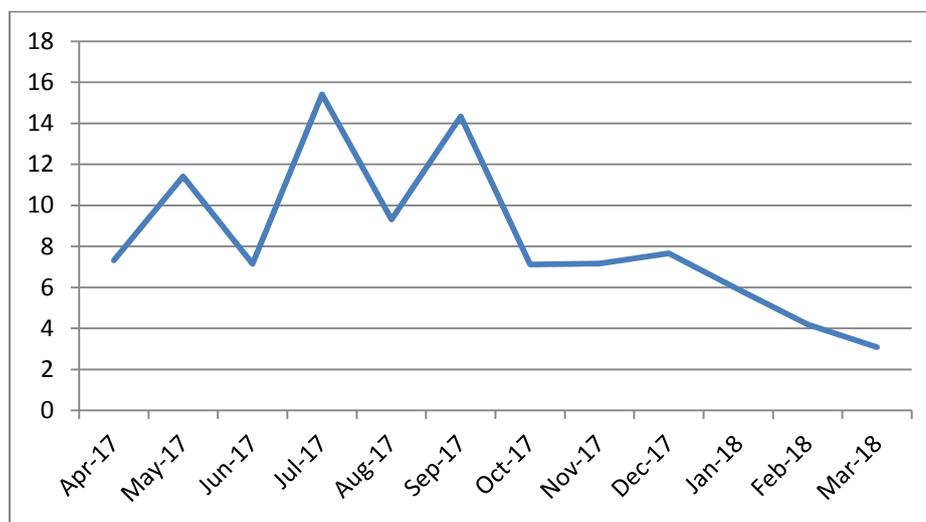
### **Staffing**

13. It is with great sadness that I have to share the news with you that ESPO's Transport Manager, Tim Benson, passed away on 12 May 2018. He died suddenly, while riding his bike alongside a friend and despite the best efforts of all of those who tried to save him.
14. Tim started at ESPO on 24 August 1992 and so had completed 25 years' service. During this time he held a number of positions including Section Leader, Deputy Shift Supervisor, Shift Supervisor and most recently Transport Manager.
15. The HR & OD Business Partner (Alyson Podmore) for ESPO has resigned from Leicestershire County Council and her last day of working will be Thursday 19<sup>th</sup> July 2018. Leicestershire County Council is current recruiting for this post via Gatenby Sanderson on a full-time basis and the Director of ESPO will be on the recruitment panel.
16. The pay award for 2018/19 has been agreed with the Trade Unions which will result in pay increases from 2% up to a maximum of 9%, dependent upon the employee's grade and pay point. The additional cost of this pay award for ESPO is approximately £250k. This will take effect from 1<sup>st</sup> April 2018 and will be backdated and paid into May's salary.
17. Maurice Campbell joins ESPO on 2<sup>nd</sup> July 2018 as Assistant Director – Commercial reporting into the Director. Also, Ramandeep Dhaliwal, Head of Digital and Technology, commences on 1<sup>st</sup> August 2018 reporting into Clive Pitt, Assistant Director – Finance & Governance.
18. The ESPO Workforce Strategy and its Implementation Plan has been completed and approved. This document outlines all of the people related work streams / projects that should be completed over the next 3 years in line with ESPO's People Strategy.

19. The rolling 12 month quarterly sickness absence days lost per FTE has decreased from 12.12 at quarter 3 (up until 31<sup>st</sup> December 2017) to 11.70 at quarter 4 (up until 31<sup>st</sup> March 2018).

20. The intensive support programme for sickness absence which commenced in January 2018 is showing excellent signs of decreasing ESPO's sickness absence days lost per FTE. As you will see from the table and graph below the days lost per FTE per month are as follows:

Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
7.32	11.41	7.15	15.41	9.31	14.33	7.12	7.16	7.66	5.90	4.19	3.08



21. As you will see from the tables above, the sickness absence rate per month is at the lowest (3.08 days lost per FTE) it has been in 12 months. It is therefore expected that ESPO's 12 month rolling sickness absence rates will continue to decrease over the forthcoming months.

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

22. The law around data protection is changing. The General Data Protection Regulations (GDPR) will apply in the UK from 25 May 2018. The GDPR has many similarities to the 1998 Data Protection Act, however, technology has changed considerably since then. The new law aims to modernise the existing data protection legislation largely to keep pace with fast moving and developing information technology systems which allow individuals and organisations to communicate and share information worldwide.

23. ESPO has undertaken the following activity in readiness:

- ESPO operates under LCC GDPR registration
- SLA in place between ESPO and LCC covering GDPR

- Full Information Asset Register Completed for ESPO
- LCC Policies on GDPR adopted and uploaded on to Intranet at ESPO
- Compliance Statement prepared and loaded on to ESPOs website
- Regular attendance at GDPR board
- LCC has been subject to Internal Audit on GDPR readiness and received Substantial Assurance, this covers ESPO as well.
- Mandatory Staff training to commence on GDPR
- Rolling programme of updates to Job Descriptions also to commence

### **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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### **Appendix**

Balanced scorecard

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