



EASTERN SHIRES
PURCHASING
ORGANISATION

A LOCAL AUTHORITY PURCHASING AND DISTRIBUTION CONSORTIUM

CONSORTIUM SECRETARY: LAUREN HASLAM,
DIRECTOR OF LAW AND GOVERNANCE,
LEICESTERSHIRE COUNTY COUNCIL

Date: 3 September 2025
My Ref AS/ESPO
Please ask for: Angie Smith
Direct Dialling (0116) 305 0589
e-mail: angie.smith@leics.gov.uk

To: Members of the ESPO Management Committee

Dear Member,

ESPO MANAGEMENT COMMITTEE

A meeting of the Management Committee will be held on Wednesday, 17 September 2025 at 10.30 am in the Sparkenhoe Committee Room, County Hall, Glenfield.

Members are reminded that a buffet lunch will not be provided after the meeting, although liquid refreshments will be available. Members are welcome to use the canteen at County Hall if they wish.

Yours faithfully,

Angie Smith
for Consortium Secretary

AGENDA

<u>Item</u>	<u>Report by</u>	<u>Page</u>
1. Appointment of Chairman. Councillor Trevor Bridgwood from Lincolnshire County Council has been nominated to be Chairman for the Municipal Year ending 2026.		
2. Chairman's Announcements.		
3. Appointment of Vice-Chairman.		
4. Minutes of the meeting held on 19 March 2025.		(Pages 3 - 8)
5. To advise of any items that the Chairman has decided to take as urgent elsewhere on the agenda.		

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.

8. Chief Officer's Progress update. Chief Officer (Pages 9 - 22)
9. Dates of Future Meetings.

The next meeting of the ESPO Management Committee is scheduled to take place on 26 November 2025 at 10.30am.

Meetings of the Committee in 2026 are scheduled to be held on the following dates at 10.30am:

25 March 2026
17 June 2026
16 September 2026
25 November 2026

Meetings of the ESPO Finance and Audit Sub-Committee in 2026 are scheduled to be held on the following dates at 10.30am:

11 February 2026
7 October 2026

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. Supplementary Information Informing the Progress Report of the Chief Officer's Progress Update. Chief Officer (Pages 23 - 42)
13. Business Development Update. ESPO Chief Officer Group (external officers) (Pages 43 - 50)
14. Budget 2025/26. Chief Officer of ESPO and Consortium Treasurer (Pages 51 - 70)
15. ESPO Trading Limited and Eduzone Merger - March 2025 Chief Officer of ESPO and Consortium Treasurer (Pages 71 - 76)



Minutes of a meeting of the ESPO Management Committee held at County Hall, Glenfield on Wednesday, 19 March 2025.

PRESENT

Cllr. S. Rawlins – Lincolnshire County Council (Chair) then
Cllr. M. Jamil – Peterborough City Council (in the Chair)

Norfolk County Council
Cllr J James

Leicestershire County Council
Mrs. M. Wright CC

Apologies

Apologies were received from Cllr. P. Butlin (Warwickshire County Council) and Cllr. S. Ferguson (Cambridgeshire County Council)

In attendance

Cllr. A. Hagues (Lincolnshire County Council) – online
Cllr. C. Hogg (Peterborough City Council) – online
Mr. J. Poland CC (Leicestershire County Council) – online

ESPO

Kristian Smith – Chief Officer
Gary Tapp – Commercial Financial Controller

LEICESTERSHIRE COUNTY COUNCIL

Lauren Haslam – Consortium Secretary
Simone Hines – on behalf of the Consortium Treasurer
Angie Smith – Democratic Services Officer

37. Inquorate Meeting.

The Vice-Chairman advised Members present that the ESPO Constitution provided that for a quorum there should be at least four Members who were entitled to attend and vote, provided that at least four of the Member Authorities were represented. As the meeting was currently inquorate, until such a time as Councillor Jamil was present, it would be necessary for the Consortium Secretary to write to all constituent authorities to seek their agreement to “decisions” reached in relation to any items considered whilst the meeting was inquorate.

38. Minutes of the previous meeting.

The minutes of the meeting held on 13 November 2024 were taken as read, confirmed, and signed.

39. Urgent Items.

There were no urgent items for consideration.

40. Declarations of Interest.

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.

41. Items Referred by the Finance and Audit Sub-Committee

There were no items referred by the Finance and Audit Sub-Committee.

42. Chief Officer's Progress update.

The Management Committee gave consideration to a report of the Chief Officer which provided an update of the actions and progress made since the previous ESPO Management Committee held on 13 November 2024. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

Arising from discussion, the following points were raised:

- i. As previously reported the effects of the contraction in the educational supplies market had worsened in both Q3 and in part of the Q4 period to date, however despite the contraction of the market, trading activity had continued to perform really well against the market, particularly in development areas. There had been growth in store sales though the competitive pricing offer and targeting growth strategies which had helped to offset some of the decline of spend from traditional member and established areas.
- ii. Competition on price remained a key factor across 2024/25 and although catalogue sales were down 4.5% and direct sales down 10% due to market contraction, the budgeted marketing levels had been good and allowed for achievement of budgeted surplus position.
- iii. Rebate income continued to do well, benefiting from inflation and organic growth and had delivered a total growth profit margin across all sectors of £29.9million.
- iv. Costs continued to be tightly controlled with expenditure £0.3million better than budget, which helped to offset the lower store sales seen across 2024/25.
- v. ESPO Trading Limited (ETL) and Eduzone had seen international sales grow well across the first six months of the period, with improved relationships with international distributors and increased brand recognition overseas.
- vi. Whilst there were still risks with increased contraction of the educational supplies market, with the final couple of months remaining a much quieter trading period where school spend was likely to remain restricted, the outturn was still expected to be close to £7.2million budget surplus which was in line with the uplifted MTFS (Medium Term Financial Strategy).

