



Date: 20 June 2023
My Ref: CT/ESPO
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To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 28 June 2023 at 10.30 am in the Sparkenhoe Committee Room, County Hall, Glenfield.

A buffet lunch will be provided after the meeting. Please telephone or email me (details above) to confirm that you require lunch and, if so, whether you have any special dietary requirements.

Yours faithfully,

Anna Poole
for Consortium Secretary

AGENDA

Item

Report by

1. Appointment of Chairman.

Mrs Maggie Wright CC has been nominated to be Chairman for the Municipal Year ending June 2024.

2. Chairman's Announcements.
3. Election of Vice-Chairman.
4. Minutes of the meeting held on 22 March 2023.
5. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.

(Pages 3 - 8)

6. Declarations of interests in respect of items on this agenda.
7. Items referred by the Finance and Audit Subcommittee.

There are no specific items referred. The issues considered by the Subcommittee are covered in item 13 which appear elsewhere on the agenda.

8. Director's Progress update. Director (Pages 9 - 22)
9. Dates of future meetings.

The next meeting of the ESPO Management Committee is scheduled to take place on 20 September 2023 at 10.30am.

Future meetings of the ESPO Management Committee are proposed to be held on the following dates in 2024:

- 20 March 2024
- 12 June 2024
- 18 September 2024
- 13 November 2024

Future meetings of the ESPO Finance and Audit Subcommittee are proposed to be held on the following dates in 2024:

- 14 February 2024
- 9 October 2024

10. Any other items which the Chairman has decided to take as urgent.
11. Exclusion of the Press and Public.

The public are likely to be excluded during consideration of the remaining items in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information).

12. Director's Supplementary Report. Director (Pages 23 - 40)
(Exempt under Paragraphs 3 and 10).
13. Outturn 2022-23 and MTFS Update. Director and Consortium Treasurer (Pages 41 - 52)
(Exempt under Paragraphs 3 and 10).
14. Business Development and Growth. Director (Pages 53 - 60)
There will be a presentation for this item.
(Exempt under Paragraphs 3 and 10).



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 22 March 2023.

PRESENT

Leicestershire County Council

Mrs. M. Wright CC
Mr. J. Poland CC

Norfolk County Council

Cllr A. Jamieson (online)
Cllr G. Peck (Chairman)

Cambridgeshire County Council

Cllr B. Goodliffe (online)
Cllr S. Ferguson (online)

Lincolnshire County Council

Cllr A. Hagues
Cllr S. Rawlins (online)

Warwickshire County Council

Cllr R. Baxter-Payne (online)

Peterborough City Council

Cllr A. Coles

APOLOGIES

Apologies were received from Cllr Butlin (Warwickshire County Council) and Cllr Fitzgerald (Peterborough City Council).

IN ATTENDANCE

ESPO

Kristian Smith – Director
David Godsell – Assistant Director
Maurice Campbell – Assistant Director
Gary Tapp – Head of Strategic Finance

Leicestershire County Council

Lauren Haslam – on behalf of the Consortium Secretary
Declan Keegan – on behalf of Consortium Treasurer
Neil Jones – Head of Internal Audit Service
Matt Davis – Audit Manager
Mo Seedat – Head of Democratic Services
Anna Poole – Democratic Services Officer

86. Minutes of the previous meeting.

The minutes of the meeting held on 16 November 2022 were taken as read, confirmed, and signed.

87. Urgent items.

There were no urgent items for consideration.

88. Declarations of interests.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

89. Items referred by the Finance and Audit Subcommittee.

There were three items referred by the Finance and Audit Subcommittee, which were covered in Item 5 - Annual Internal Audit Plan 2023-24 (minute 90 refers), Item 7 - Finance and Audit Subcommittee – Terms of Reference and Risk Policy Update (minute 92 refers), and Item 13 - Budget 2023/24 (minute 97 refers).

90. Annual Internal Audit Plan 2023-24

The Management Committee received a report of the Consortium Treasurer concerning the annual Internal Audit Plan for 2023-24. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

The Committee noted that the Plan had been developed following consultation with the ESPO Director and leadership team, and that the 150 days allocated for the internal audit work may not end on 31 March each year as there was an element of overlap with audit activity.

The Committee was advised that the Finance and Audit Subcommittee had considered the report at its meeting on 15 February and supported approval of the Plan.

The Committee was informed that a wide range of audits would be carried out and, in addition to the traditional key financial audit work, this would include the key changes to the warehouse, hybrid working, emerging risk and counter fraud activity, and the supply chain process. All proposed audit activity had been mapped against the ESPO risk register to ensure that all risks were considered. The Plan was a statement of intent that would be adjusted to respond to organisational changes following discussion with the Directors of ESPO and the Consortium Treasurer.

Members were assured that the High Importance Recommendations would be retested.

Arising from discussion, Members were informed that the Internal Audit Plan was achievable in the year as additional staff had been recruited to the Audit Team. However, should issues arise with achievement of the Plan within timescales, decisions about which areas of activity should take priority would be made following a risk assessment of individual audits to assess the likelihood and impact to the organisation. Audit activity would be prioritised, in consultation with the Consortium Treasurer and the Head of Audit, to enable a strong audit opinion to be reached at the end of the year.

RESOLVED:

That the

- a. methodology used as a basis for developing the Internal Audit Plan 2023-24 be noted; and
- b. ESPO Internal Audit Plan for 2023-24 be approved.

91. Public Procurement Rules - Developments During 2022-23

The Management Committee considered a report of the Director which provided an update on aspects of the Procurement Bill that applied to ESPO's business (other than ETL and Eduzone). A copy of the report, marked 'Agenda Item 6', is filed with these minutes.

The Committee was advised that the Procurement Bill was halfway through the legislative process, having been considered by the House of Lords and was currently being considered by the House of Commons; it was expected to receive Royal Assent in the next couple of months. A public consultation would be carried out on the draft regulations and the Bill would come into effect in Spring 2024.