- vii. ESPO had been awarded Gold Status and an Exceptional Service Award from FEEFO for its customer service performance in 2024.
- viii. The Leadership Team at ESPO had recently agreed an electrical vehicle charging policy, and following permission electrical charges were installed in the car park.
- ix. In terms of FTE days sick, sickness rate had crept up over 18 months from being slightly below 8 days to 8.23, and work continued to bring the figure to the corporate target of the County Council of 7.5 days.
- x. In response to a question regarding back and neck problems increasing, the Chief Officer explained that officers were always looking at innovative ways to improve sickness statistics, and previously an ex-Olympic weightlifter, who had a training company, had been invited in to show people how to lift items correctly, which had worked well.

Councillor Jamil arrived at the meeting at 10.45am and the meeting became quorate.

- xi. Whilst the current gross margin was welcomed, the ambition was to grow the margin, which was a reflection on how much needed to be done, for example, holding more stock over a larger range, quicker delivery times, whilst balancing inflationary pressures and maintain competitive prices.

The Chief Officer expressed thanks on behalf of the ESPO Leadership Team to the long serving members, Mrs. Wright, Councillor Mrs. Rawlins, and Councillor Butlin for their time on the Committee. Members echoed thanks to ESPO officers for their hard work and stated it had been a privilege working with them.

RESOLVED:

That the update provided by the Chief Officer be noted.

Councillor Jamil took over the role of Chairman at this point.

43. Date of Next Meeting.

It was noted that the next meeting of the Committee would be held on 18 June 2025 at 10.30am.

44. 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.

45. Supplementary Information Informing the Progress Report of the Chief Officer's Progress Update.

The Committee considered an exempt report of the Chief Officer which set out further supplementary information regarding the Chief Officer's Progress Update. A copy of the report, marked 'Agenda Item 9', 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).

The Chief Officer responded to questions related to school budgets and deficit, vacancies, standard delivery times, energy and commodity prices.

RESOLVED:

That the update provided by the Chief Officer be noted.

46. Budget 2025/26

The Management Committee considered a joint report of the Chief Officer and Consortium Treasurer which provided an update on the 2024/25 financial outturn and sought approval for the 2025/26 budget. A copy of the report marked 'Agenda Item 10' 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).

The Chief Officer responded to questions on main competitors and threats, dividend pool, and proposed changes to NHS England.

It was moved by Cllr. Jamil and seconded by Cllr. Mrs. Rawlins that the 2025/26 budget be approved.

RESOLVED:

- a) That the 2024/25 financial outturn be noted.
- b) That the 2025/26 budget be approved.

47. ESPO Trading Limited and Eduzone Merger - March 2025

The Management Committee considered to a joint report of the ESPO Chief Officer and Consortium Treasurer which proposed the simplification to the company structure for Eduzone Limited (Eduzone) and ESPO Trading Limited (ETL). The report also sought Management Committee Shareholder representative formal approval to integrate Eduzone into ETL as a single company through a merger of the companies. A copy of the report marked 'Agenda Item 11' 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).

It was moved by Cllr. Jamil and seconded by Cllr. Mrs. Rawlins that the proposal to integrate Eduzone into ETL as a single company through a merger of the companies be approved.

RESOLVED:

That the proposal to merge ETL and Eduzone and note the steps needed to integrate systems and processes of Eduzone into ETL be approved by the Management Committee shareholder representatives.

10.30am to 11.28am
19 March 2025

CHAIRMAN

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ESPO MANAGEMENT COMMITTEE – 17 SEPTEMBER 2025

PROGRESS UPDATE

REPORT OF THE CHIEF OFFICER

Purpose of the Report

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

Financial Performance update

Summary

Year to July 2025 – Period 4					
£m	Actual	B/(w) than Forecast		B/(w) than Budget	
Stores Sales	26.0	(0.2)	(0.9%)	(1.3)	(4.8%)
Direct Sales	6.0			(0.0)	(0.6%)
Rebate income	4.8			(0.0)	(0.8%)
Total Sales (Exc Gas)	36.8	(0.1)	(0.1%)	(1.4)	(3.6%)
Stores Margin %	32.8%	(0.5%)		0.3%	
Directs Margin %	17.4%			0.4%	(0.1%)
Total Gross Margin	15.2			-0.3	(2.0%)
Total Expenditure	9.8			0.8	8.9%
Trading Surplus	5.3	0.6		0.5	
Trading Surplus %	14.5%	1.8%		1.8%	

1. After 4 months, a surplus of £5.3m has been made which is £0.5m better than budget and £0.9m better than last year.
2. Trading conditions worsened since the development of the 2025/26 budget due to the significant contraction of the educational supplies market in Q3 and Q4 driven by constraints on school funding and other inflationary pressures for schools including pay and energy costs. As a result, in March 2025, ESPO reforecast the budget for stock sales by reducing sales volumes but increasing margin percentage. This enables ESPO to achieve the same overall pound margin value and trading surplus budget (£7.3m) for the year. It also allows ESPO to track week to week performance better against the current trading conditions. For the remainder of the year ESPO will track against the reforecast position and the original budget.
3. Following the launch of the new catalogue on 1 April trading has performed well, with volumes tracking relatively close to the reforecast level but below budgeted expectations. The market remains highly competitive and ESPO's offer remains competitive in the market attracting pockets of growth. Rebate

income from frameworks also started well and is on target for the growth expectations in 2025/26.

4. Costs continue to be tightly controlled with expenditure of £9.8m, £0.8m better than budget. Savings have been driven by operational staffing efficiencies, procurement and finance vacancies. In addition the confirmed pay award is slightly lower than the budget assumption and provides a £0.06m budget saving across the year.
5. For the full year, the budget is a surplus of £7.3m. Trading in the first four months has been positive from margin improvements and growth experienced but the educational supplies market continues to be deeply impacted from the budget challenges facing schools and schools continue to defer non-essential expenditure.
6. Once ESPO has completed trading through the Autumn mini peak when schools return a considered view on the year end outturn will be taken. For now, **the latest guidance for the full year is a trading surplus of £7.5m-£7.7m ahead of the £7.3m budget**

Sales and Margin

Sales and Margin								
£m	Actual		B/(w) than Forecast		B/(w) than Budget		B/(w) than LY	
Stores Sales	26.0		0.0	0.1%	(1.3)	(4.8%)	0.0	0.2%
Direct Sales	6.0				(0.0)	(0.6%)	0.2	3.0%
Rebate income	4.8				(0.0)	(0.8%)	(0.1)	(2.8%)
Total Sales	36.8		(0.1)		(1.4)		0.1	
Stores Margin	8.5	32.8%	(0.0)	(2.5%)	(0.3)	0.3%	1.1	4.3%
Directs Margin	1.0	17.4%			0.0	0.4%	0.0	(0.1%)
Rebate income	4.8				(0.0)	(0.8%)	(0.1)	(2.8%)
Gas Margin	0.1	4.0%			(0.0)	2.8%	0.0	2.7%
Catalogue Advertising	0.6				0.1		0.2	
Misc	0.1				(0.0)		(0.1)	
Total Gross Margin	15.2	41.3%			(0.3)	0.7%	1.1	2.9%

Gas								
£m	Actual		B/(w) than Budget		B/(w) than LY			
Gas Sales	3.1				(7.8)	(71.7%)	(6.6)	(68.4%)
Gas Margin	0.1	4.0%			(0.0)	2.8%	0.0	2.7%

7. Total sales to July 2025 were £36.8m, are £1.4m behind budget and £0.1m ahead of last year. Rebate income is performing well with collections in line with budget and last year.
8. **Stores sales were £26.0m and £1.3m behind budget but in line with the reforecast undertaken at the start of the year which better considered the market contraction seen across Q3 and Q4 of 2024/25.** The reforecast of Stores Sales was performed in March 25 after BESA data provided a negative view of the 2025/26 educational supplies market following a significant contraction across Q3 and Q4 of 2024/25. The reforecast applied lower sales volumes, achieves the same £ margin levels as the budget but increased % margin levels. Trading has suffered across the first four months due to a continued contraction of the market although is in line with reforecast

expectations. Member based stores spend is down 5% year to date against budget offset by a 6.1% growth in sales across business development areas.

9. ESPO continues to offset the contraction of the educational supplies market with its competitive pricing strategy across the TOP500+ products and growth into development areas. Customers continue to make good use of ESPO's loyalty based promotions to secure best value for money.
10. **Gross profit margin £ for Stores is in line with the reforecast but £0.3m behind due to lower sales volumes. Margin % for Stores at 32.8% is 0.3% ahead of budget and 4.3% better than last year.** Last year margin started at lower levels driven by the need to sell-through remaining 2023/24 exercise book stocks. % Margin improved in July to 35% but the previous months were at a lower level due to product mix variations to budget. ESPO continues to monitor competitor pricing on key lines to ensure pricing remains competitive. A key element of the pricing strategy is to offer great everyday value to customers, rather than applying many promotions through the year. As ESPO enters the autumn mini peak trading period ESPO will take the opportunity to review pricing to manage volume and margin.
11. **Directs sales were £6.0m and in line with budget.** Price inflation applied on 1 April was 3.4%, and the budget assumed a similar volume to 2024/25. This recognised cost price increases from suppliers of 2.2%, the funding pressures in schools impacting larger purchases, such as classroom furniture and equipment replacement, which could be delayed. Sales are 3% ahead of last year reflecting growth into development areas. Funding pressures in schools continue to impact larger purchases by customers, such as classroom furniture and equipment replacement, which schools are deferring. A good pipeline of orders exists for furniture and equipment sales being fulfilled during August/September.
12. **Gross profit margin % for Directs at 17.4% is +0.4% ahead of budget,** but this is largely due to the mix of product sold. Margin % is expected to return to budgeted levels as progress is made throughout the year.
13. **Rebate income of £4.8m is in line with budget and last year** showing some pockets of growth where other frameworks have suffered due to government budget reductions on back-office expenditure and pressures on council spending. Framework rebates continue to perform well with the wide range of frameworks offered and a good pipeline in place of contracts secured for the future.
14. Other income is largely in line with budget.
15. **Overall gross profit margin at £15.2m is £0.3m behind budget.**