The Assistant Director added that a Project Team had been established to identify implications arising from the Bill for ESPO in terms of its processes, policies, people and a transitional plan was in place. Senior offices would ensure that the right resources were in place to comply with the Bill and they had already identified that more resources were needed to meet the transparency requirements.

In response to questions, the Assistant Director informed members that:

- i. The Cabinet Office was developing a detailed and comprehensive training package which ESPO would access for the training of core procurement staff. Training was also being developed for senior leaders, and this would be made available to members of the Committee.
- ii. ESPO had made resources available for additional training to be carried out for those staff outside the procurement team who commissioned contracts, and for suppliers. The Director recognised the scale of the challenge in implementing aspects of the Bill and emphasised the effort being put in to fill vacancies within the procurement team. He highlighted that there had been recent success with recruitment in attracting more mature people which he felt was due to the work life balance offered by ESPO.
- iii. The new and old systems would be run side by side for at least six months. Officers would need to ensure that sufficient resource was in place to do so, and to ensure that ESPO fully accessed the Cabinet Office training.
- iv. Looking further ahead, it was highlighted that the procurement changes may lead to an increase in customers as some organisations would seek the procurement excellence that ESPO could offer.

RESOLVED:

That the update on the Procurement Bill as it applies to ESPO's business (other than ESPO Trading Limited and Eduzone) be noted.

92. Terms of Reference and Risk Policy Update

The Management Committee considered a report of the Director which sought approval for changes to the Terms of Reference for the Finance and Audit Subcommittee, and the consequential changes to the Risk Management Policy. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

The Assistant Director explained that the proposed changes would generate a well maintained and healthy risk management culture throughout the organisation and ensure that more robust controls and processes were in place throughout the year, for example for internal and external audit, risk management and the annual governance statement. The changes were built on the existing delegations in place for the Finance and Audit Subcommittee. Members were assured that there remained the possibility of escalating issues to the Management Committee if necessary.

The Committee noted that the Finance and Audit Subcommittee approved the proposed changes for submission to the Management Committee at its last meeting.

RESOLVED:

That the proposed changes to the Finance and Audit Subcommittee Terms of Reference, and the Risk Management Policy, be approved.

93. Director's Progress update.

The Management Committee considered a report of the Director which provided an update of the actions and progress made since the previous ESPO Management Committee held on 16 November 2022. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The Director explained that January's performance was slightly below budget but highlighted that after 10 months a surplus of £5.8m had been generated, which was £0.6m ahead of budget. He said that there had been a pleasing year with sales volumes well ahead of budget and higher demand being seen throughout the year. Costs had been well controlled with expenditure of £20.1m, and although £1m higher than budget, this reflected the increased volumes and distribution costs associated with fulfilling additional orders.

In presenting the report, the Director explained:

- i. Reference to the budget in paragraph 10 should be amended from £5.8m to £5.7m. it was expected that this budget would be exceeded by a range of between £5.9-£6m for the year.
- ii. ESPO's Feefo rating, which showed what customers thought, had improved to 94% and, as a result, ESPO had received a Trusted Service Award with an overall score of 4.3 out of 5.
- iii. ESPO had undertaken a benchmarking survey to measure customer service. This had showed a good performance at 85.3 compared with 83 in 2021, and was six points above the UK benchmark score.
- iv. Stock availability had recovered strongly and was now at 98.8%, increasing the efficiency of the operation and attracting new customers.

- v. The extension of the Grove Park warehouse was progressing, with the current focus on preparing for planning permission and sourcing the contractor. The expected completion date was quarter 2, 2024.
- vi. Recruitment and retention remained a challenge. The creation of a resourcing adviser role was being considered which would advertise ESPO vacancies, optimising processes and analysing recruitment and retention data to determine future action to attract and retain talent.
- vii. Staff were being consulted on the creation of a multi-faith prayer and contemplation space at the Leicester office, which would show the organisation as an inclusive employer.

The Committee commended the ESPO team for such a positive performance for the year.

RESOLVED:

That the update provided on the progress made since the last update in November 2022 be noted.

94. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on 28 June 2023 at 10.30am at County Hall, Glenfield.

95. Exclusion of the Press and Public

RESOLVED:

That under Section 100 (A) (iv) of the Local Government Act 1972 the public be excluded from the meeting for the remaining items of business on the grounds that it would involve the disclosure of exempt information as defined in the Act and that in all circumstances the public interest in maintaining the exception outweighs the public interest in disclosing the information.

96. Supplementary Information informing the Director's Progress Update.

The Committee considered an exempt report of the Director which set out further supplementary information regarding the Director's Progress Update. A copy of the exempt report marked 'Agenda Item 12', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

In presenting the report, the Director explained that business, including international business, was doing well. The website had been upgraded and a number of marketing campaigns undertaken. He also briefed the Committee on an employment issue and a product issue.

In response to questions, members were informed that:

- i. Customer loyalty was not taken for granted. A number of loyalty offers were in place to retain the customer base.

- ii. Products included an age range, where this was appropriate, and were inspected thoroughly by the product team. It was also the customers responsibility to confirm the quality and appropriateness of products, particularly with toys for early years.
- iii. ESPO now had one consolidated website which was more streamlined and was more attractive to encourage and retain customers.

RESOLVED:

That the update provided by the Director be noted.

97. Budget 2023/24

The Committee considered an exempt report of the Director regarding the budget for 2023/24. A copy of the exempt report marked 'Agenda Item 13', is filed with these minutes.

The exempt report was not for publication as it contained information relating to the financial or business affairs of a particular person (including the authority holding that information).

In presenting the report, the Assistant Director explained that

- i. Assumptions had been applied in setting the budget, due to the uncertain economic environment and budget challenges for schools.
- ii. Investment in development of the new website would continue and investment in capital projects such as the Grove Warehouse extension and replacement of fleet was the largest element of the budget.

The Assistant Director summarised by saying that the overall budget was achievable despite the uncertain economic environment.