Expenditure

Expenditure			
£m	Actual	B/(w) than budget	B/(w) than LY
Employee Costs			
Staff	5.7	0.6	(0.5)
Agency/Contract	0.9	(0.0)	0.2
Total	6.6	0.6	(0.3)
Overhead Expenses			
Transport	1.3	0.1	0.0
Warehouse	0.2	0.1	0.1
Procurement	0.1	0.0	(0.0)
Sales & Marketing	0.2	0.0	0.0
	1.8	0.1	0.1
Finance	0.7	(0.0)	(0.0)
IT	0.5	0.0	(0.0)
Directorate	0.2	0.0	0.0
Total	3.2	0.2	0.1
Total Expenditure	9.8	0.8	(0.2)
As % of Total Sales Excluding Gas	26.8%	0.0%	(0.5%)

16. **Total expenditure of £9.8m is £0.8 lower than budget.** ESPO maintains a continued focus on strong cost control across all areas.
17. **Expenditure as a % of sales** is one KPI which enables ESPO to measure cost control in relation to sales. In July this KPI was 26.8% and is in line with budget and shows costs are being controlled in relation to sales activity and inflationary growth.
18. Staff costs include an assumption for a 3.5% 2025/26 Local Government pay award which is now confirmed as lower at 3.2% providing a budgetary saving across the year of £0.06m.

ETL/Eduzone

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

ETL and Eduzone - Year to July 2025			
£k	Actual	B/(w) than Budget	B/(w) than LY
Eduzone Sales	229	30	45
ETL Sales	474	(99)	(120)
Total Sales	703	(69)	(75)
Eduzone Gross Margin	84	15	23
Eduzone Gross Margin %	36.8%	1.7%	3.5%
ETL Gross Margin	145	(2)	(7)
ETL Gross Margin %	30.7%	5.0%	5.1%
Total Gross Margin	230	13	17
Eduzone Expenditure	(90)	3	(1)
ETL Expenditure	(51)	5	(5)
Total Expenditure	(141)	8	(6)
Trading Surplus	88	21	11
Trading Surplus %	12.6%	3.8%	2.6%

20. **Total sales of £703k are £69k worse than budget mainly driven by delays in international ordering.**
21. ETL, serves international and private sector customers, and although it has started strongly sales are slightly behind budget associated with changes in ordering patterns from international distributors. Sales are still expected to be in line with full year budgeted targets although the phasing will vary.
22. Eduzone, focuses on early years in the UK, and is slightly ahead of budget driven by additional nursery group sales. The nursery market faces similar financial pressures to schools but lacks some of the additional funding that was announced for schools in Autumn 2022. Nurseries have been struggling to stay afloat due to ever-increasing running costs including utility bills, business rates, food bills, employers NI changes and increases in the National Minimum Wage. Nursery group customers acquisition activity has slowed but Nursery Groups are still performing well due to their balance sheet security, sharing of administrative burden and ability to navigate through staffing shortages.
23. **Margin and expenditure is largely in line with budget and costs are being controlled.**
24. **Overall, a £88k surplus has been generated, this is £21k ahead of budget and £11k ahead of last year.**

Full Year Expectation

25. At this early stage in the year **guidance for the full year has improved above the budgeted level, to a £7.5m - £7.7m surplus.** Once trading has completed through the autumn mini peak and schools return in September a more accurate view on the year end outturn can be formed.

ESPO P&L – July 2025

	Year to Date @ July 25							
	Actual		Sales Reforecast		Budget		Prior Year	
	£000	%	£000	%	£000	%	£000	%
Sales								
Stores	25,956		26,188	(0.9%)	27,260	(4.8%)	25,913	0.2%
Direct	5,972				6,007	(0.6%)	5,799	3.0%
Rebate Income	4,829				4,868	(0.8%)	4,969	(2.8%)
Total Sales (Excluding other income)	36,757		37,063		38,135		36,680	
Cost of Sales								
Stores	17,440		17,464		18,406		18,513	
Direct	4,930				4,980		4,784	
Total Cost of Sales	22,370		22,444		23,386		23,297	
Margin								
Stores	8,516	32.8%	8,724	33.3%	8,854	32.5%	7,399	28.6%
Direct	1,042	17.4%			1,026	17.1%	1,015	17.5%
Rebate Income	4,829				4,868		4,969	
Gas	121	4.0%			126	1.2%	120	1.2%
Catalogue Advertising	560				450		397	
Other Income	119				167		196	
Total Margin	15,187	41.3%	15,361	41.4%	15,491	40.6%	14,096	38.4%
Warehouse and Transport								
Employee Costs								
Staff	2,466		2,523		2,858		2,137	
Agency/Contract	798		807		807		1,091	
Total	3,264		3,330		3,665		3,228	
Overhead Expenses								
Transport	1,263		1,315		1,315		1,276	
Warehouse	214		268		268		302	
Total Warehouse and Transport	4,741	18.3%	5,249	20.0%	5,249	19.3%	4,805	18.5%
Head Office								
Employee Costs								
Staff	3,266				3,502		3,074	
Agency/Contract	78				49		18	
Total	3,343				3,551		3,092	
Overhead Expenses								
Procurement	93				104		70	
Sales & Marketing	234				266		239	
Finance	687				684		667	
IT	503				509		465	
Directorate	240				280		286	
Total	1,757				1,842		1,726	
Total Head Office	5,100		5,393		5,393		4,818	
Total Expenditure	9,841	26.8%	10,642	28.7%	10,642	27.9%	9,623	26.2%
Trading Surplus	5,346	14.5%	4,719	12.7%	4,850	12.7%	4,473	12.2%

Operational Progress

26. In July, ESPO's distribution centre picked and despatched 223,208 order lines valued at £8.387m, and the transport fleet with couriers made 20,322 deliveries with a combined weight of 1.96m kilograms. Warehouse picking was performed at a rate of 36 lines per hour against our target of 32. The average order value for stock orders in July was £313.49 compared to £294.52 from July 2024, confirming larger order sizes. Operational and Information Technology costs year to July 2025 were £5.455m against a budget of £5.987m. Stock availability averaged 98.1% in July; the stock value was £11.248m with a stock turn of 4.97. July saw the continuation of the busy peak trading period with additional agency staff being recruited into the warehouse to support the picking and packing activity. The Operations Team has introduced revised storage and picking layouts for some of its bestselling bulk lines to enhance picking and replenishment efficiency. The warehouse extension is being utilised for bulk storage previously held externally and provides much needed storage capacity. ESPO took delivery of 10 new large goods vehicles from DAF in July to replace life-expired vehicles. **These now display the new ESPO livery which is shown below.**



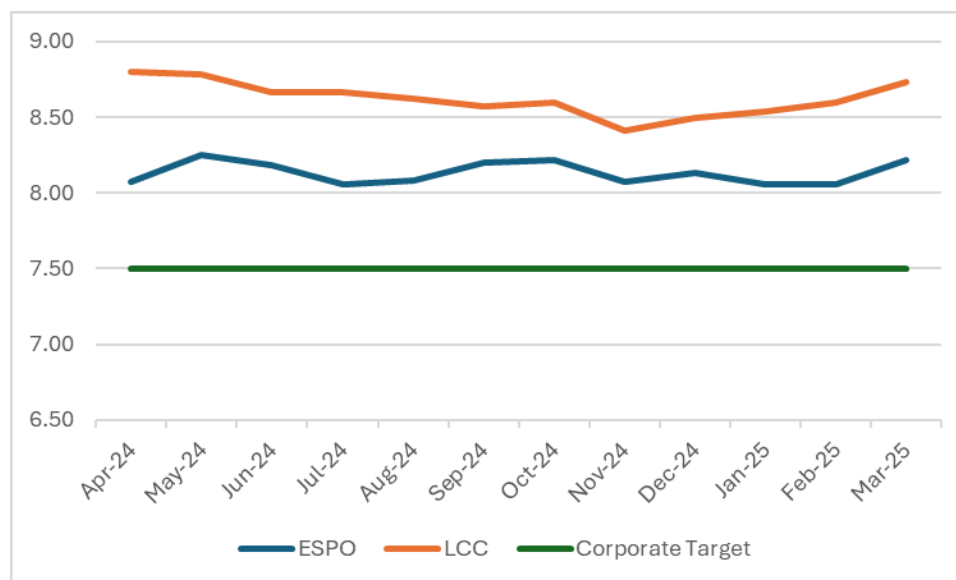
27. The Customer Services Team handled 5,892 calls across the three customer service channels. Average wait times across all teams was one minute 18 seconds with 91% of all calls answered. The team processed 28,385 customer orders valued at £9.280m. Online and electronic converted orders were at 97.2% of the total orders processed. Direct orders currently valued at £2.486m 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. 7,128 responses to email enquiries were recorded using the e-ticketing system. ESPO received 12 service ratings from FEEFO and our customer rating was 98%. We were delighted to be awarded Supplier of the Year at the Education Resources Awards 2025. We have introduced a further video onto the ESPO website to welcome new customers and to assist

customers who use the SIMS on-line ordering portal, as part of the customer self-help programme.