In response to questions, members were informed that, in setting the budget, assumptions had been made about the rate of inflation based on ONS predictions.

RESOLVED:

That the proposed budget for 2023/24 which projects the following be approved:-

- a) an anticipated outturn of £5.9million for 2022/23;
- b) a budgeted surplus of £6.2million for 2023/24; and
- c) a financial reserve of £13.5million at the end of 2023/24.

10.30 - 11.42 am
22 March 2023

CHAIRMAN

MANAGEMENT COMMITTEE – 28 JUNE 2023

PROGRESS UPDATE

REPORT OF THE DIRECTOR

Purpose of the Briefing Note

1. The purpose of this update is to inform Management Committee of the actions and progress made since the last update provided to Members at the Management Committee meeting in March 2023.

Financial Performance – 1 month to April 2023

Summary

Year to April 2023 – Period 1					
£m	Actual	B/(w) than Budget		B/(w) than LY	
Stores Sales	3.0	0.3	12.0%	0.7	31.6%
Direct Sales	1.0	(0.1)	(7.4%)	(0.4)	(27.3%)
Rebate plus fee income	1.5	0.1	11.2%	0.3	31.4%
Total Sales (Exc Gas)	5.5	0.4	7.5%	0.9	19.4%
Stores Margin %	32.4%	1.4%		(0.4%)	
Directs Margin %	8.0%	(6.6%)		(6.1%)	
Total Gross Margin	2.6	0.3	11.0%	0.2	6.3%
Total Expenditure	1.9	0.1	4.9%	0.0	1.6%
Trading Surplus	0.6	0.3		0.0	
Trading Surplus %	11.7%	5.9%		(1.9%)	

2. After 1 month, a **surplus of £0.6m has been made which is £0.3m better than budget** and in line with last year.
3. Following the launch of the new catalogue on 1 April, trading has performed well with **early volumes ahead of budget**. This is despite catalogue selling prices increasing at high levels (as part of our planned pricing strategy) due to high inflation on the cost of goods. The market remains very competitive but ESPO's offer is well placed and competitive in the market. Rebate income from frameworks has also started well and is slightly ahead of budget.
4. Costs continue to be tightly controlled with expenditure of £1.9m in line with budget.
5. For the full year, the budget is a surplus of £6.2m. April trading (and subsequently May) has been positive and the latest pay award offer from employers is in line with the budget assumption. At this very early stage in the year these give us reasons to have some confidence in achieving the target.
6. Considering all this, **our latest guidance for the full year is a trading surplus of £6.2m, in line with budget.**

Sales and Margin

Sales and Margin						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Stores Sales	3.0		0.3	12.0%	0.9	45.2%
Direct Sales	1.0		(0.1)	(7.4%)	(0.4)	(27.3%)
Rebate income	1.5		0.1	11.2%	0.3	31.4%
Total Sales	5.5		0.4		0.9	
Stores Margin	1.0	32.4%	0.1	1.4%	0.4	6.6%
Directs Margin	0.1	8.0%	(0.1)	(6.6%)	(0.1)	(6.1%)
Rebate income	1.5		0.1	(6.6%)	0.3	(6.1%)
Gas Margin	0.0	1.8%	0.0	0.0%	0.0	(0.2%)
Catalogue Advertising	-		-		(0.6)	
Misc	0.0		0.0		0.0	
Total Gross Margin	2.6	47.2%	0.3	1.5%	0.2	(7.3%)

Gas						
£m	Actual		B/(w) than Budget		B/(w) than LY	
Gas Sales	2.3		0.7	40.2%	1.0	69.4%
Gas Margin	0.0	1.8%	0.0	0.0%	0.0	(0.2%)

7. Total sales for April 2023 were £5.5m, which was £0.4m better than budget and £0.9m better than last year, with trading starting positively despite ESPO needing to increase prices to higher degree than normal due to the inflationary price increase that we have seen across our range of goods.
8. **Stores sales were £3.0m and £0.3m / +12% better than budget.** Demand for core products has been strong through April although this slowed slightly in May. Customers have been making good use of our loyalty based promotions, which in April supported Multi-Academy Trusts.
9. **Gross profit margin % for Stores at 32.4% is ahead of budget.** Margin previously eroded at the end of last year with supplier in year price increases have been restored with new pricing released in April. Exercise books sales and margin through April have been positive despite this being an area that competitors have targeted on price this year to attempt to win back lost sales. Benchmarking shows that ESPO pricing is currently competitive and an additional exercise book offer was planned for May/June to ensure ESPO remains positioned as a leader on exercise book pricing.
10. **Directs sales were £1.0m and are £0.1m behind budget.** As anticipated in the budget directs sales, particularly furniture products, has started more slowly than last year, where we entered the year with a strong pipeline of orders (pent up demand from Covid) and this year the pipeline has fallen back to more normal levels. This was factored into the budget.
11. **Gross profit margin % for Directs at 8% is 6.6% behind budget,** but this is largely due to the mix of products sold in April and orders being fulfilled which customers ordered in March at last year's prices. Margin will return to budget as we progress through the year.

12. **Rebate income of £1.5m is in line with budget** and up 31% on last year. It continues to perform well with the wide range of frameworks offered and a good pipeline in place of contracts secured for the future.
13. Our other income from selling advertising space in the catalogue and misc. income are all largely in line with budget.
14. **Overall gross profit margin at £2.6m is £0.3m better than budget.**

Expenditure

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	1.2	0.1	(0.1)
Agency/Contract	0.1	(0.0)	0.0
Total	1.3	0.1	(0.1)
Overhead Expenses			
Transport	0.2	0.0	0.0
Warehouse	0.1	0.0	0.0
Procurement	0.0	0.0	(0.0)
Sales & Marketing	0.1	(0.0)	0.2
Finance	0.2	(0.0)	(0.0)
IT	0.1	(0.0)	(0.0)
Directorate	0.1	(0.0)	(0.0)
Total	0.7	(0.0)	0.1
Total Expenditure			
As % of Total Sales Excluding Gas	35.5%	4.4%	6.0%

15. **Total expenditure of £1.9m is in line with budget.** We retain a continued focus on strong cost control across all areas.
16. **Expenditure as a % of sales** is one KPI which allows us to measure cost control in relation to sales. At April this KPI was 35.5% and is 4.4% better than budget and shows costs are being controlled in relation to sales activity. (Note that It's more sensitive in April due to schools closing for Easter vacation.)

ETL/Eduzone

17. ETL and Eduzone are ESPOs limited companies which service the private sector.

ETL and Eduzone			
£k	Actual	B/(w) than Budget	B/(w) than LY
Eduzone Sales	42	(5)	10
ETL Sales	38	13	(203)
Total Sales	80	8	(193)
Eduzone Gross Margin	12	(5)	4
Eduzone Gross Margin %	28.5%	(6.5%)	4.0%
ETL Gross Margin	10	3	(16)
ETL Gross Margin %	27.4%	(4.4%)	16.5%
Total Gross Margin	22	(2)	(12)
Eduzone Expenditure	(25)	2	9
ETL Expenditure	(8)	(0)	12
Total Expenditure	(33)	2	21
Trading Surplus	(11)	(0)	9
Trading Surplus %	(13.4%)	1.2%	(6.1%)

18. ETL, our business serving international and private sector customers, has started strongly with sales ahead of budget. There is a large difference to last year due to a large, one-off furniture contract occurring at this time last year.
19. Eduzone, our business focusing on early years in the UK, is slightly behind budget, but ahead of last year. The nursery market faces similar financial pressures to schools but lacks some of the additional funding that was announced for schools in Autumn 2022. Combined with an increase in nursery hours for parents, which are less lucrative for nurseries, this puts additional financial pressure on the sector.
20. As a result, we continue to see large nursery groups continue to grow through acquisitions, with some nurseries being acquired being weighted to more affluent socio-economics and stronger financial performance. Nursery groups appear to be performing well due to their balance sheet security, sharing of administrative burden and ability to navigate through staffing shortages.
21. Overall margin and expenditure is largely in line with budget and costs are being controlled.
22. Overall a £11k loss has been generated to the end of April, this is in line with budget and ahead of last year.

Full Year Expectation

23. At this early stage in the year our guidance for the full year remains the budget, of a £6.2m surplus.

ESPO Full P&L – April 2023

	Year to Date @ April 23					
	Actual		Budget		Prior Year	
	£000	%	£000	%	£000	%
Sales						
Stores	3,002		2,681	12.0%	2,282	
Direct	1,037		1,120	(7.4%)	1,427	
Rebate Income	1,453		1,307	11.2%	1,106	
Gas	2,330		1,662	40.2%	1,376	
Catalogue Advertising	-		-	# DIV/0!	571	
Other Income	44		6	606.7%	1	
Total Sales	5,492		5,108		4,814	
Cost of Sales						
Stores	2,029		1,850		1,533	
Direct	954		955		1,225	
Gas	2,289		1,633		1,349	
Total Cost of Sales	2,983		2,805		2,759	
Margin						
Stores	973	32.4%	831	31.0%	748	32.8%
Direct	83	8.0%	164	14.7%	201	14.1%
Rebate Income	1,453		1,307		1,106	
Gas	41	1.8%	29	1.8%	27	2.0%
Catalogue Advertising	-		-		571	
Other Income	44		6		1	
Total Margin	2,595	47.2%	2,338	45.8%	2,655	55.2%
Warehouse and Transport						
Employee Costs						
Staff	525		590		428	
Agency/Contract	70		50		99	
Total	595		640		527	
Overhead Expenses						
Transport	170		170		183	
Warehouse	62		75		62	
Total Warehouse and Transport	827	27.5%	885	33.0%	772	33.9%
Head Office						
Employee Costs						
Staff	672		749		654	
Agency/Contract	10		3		13	
Total	682		752		667	
Overhead Expenses						
Procurement	12		14		6	
Sales & Marketing	106		84		264	
Finance	155		149		140	
IT	108		104		100	
Directorate	60		51		49	
Total	441		403		559	
Total Head Office	1,123		1,155		1,226	
Total Expenditure	1,949	35.5%	2,040	39.9%	1,998	41.5%
Trading Surplus	645	11.7%	298	5.8%	657	13.6%

ETL/Eduzone Combined P&L – April 2023

ETL & Eduzone Results	Apr-23					
	Actual		Budget		Prior Year	
	£000	%	£000	%	£000	%
Sales						
Sales	79.6		71.2		272.8	
Total Sales	79.6		71.2		272.8	
Cost of Sales						
Cost of Sales	57.3		47.0		238.6	
Total Cost of Sales	57.3		47.0		238.6	
Margin						
Margin	22.3		24.2		34.2	
Total Margin	22.3	28.0%	24.2	34.0%	34.2	12.5%
Expenditure						
Employee Costs & Agency	16.4		16.4		16.6	
Commission	0.0		0.0		0.8	
Carrier	7.6		4.8		3.7	
Marketing Expenses	2.5		5.4		6.1	
Catalogue Print & Distribution	4.1		4.8		22.2	
Consultancy	0.0		0.0		0.6	
Support / Legal Prof	0.0		0.0		0.8	
Accountancy	0.0		0.0		0.0	
Insurance	2.0		2.0		1.6	
Audit	0.0		0.0		0.0	
Office Machine Maint / Software	0.2		0.3		0.2	
Merchant Services	0.1		0.2		0.3	
Depreciation	0.0		0.0		0.0	
Other Expenses	0.0		0.6		0.8	
Total Expenditure	32.9	41.4%	34.6	48.5%	53.9	19.8%
Trading Surplus /(Deficit)	(10.6)	-13.4%	(10.4)	-14.5%	(19.7)	-7.2%

ESPO Operational Progress

24. In April, ESPO's distribution centre picked and dispatched 85,773 order lines, valued at £3.007m and the transport fleet with couriers made 10,975 deliveries. Warehouse picking was performed at a rate of 34 lines per hour against our target of 35 and the error rate detected by QA was 1% against the

target of 3%. The two-week Easter holiday impacted productivity. The average order value for stock orders YTD to April was £201.83 compared to £171.79 last year. Operational and IT costs year to April were £980k against a budget of £1.035m. Stores sales to April were 12% above budget.