28. Facilities Management in July ensured that all statutory inspections and repair and maintenance services took place on their relevant due date. Pedestrian warning lights have been installed in the warehouse extension to alert mechanical handling operatives of the presence of pedestrians in the vicinity. New CCTV cameras have been installed in the office stairwells to assist with identifying any problems during an emergency evacuation. The on-site recycling resources have been upgraded to further facilitate recycling and waste separation. A new office has been created for HR colleagues which was previously used for sample management. This in turn has enabled us to refurbish meeting rooms on the ground floor including the multi-faith room. A&F sprinklers conducted the annual inspection of the sprinkler system, including the extension to bring this in line with current annual schedules. There were no significant issues raised.
29. There were no reported injuries in July which is testimony to the strong health and safety culture within operations. Warehouse section leaders received investigation and hazard awareness training. In line with ESPO's health and safety policy a series of drug and alcohol tests were made on safety critical roles on 28 July. 21 tests were undertaken and all donors returned negative results. As part of ESPO's environmental controls the delivery yard channel drain was cleaned with further exploration into current oil interceptor pits planned. ESPO will be seeking ISO 9001 environmental accreditation and good progress has been made in digitising existing systems and processes.
30. The Information Technology (IT) helpdesk handled 666 ticket enquiries with a 100% satisfaction rating from internal customers. ESPO continues to enhance the ESPO intranet site using Sharepoint which will create a more dynamic, interactive digital workspace for staff. The IT team successfully configured and installed a replacement firewall. The new firewall incorporates technological improvements which now offer improved performance and greater resilience. Work continues on the introduction of using Power-Bi technology to improve the quality of ESPO's management information system. A new working group has been formed to pursue the future of expanding PunchOut to customer ordering systems. We have now secured a second internet line into Grove Park which will automatically roll-over in the event of a break providing uninterrupted service. The annual 'penetration testing' on ESPO's system will be carried out in September.

Staffing

31. The three primary causes of sickness absence during Q4 of 2024/25 were:
- Stress, Mental Health & Depression- 27.99%
 - Other Musculo-Skeletal Problems- 22.21%
 - Cough, Cold & Flu- 12.92%
32. The final quarter of the year has seen a change in the top three health reasons. Stress, Mental Health & Depression was the highest reason for absence in Q4. Musculoskeletal decreased dramatically from Q3 (by over 36%). A great deal of work has been undertaken to reinforce Physical Health, Safety and Wellbeing and this can be seen here. Further work is in progress to support mental health and wellbeing.
33. Q4 did see a general decline in the number of absences relating to Other Musculoskeletal, Back and Neck problems and seasonal, namely cough, cold and flu. February did see a peak of absences relating to Stress, Mental Health and Depression but this started to decline quite substantially again in March.
34. Leicestershire County Council has a challenging target of 7.5 days sickness per FTE. Whilst ESPO is a predominantly manual/ front line in terms of the workforce, they have still maintained an average of 0.49 days per FTE less than the average for LCC and closer to the corporate target with an average of 8.13 days per FTE, whereas LCC have an average of 8.62 days per FTE.



35. The Wellbeing Programme in 2024/25 saw 39% of the workforce undertaking Health MOTs and 11% taking advantage of onsite Flu vaccinations. An evaluation is currently in progress to look at further Wellbeing interventions and how they can positively impact sickness absence.
36. The monthly HR newsletter now being circulated to all staff, both digitally and via noticeboards/canteen areas has received positive feedback and will

continue throughout 2025/26. In addition, the new HR Intranet has been launched.

37. There has been the development of a mandatory learning and development programme for all employees and people managers. The first pilot for Leadership and Management Programme specifically designed for ESPO managers starts this month.

Resources Implications

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

Recommendation

It is recommended that the Management Committee note the update provided on the actions and progress made since the last update provided.

Equality and Human Rights Implications

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

Background Papers

None.

Appendices

Appendix A – Balanced scorecard
Appendix B – Risk Review Extract

Officer(s) to Contact

Kristian Smith
Chief Officer, ESPO
k.smith@espo.org
0116 265 7887

Management Summary Jul 25

Management Summary

	Actual	Budget /LY	Var	YTD Actual	Budget YTD	YTD Var
Stores Sales	£8,358,668	£8,435,213	↓ -0.9%	£25,955,867	£27,259,825	↓ -4.8%
Direct Sales	£1,886,084	£1,764,047	↑ 6.9%	£5,972,474	£6,006,616	↓ -0.6%
Rebate plus fee income (£k)	£1,550,568	£1,557,055	↓ -0.4%	£4,829,063	£4,868,336	↓ -0.8%
Total Sales (Exc Gas)	£11,844,027	£11,797,982	↑ 0.4%	£37,435,671	£38,751,443	↓ -3.4%
Stores Margin %	35.0%	32.5%	↑ 2.52%	32.8%	32.5%	↑ 0.3%
Directs Margin %	17.3%	17.1%	↑ 0.19%	17.4%	17.1%	↑ 0.36%
Total Gross Margin inc Consumables Cost	£4,878,905	£4,672,025	↑ 4.4%	£15,187,163	£15,491,244	↓ -2.0%
Total Expenditure	£2,589,131	£2,710,699	↓ -4.5%	£9,813,336	£10,641,562	↓ -7.8%
Surplus	£2,289,774	£1,961,325	↑ £328,449	£5,373,827	£4,849,683	↑ £524,144
Net Profit Margin %	19.3%	16.6%	↑ 2.7%	14.4%	12.5%	↑ 1.8%

	Actual	Budget /LY	Var	YTD Actual	Budget YTD	YTD Var
Eduzone Sales	£69,884	£50,000	↑ 39.8%	£230,318	£199,189	↑ 15.6%

Customer Order KPI's

	TY YTD	LY YTD	Var
AOV	£313.49	£294.56	↑ £18.93
Prop of orders over £15	97.9%	97.9%	↑ 0.04pp

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Risk Ref	Category	Risk Description	Consequences / Impact	Risk Owner	Inherent Risk 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	Residual Risk			Risk Action Tolerate / Treat / Transfer / Terminate	Further Action / Additional Controls	Action Owner	Action Target Date		Inherent Risk	Residual Risk
					Impact	Likelihood	Score				Impact	Likelihood	Score							
1	IT	Major systems failure (IT, communications etc) preventing service delivery	1. Immediate cessation of almost all office and warehouse functions 2. Failures in processing customers' orders, in providing deliveries to customers, in replenishing stocks and in providing procurement services and support.	AD Operations & IT	5	4	20	Treat	1. A range of approved IT policies that encourage and support the correct use of systems by users and signed acceptance of such policies. 2. Disaster recovery contract with Daisy providing for	1. Satisfactory annual disaster recovery test results with Daisey. 2. Generator testing log 3. IT Section records of frequency &	4	3	12	Treat	08.02.24 Successful DR testing took place Dec 2023. System21 and associated systems were restored to the Recarta Data	AD Operations & IT	Sep-20	August 2025 - New firewalls and automated internet failover are now live giving ESPO more protection as well as better control and visibility of the systems and vendor activity. New version of the backup hardware and software is also in place which guarantees that	High	Med
2	Stores Trading and Brand	Web - Failure to meet customers' expectations or requirements leading to loss of business	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	1. Rolling review of Customer Offer 2. Web development digital roadmap 3. Various customer satisfaction surveys and analysis of feedback.	1. Key website operating KPIs (visits, transactions, sales, procurement downloads, CAA, COA) 2. Customer feedback and satisfaction levels	4	3	12	Treat	1. Website development is ongoing as per digital roadmap. 2. Ensure that we are always on a supported version of Adobe Commerce. 3. Continue delivery of PushOn rolling improvements.	Head of Marketing	Ongoing	07.08.25 Reviewed - Controls/actions and risk indicators updated. - E-procurement project with SIMS and IRIS Financials is live. - Digital investment of £70k via strategic initiatives fund to progress	High	Med
25	Stores Trading and Brand	Increased competition	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 FWs (Technology, MFDs) including the management	AD Business Development	5	4	20	Treat	1. Working with suppliers and customers to improve the 'offering', facilitating this relationship through capturing and using business intelligence and managing this 'knowledge'. 2. Business Continuity measures – see risk 34: Business Continuity	1. Changes to key customers' buying (as highlighted at Weekly Trading). 2. Fluctuations in rebate income (as highlighted at Weekly Trading).	4	4	16	Treat	1. Review loyalty schemes including MATs Package and development of new corporate package – increased requirement on income streams. 2. Robust sales and marketing strategy developed to reflect the	AD Business Development	Ongoing	07.08.25 Reviewed - Controls/actions and risk indicators updated. - DFE appear to be launching a new proposition to create or use a framework for tailspend, educational supplies. BESA and ESPO	High	High
38	Energy	Energy Management System - (Optima) (potential failure/customer impact)	ESPO risks are: Financial - 1. Inability to pay supplier – supplier cash flow impact, and potential breach of contract	AD Procurement & Commercial	5	4	20	Treat	1. Contract with Optima agreed until May 2026 + 2 year extension option 2. Business Continuity measures – see risk 34: Business Continuity	1. Project Risk Register 2. High Risks requiring action escalated as appropriate (in the form of "Issue Reports") 3. Project board meet quarterly + 6 monthly	3	4	12	Tolerate	1. Engagement of other providers to inform longer term strategy. 2. Consider switching FM Customers to bureau service, which will limit financial exposure.	Head of Commercial	Ongoing	Optima were purchased by Valsoft Corporation in 2023. Situation being closely monitored but no amendments to risk scores deemed necessary. 14/02/24	High	Med
66	Stores Trading and Brand	Amazon (with or without YPO solution)	1. Amazon access to Public Sector via YPO agreement. 2. Amazon access to Public Sector/YPO customers. 3. Amazon range. 4. Corporate threat.	AD Business Development	5	4	20	Treat	1. ESPO BAU account management. 2. Digital/Web roadmap. 3. Procurement and compliance advice.	1. Termly customer research. 2. Account manager feedback. 3. Online exposure. 4. BESA data on market share.	4	4	16	Treat	1. Digital platform and development roadmap. 2. NAM Account management of key customer accounts. 3. Brand diversification (Eduzone).	AD Business Development	Ongoing	07.08.25 Reviewed - Controls/actions and risk indicators updated. - DFE creating new proposition to offer all schools access to a framework for tailspend educational supplies. We continue to engage	High	High
70	Operations and H&S	Driving or operating over the alcohol or drug limit	1. Impaired judgement leading to accident 2. Possible injury or death to other road users and pedestrians. 3. ESPO reputational damage	AD Operations & IT	5	3	15	Treat	With 'Cause' tests can be made at any time. Driver signs daily report to confirm he is fit to drive. Agreed a local policy with Trade Unions on 11/8/2021 where there is suspicion of excess alcohol being	Road Traffic Accidents Injuries to customers or drivers Contact from the police	4	4	16	Treat	26/11/2020 24.11.20 LCC proposed random D&A testing policy under review 28.5.2021 New drug & alcohol testing regime being introduced via LCC from Sept 2021.	AD Operations & IT	Implement testing regime within 1 month of LCC	Aug 2025 - D&A testing conducted 28.07.25. 21 donors tested in total covering night shift, early shift and delivery drivers. 2x FLT drivers on each shift tested as agreed. All results returned as negative. On-site breathalaiser remains available as indicative check if	High	High