25. The Customer Services team handled 3,231 calls across the five customer service channels. Average wait times across all teams was 22 seconds, with 97% of calls answered overall. The team processed 16,797 customer orders valued at £3.037m. Online and electronic converted orders were at 50% of the total. Direct orders currently valued at £1.222m are being managed from suppliers to customers. Late suppliers are being expedited by the customer services team. We recorded 4,800 responses to email enquiries using our recently installed ticketing system. Our FEEFO customer rating improved to 96%.
26. Delivery dates are now provided on order acknowledgements to provide expected delivery dates for orders, this is a significant benefit to customers and should help to reduce avoidable contact with customer services. A video has been uploaded to the web site aimed at helping customers completing a return through FedEx and we will work with our partner to develop further 'bitesize' customer help videos.
27. Stock availability averaged 98.3% in April, stock value was £12.776m with a stock turn of 4.08. Stock levels are being increased ahead of the busy summer peak trading period to ensure high product availability.
28. In April, Facilities Management ensured that all statutory inspections and, repair and maintenance services took place on their relevant due date. Additional batteries have been installed into the server room to enhance the uninterrupted power supply. The FM team have been active in supporting the warehouse extension project; liaising with potential FLT and racking suppliers and in considering the consequential improvement plan.
29. There was one minor injury reported in April where a night shift colleague suffered slight bruising to her hand after catching this on a storage racking unit. An ice pack was applied and she continued to work until the end of the shift.
30. The IT helpdesk handled 509 enquiries with a 100% satisfaction rating from internal customers. The IT team have held a number of workshops in preparation for a project to enable integration with PS financials and Capita SIMS into ESPO's enterprise system. This will embed ESPO's catalogue onto the school's enterprise system enabling them to send orders digitally direct into ESPO's system. ESPO is now formally a "SIMS Technical Integrator", which enables access to SIMS for testing, as well as technical consultants to assist with configuration.
31. The project to automate transmission of email orders from an analogue input to a digital output is progressing well and is currently in testing. When installed this will reduce the volume of orders that have to be manually keyed. The iSeries backups are now being taken to disk and replicated to an external data centre. This means that we no longer require tapes for backup, and we are in the process

of cancelling our storage contract with Iron Mountain. Our new staff awareness training system, uSecure, is being widely supported by staff. This is an important element of our overall cyber security programme.

32. Following previous updates to Management Committee, the project to extend the Grove Park warehouse is moving forward under the governance of the Project Board. We have now received planning permission from Leicestershire County Council. Our principal contractor Galliford Try has prepared a detailed construction programme which will see site mobilisation beginning on 10th August. During the build programme we plan for ESPO staff to be able to use an adjacent car park which will be leased from British Gas. The overall project cost is forecasted at £5.963m, including £780k contingency, which sits within the parameters previously agreed. We have an expected completion of the project by the end of Q2 2024 and will continue to provide updates to Management Committee throughout the build programme.
33. As the warehouse extension construction phase plan is developed ESPO H&S will ensure that relevant risk assessments are compliant with construction design and management regulations (CDM) and industry best practice and that the safety of ESPO employees is considered at all times. In line with the evolution of the overall programme, the risk register will migrate from the principal designer to the principal contractor.

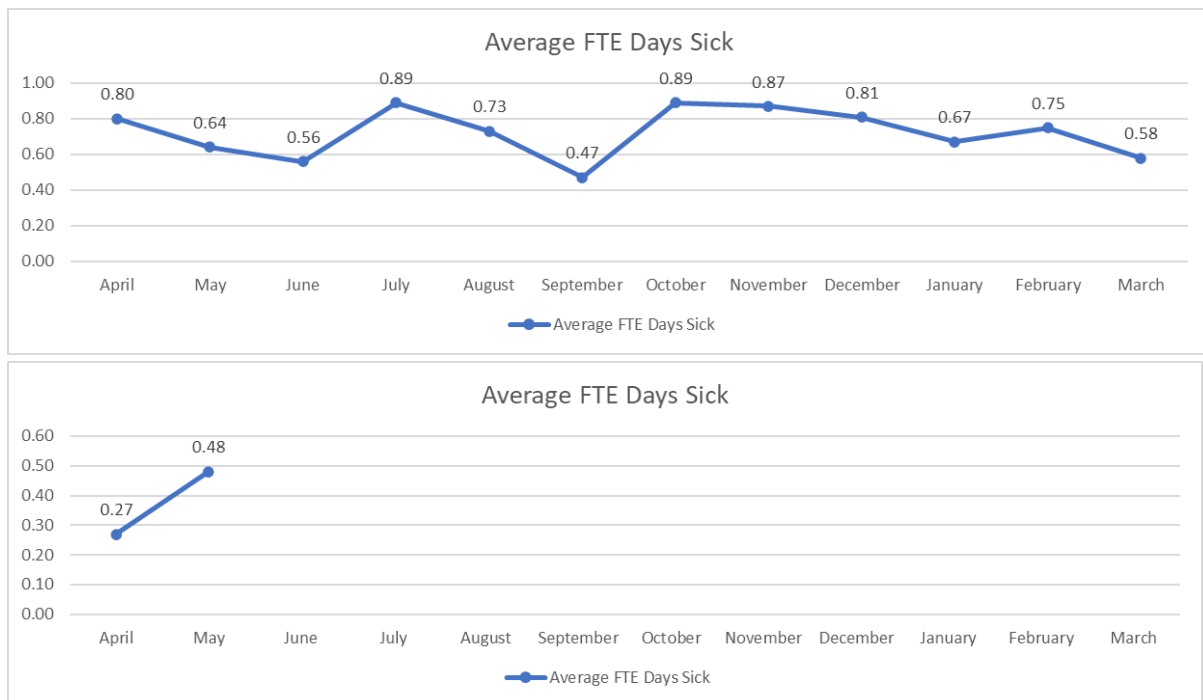
Staffing

Wellbeing

34. The monthly average FTE sick absence days was 0.48 in May and 2023/24 sick absence levels are currently tracking much lower than in 2022/23. The 12 month rolling average FTE days lost was 7.70 in May and this has been reducing over the last quarter. Monthly absence case conferences are being held with Assistant Directors whom have long term cases in their areas. The three main causes of sick absence during quarter four 2022/23 were: 1. Stress/depression, mental health, 2. Cough, cold & flu and 3. Musculo-skeletal.