78	Supply chain	Supply chain risk – notably linked to geo-political events and conflict in The Middle East and Ukraine	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.	Director	4	4	16	Treat	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	1. Weekly stock availability reports with supplier shortages and failed customer orders. 2. Weekly 'staff sickness records' attributable to the coronavirus.	4	4	16	Tolerate	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	Director	Ongoing	14.5.25. Risk description updated to remove links to Brexit and Covid were are largely diminished now	High	High
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	1) Firewalls (outer defences, controlling the border of ESPO network) 2) Firewall Reports (Daily, weekly, monthly	1) Firewall logs (contain details on network traffic, including hostile attacks on the ESPO network) 2) Firewall Reports (Daily, weekly, monthly	4	4	16	Treat	IT action plan created and enhanced following the cyber audit by LCC. This includes controls in place, and enhancements, including: - Creation of cyber security roadmap, specific risk register and	AD Operations & IT	Q1 2021/ongoing	August 2025 - Following Firewall upgrade our CyberSecurity stance got even stronger. Microsoft Secure score has gone up to 84%. Additional security rules, monitoring and system access control guarantees stronger security. IT is continuing to remove old and	High	High
80	Procurement - Compliance	The Procurement Bill contains areas of potential risk for ESPO.	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. Current procurement structure may need reassessment to ensure	AD Procurement & Commercial	5	3	15		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	Fall down in number of customers using our frameworks. Insufficient resource to manage increased administration required.	5	3	15	Treat	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		14/02/24 Bill now confirmed for October 24 implementation. Procurement Steering Group having completed a read through of the new Act. Training sessions identified for all procurement staff to take place March - June 24.	High	High
88	Procurement - Trading	Framework CRM database - Supporting £9M+ rebate and £2.5bn+ customer spend Risk of high dependance on bespoke ESPO developed system and knowledge with one individual within IT.	ESPO risks are: 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.	AD Procurement & Commercial	5	4	20	Treat	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	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.	4	3	12	Treat	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.	Head of Commercial		14/05/25 - No changes required.	High	Med
96	Energy	Initial period of contract with Optima will end in May 2027	Current Optima system continues to serve its purpose, namely to enable gas billing and effective operation of the bill validation service. However long term use of the system needs to be considered, particularly with initial expiry of the contract in May 2027. A decision on future strategies will need to be taken in 2025. Any implementation of a new/replacement system would greatly heighten current risk levels.	AD Procurement & Commercial	5	2	10	Treat	Ongoing contract management of Optima and regular monitoring of performance of system	1. Deteriorating financial position of Optima 2. Decreasing service levels 3. Increased number of system issues	5	2	10	Treat		Head of Commercial	31.3.25		Med	Med
98	Governance and Financial	Government back office spend and consultancy spend reduction targets	In 2024 the government announced £5.5 billion worth of savings in 2024-25. The Chancellor is launching a multi-year Spending Review to conclude in Spring 2025 and write out to departments shortly thereafter. The Spending Review will set spending plans for a minimum of three years of	AD Finance	5	4	20	Treat	1. Regular discussions and relationship building with various Government departments. 2. Offset any losses through growing frameworks with other customers and increasing framework offering.	1. Monitor Framework spend trends on Consultancy and Strategic HR spend.	4	3	12	Treat	1. Increase ESPO's presence within the framework market. 2. Build on existing relationships with Government departments. 3. Seek to develop new framework offerings	AD Finance	01/12/2022	08.08.25 - Regular monthly reviews of framework spend by supplier and customer. Framework sales campaign underway for 2025/26 year.	High	Med
103	Stores Trading and Brand	DFE development of a 'tailspend' Educational Supplies Framework and attempting to restrict the market to one supplier	1. DFE encouraging / restricting schools purchases of educational supplies with selected supplier(s). 2. Potential impact on educational supplies market that could reduce competition and reduce school spend with ESPO.	AD Business Development	5	5	25	Treat	1. ESPO account management with individual schools and academies. 2. Developed a historical positive relationship with DFE and hold regular meetings with DFE senior staff to	1. Information obtained from DFE meetings. 2. Monitoring of DFE and DFE procurement activity. 3. BESA engagement and information and	4	4	16	Treat	1. Continue to engage with DFE and BESA to counter threat. 2. Ensure that ESPO continues to engage directly with schools and MATs. 3 Ensure that ESPO continues to add value to schools/MATs	AD Business Development	Ongoing	07.08.25 - New risk added in light of market engagement notice 1/8/25	High	High

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