2022/23

2023/24



Recruitment & Retention

35. A new recruitment system, Oracle Recruitment Cloud, was implemented in April which more effectively markets ESPO vacancies and provides a greater applicant experience. There are a number of strands in progress which should help to enhance recruitment and these are:

- Review of external media to advertise vacancies and increase reach
- Resourcing Advisor role to be advertised shortly and the role holder will concentrate on marketing ESPO vacancies, optimising recruitment processes and analysing recruitment and retention data
- Promotional film and recruitment pack being scoped to complement adverts.

Learning & Development

36. Details of corporate mandatory training completion rates are regularly being shared with all employees and the current focus is on increasing completion. The 2023/24 Learning & Development plan is under development with input from managers at all levels. Work is also underway to add all employees to the Learning Hub as previously individuals within Warehouse and Driving Operations have not been included. This will ensure that the learning records for all employees is held centrally and will provide greater visibility and ease of access.

37. A learning programme is being scoped to ensure that Procurement & Commercial employees understand and operate within new procurement

legislation coming in 2024. The Learning Hub can now be accessed directly from the ESPO intranet to encourage participation.

ESPO Risk and Governance Update

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

38. 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

There are no resource implications arising directly from this report.

Recommendation

39. Members of Management Committee 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

Management Summary Apr 23

Management Summary

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Stores Sales	£3,002,363	£2,681,281	↑ 12.0%	£3,002,363	↑ 12.0%
Direct Sales	£1,037,094	£1,119,763	↓ -7.4%	£1,037,094	↓ -7.4%
Rebate plus fee income	£1,452,706	£1,306,736	↑ 11.2%	£1,452,706	↑ 11.2%
Total Sales (Exc Gas)	£5,536,331	£5,114,031	↑ 8.3%	£5,536,331	↑ 8.3%
Stores Margin %	32.4%	31%	↑ 1.41%	0.324072173	↑ 1.41%
Directs Margin %	8.0%	15%	↓ (6.65%)	0.080389852	↓ (6.65%)
Total Gross Margin Inc Consumables Cost	£2,594,530	£2,338,104	↑ 11.0%	£2,594,530	↑ 11.0%
Total Expenditure	£1,949,365	£2,040,017	↓ -4.4%	£1,949,365	↓ -4.4%
Surplus	£645,166	£298,087	↑ £347,079	£645,166	↑ £347,079
Net Profit Margin %	11.65%	5.83%	↑ 5.82%	11.65%	↑ 5.82%

	Actual	Budget /LY	Var	YTD Actual	YTD Var
Eduzone Sales	£41,799	£46,729	↓ -10.6%	£41,799	↓ -10.6%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£201.83	£171.79	↑ £30.04
Prop of orders over £15	97.2%	97.2%	↑ 0.04pp

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APPENDIX 2 - CORPORATE RISK REGISTER EXTRACT

ESPO

Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Impact	Likelihood	Score	Risk Action Tolerate / Treat / Transfer / Terminate	List of Current Controls / Actions Embedded and operating soundly	Risk Indicators to be used to monitor the risk	Impact	Likelihood	Score	Risk Action Tolerate / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date	G4 Comments / Updates
79	IT	IT Cyber Security - Range of cyber security threats (Note - separate IT specific risk register maintained and overseen by internal ITDG committee)	Failure to adequately protect ESPO networks, systems and data from malicious attack could lead to a range of potential consequences, including: financial, reputational, operational, legal impacts or other losses.	AD Operations & IT	5	4	20	Treat	<ul style="list-style-type: none"> 1) Firewall logs (contain details on network traffic, including hostile attacks on the ESPO network) 2) Automated Threat Protection system (assesses various incoming data (e.g. emails) for potential threats) 3) Antivirus software (Prevents known viruses from executing on ESPO devices) 4) Authentication systems (Controls who can access ESPO systems and data) 5) Staff education (Reduces risk of successful phishing attack) 6) Anti-Ransomware backup solution (prevents hackers from encrypting our backups) 7) External security controls Audit (Highlights areas of concern in ESPO security systems) 8) Penetration testing (probes the ESPO network for vulnerabilities) (Needs further expansion/detail) 	<ul style="list-style-type: none"> 1) Firewall logs (contain details on network traffic, including hostile attacks on the ESPO network) 2) Firewall Reports (Daily, weekly, monthly reports on network traffic) 3) External security support partner monitoring (Various support partners issue regular threat alerts) 4) Various event logging - systems that monitor and alert on potential concerns (this is a weak area for ESPO and will be reviewed) 5) Status of the Spirit project. 	4	4	16	Treat	<ul style="list-style-type: none"> IT action plan created and enhanced following the cyber audit by LCC. This includes controls in place, and enhancements, including: <ul style="list-style-type: none"> - Creation of cyber security roadmap, specific risk register and incident response processes - New remote working policy including multi-factor authentication, revised password policy and technical measures for device authentication. - Penetration Testing - Disaster recovery policy, testing and third party support - Staff training and to improve awareness, competence and enhance the positive culture of reporting of issues/mistakes - Contracts with specialist 3rd parties to provide regular technical and emergency support - Working towards 'CyberEssentials+' accreditation - Maintenance and development of internal security procedures (e.g. the 2022 version upgrade of our ERP system) Sept 2022 Cyber Insurance policy extended for 1 year. Oct 2022 LT approved 	AD Operations & IT	Q1 2021/ongoing	Cyber Security Policy document approved by LT Oct 2022. LCC Cyber Security audit completed Nov 2022. Cyber insurance policy extended by 12 months Sept 2022. March 2023 Use of MS Defender for device protection. Use of MS Sentinel for alert monitoring. Use of uSecure service to improve staff awareness.
88	IT	Framework CRM database - Supporting EPM+ rebate and £2.5bn+ customer spend Risk of high dependence on bespoke ESPO developed system and knowledge with one individual within IT.	ESPO risks are: <ul style="list-style-type: none"> 1. Reduced visibility of framework sales data/MI, by customer/sector etc. 2. Reduced ability to forecast rebate income ranges. 3. Potential to adversely impact rebate income. 4. Increased manual workload for procurement teams. 5. Member dividend is based on top frameworks which will not be ascertainable if there is no access to the database. 6. Current database doesn't hold framework details on MSTAR, Washroom 	AD Procurement & Commercial	5	4	20	Treat	<ul style="list-style-type: none"> 1. Tested process for system use. 2. Some data is held within procurement teams at supplier level only. 3. Finance and Commercial teams hold high level framework rebate information. 4. Spirit project to expand data management is currently underway. 	<ul style="list-style-type: none"> 1. Actual income to be monitored against forecast and variances reviewed. 2. Delays in provision of MI and/or agreement on rebate levels with suppliers. 3. Reviews between Commercial team and Procurement teams. 4. Status of the Spirit project. 	4	3	12	Treat	<ul style="list-style-type: none"> 1. Implement new Spirit system. 2. Build a centrally held pipeline for customer spend. 3. Consider development of a supplier portal for uploading of MI from 2,500+ suppliers. 4. Consider automation of raising supplier invoices via Spirit CRM. 5. Consider business wide rollout of a CRM system. 6. Consider appointing a supplier to provide a rebate portal. 	Head of Commercial	07/03/2022	New Risk
91	Governance and financial	Risk of warehouse extension overspend	<ul style="list-style-type: none"> 1. Reduced cash reserves 2. Less appealing investment proposition 	AD Finance	5	4	20	Treat	<ul style="list-style-type: none"> 1. Procurement process with prices agreed and fixed where possible at the outset of contracting. 2. Regular reviews of the Cost Plan with the third party project manager (Pick Everard) and main contractor (Galliford Try) 	<ul style="list-style-type: none"> 1. Cost overruns agreed/expected evaluation at each stage of the tender process, and as the project progresses. 	4	3	12	Treat	<ul style="list-style-type: none"> 1. Continual evaluation of costs and investment appraisal through the Project Board 2. Clear specification for contractors and flexibility on ESPOs part to manage costs 3. Fast delivery plan once planning permission has been obtained 	AD Finance	01/12/2022	1.3.23- Tender process for the main contractor is completed. Cost plans continue to be monitored with Pick Everard and remain within the approved business case, with a contingency in place. Project Board meeting monthly to review project progress and consider risk. Difference in risk rating to Project Board noted, with higher risk reflected here as
25	Stores Trading and Brand	Increased competition including Amazon & CCS	<ul style="list-style-type: none"> 1. Possible implications on business volume, reputation, new business and on trading results in the Catalogue business 2. Through collaboration with CCS and YPO; CCS is dominating the management of such contracts (MFDs) including the management of the rebates; ensuring security of the income stream is becoming a threat to ESPO's business model. 3. Amazon: moving deliberately into the public sector space, and focussing on education as a key area, Amazon have expressed interest widely within the market place at becoming more than an ad hoc supplier to schools of all levels, expressing their intention to partner with, or secure suppliers who have tailored offering for the sector. 	AD Procurement & Commercial	4	4	16	Treat	<ul style="list-style-type: none"> 1. Working with suppliers and customers to improve the 'offering', facilitating this relationship through capturing and using business intelligence and managing this 'knowledge'. 2. Continue seeking efficiencies through international sourcing 3. Amazon: Continue to market our 'not for private profit' credentials and continue to craft our ranges to offer the very best solution to all tiers of education from our stock and directs position. To explore collaboration with our PBO neighbours to ensure opportunities are not missed in securing market share dominance on key lines such as paper, glue sticks and exercise books. 4. Website Development. 5. Use of BESA benchmarking for ongoing market share data. 6. Continue to make frameworks easier to access. 7. Develop ETL framework offering for diversity of customer base. 	<ul style="list-style-type: none"> 1. Changes to key customers' buying (as highlighted at Weekly Trading) 2. Fluctuations in rebate income (as highlighted at Weekly Trading) 3. Stalling of e-commerce uptake trends (as highlighted in IT update) 4. Amazon: Reduction in traditional stationary and direct electrical item sales at category level. 5. Termini customer research and feedback 6. Competitive mapping for frameworks, including new threats from Bloom and CCS expansion. 7. Staff migration to competitors. 	5	2	10	Treat	<ul style="list-style-type: none"> 1. Review loyalty scheme - increased requirement on income streams 2. Robust sales and marketing strategy to be developed to reflect the heightened competition in this sector and to support the revised MTFs. 3. Review of Customer Offer 4. MATs package 5. Review termly research. 6. Keep a close eye on developments in the market & particularly on CCS & Amazon. 7. Continue to look out for member authority frameworks that duplicate ESPO's offering. 8. Keep abreast of speculative frameworks that could take business from ESPO frameworks. 9. Continue to explore and maximise exporting opportunities. 10. Review approach to recruitment and retention of key procurement/commercial staff. 11. Consider bidding for the CCS tail spend tender issued in June 2021 	AD Procurement & Commercial	Ongoing	01/03/22 Reviewed - no updates.
78	Supply chain	Supply chain risk - including corona virus, Brexit and Conflict in Europe	<ul style="list-style-type: none"> 1. 'Stock supply shortages for products or components that are made in Far East. With consequential effects in UK manufacturers production capability 2. 'Staff shortages in all ESPO functional areas due to high sickness rates. 3. 'School closures to reduce infection spread. 4. 'Overall economic impact on ESPO's business activities due to sluggish restoration of international supply chain. 5. Buying price risk due to increased freight costs may mean a reduced margin. 6. Driver shortage in the market could affect deliveries to ESPO and our ability to deliver to our customers on time. <ul style="list-style-type: none"> • Staff complacency and not adhering to controls in place. • All risks as identified previously coming to fruition due to further restrictions introduced. • Supply chain disruption in the event of further lockdowns both in UK and Worldwide. • On-going school closures / partial closures. 	Director	4	4	16	Treat	<ul style="list-style-type: none"> 1. 'Set up an internal team tasked with managing ESPO's activities and communications in response to the health crisis. 2. 'Monitor updates and advice from WHO and UK government 3. 'Maintain regular communications with customers, staff and stakeholders. 4. ESPO continue to promote good handwashing and hygiene practices and have increased the availability of antibacterial wipes and cleaning equipment. Contracted cleaning contractors disinfect door handles and hand rails as part of our contract. 5. Should a member of staff contract coronavirus ESPO will liaise with PHE directly at County Hall and follow any recommendations. 6. Should isolation be required and where necessary individual risk assessments will be completed. In the event there is a requirement for an extended number of staff to work from home all available lap-tops provide to staff across the business will be recalled and distributed accordingly. 7. Assess suppliers shortages through daily phone contact by Stock Optimisation team. 8. Work closely with staff agency partners to source staff across the logistics, procurement and financial sectors. 9. Continue to manage supply chain risk through Supply Chain Panel, PAG and CMG. 10. CMG and Contracts Panel will be made aware of price increases and impacts assessed by Finance 11. Aim to resist price increase 'within a war' 	<ul style="list-style-type: none"> 1. Weekly stock availability reports with supplier shortages and failed customer orders. 2. Weekly 'staff sickness records' attributable to the coronavirus. 3. Weekly trading analysis • Continued enforcement of existing controls by managers • Continued staff briefings and reminders. • On-going Covid-19 secure monitoring by ESPO Health and Safety Advisor and LCC. 	4	4	16	Treat	<ul style="list-style-type: none"> 1. Align staff policies to LCC guidelines. 2. Assess trading impact on financial forecasts. 3. Understanding of alternative sources of catalogue products. 4. Regular meetings of the internal team 5. Ongoing communications with all relevant parties through web site, weekly comms and formal reports. 04.03.2020 ESPO update on Coronavirus Report discussed at Mgmt. Committee. 06.03.2020 Teleconference with LCC. • All risk assessments and guidance fully aligned with LCC. • Internal meetings took place regularly during height of pandemic. Frequency reduced due to new 'lockdown'. Would resume if required. • Comms on-going • Forthcoming work on building modifications and a new people strategy to support new ways of working. 	Director	Ongoing	15.6.22 Post risk meeting - residual risk increased to high reflecting discussion about changes (and risk of further changes) in global trading conditions.
2	Stores Trading and Brand	Web - Failure to meet customers' expectations or requirements leading to loss of business	<ul style="list-style-type: none"> 1. Reduction in the sales of products and use of services. 2. Incomes fall below economic levels required to support current operational needs. 3. Threat to MTFs 	AD Business Development	5	3	15	Treat	<ul style="list-style-type: none"> 1. Rolling review of Customer Offer 2. Web development roadmap 3. Various customer satisfaction surveys and analysis of feedback. 4. Weekly reviews of operating and financial KPIs 5. Benchmarking against other public & private sector competitors. 6. Compliant procurement 	<ul style="list-style-type: none"> 1. Key website operating KPIs (visits, transactions, sales, procurement downloads, CAA, COA) 2. Customer feedback and satisfaction levels 3. If analysis of competitor websites identifies key new functionality or services being offered. 	4	3	12	Treat	<ul style="list-style-type: none"> Deliver website development project. Key upcoming milestones include: <ul style="list-style-type: none"> - Launch website version upgrade (March 23) - Commence delivery of PushOn rolling improvements (after version upgrade), including launch of Abode live search and re-merchandising site (Apr 23) - Deliver customer experience (and My Account) functionality (Summer 2023) including ability to pay invoices online - SEO optimisation - E-procurement integration into website 	Head of Marketing	Ongoing	6.3.23 - Web road map in progress with version upgrade expected to Go Live in March 23, which will allow other developments (including Adobe live search) to commence roll out over early 23/24. - Skuside contract now in place and product selection/mapping to competitors is now in progress. Expect benchmarking analysis to start in Q1 23/24. - On e-procurement, multiple customers waiting for this to be enabled prior to joining ESPO - project launched to monitor SIMS/PS Financials system integration.
80	Procurement - Compliance	The Procurement Bill contains areas of potential risk for ESPO. Lack of clarity around proposals at this stage adds to the	Customers may choose to undertake their own procurements and not use frameworks - fall in rebate income. Risk of court challenge if new procedures used incorrectly.	AD Procurement & Commercial	5	3	15	Treat	<ul style="list-style-type: none"> Monitoring contracts finder/ find a tender and closer monitoring of customer procurement pipelines Better engagement through CRM'S Continued engagement with legal advisors to gauge customer tendencies 	<ul style="list-style-type: none"> Fall down in number of customers using our frameworks. Insufficient resource to manage increased administration required. 	5	3	15	Treat	<ul style="list-style-type: none"> 1. Develop ESPO's procurement strategy to take account of the newly released National Procurement Policy Statement 2. Work closely with LCC and other PBOs to develop joint approach. 	AD Procurement & Commercial		28/02/2023 No change in respect of Bill progress through Parliament. Procurement Steering Group continues to work through White Paper as a working group to redesign processes and possibly re-structure to ensure readiness.

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