

**MANAGEMENT COMMITTEE – 15 NOVEMBER 2023****WAREHOUSE EXTENSION UPDATE****REPORT OF THE DIRECTOR****Purpose of Report**

1. The purpose of this report is to provide an update to Management Committee on the project to develop the Grove Park site to accommodate additional warehouse capacity as part of the agreed long-term financial plan.

**Background**

2. The original business case to extend the Grove Park warehouse was approved by the Management Committee on 24 November 2021, following detailed analysis which highlighted that the existing Grove Park facility did not have enough capacity to meet the long-term needs of the organisation. This study confirmed the business benefits to ESPO of creating additional storage capacity at its operating centre to enable growth and manage supply chain risk. Sales through the warehouse have increased by 40% over the last ten years; from £41.7m in 2013 to a forecasted £58.3m in 2024. During this time ESPO has extended its reach to supply customers across the country. The new warehouse extension provides a means for ESPO to respond to competitive threats and market opportunities. A funding model that utilises the cash reserves build up demonstrated the overall value created.

**Progress to Date**

3. Building consultants were appointed through a Scape framework in 2022 and subsequently a building contractor, Galliford Try, was appointed following a tender process. The new facility will provide an additional 26,000 square foot of space and by using narrow aisle storage will enable the organisation to store and additional 5,850 pallets. The facility will be fully sprinklered in line with the existing fit out protocols. This represents an increase of 50% pallet positions to ESPO's overall storage capacity. ESPO currently relies on outside storage of exercise books and this stock will be re-located to the Leicester warehouse. The new facility will enable this product range to be stored on-site and subsequently provide the means to improve operational and efficiency through less congestion. This will include powered conveyors to move picked products from the bulk store to the packing stations. Thus reducing agency costs and improving staff wellbeing.
4. ESPO's Supply Chain panel and Product Availability Groups continue to focus on availability performance and improving supply chain resilience. The team will also continue to review slow moving stock and product duplication to ensure that

products are appropriately identified and priced as clearance. The Sales and Marketing teams are engaging with customers to obtain feedback on ESPO's existing product range and to give customers an opportunity to shape the future offer based on their needs. To support this, the team is also reviewing ESPO's website to identify any commonly searched for products where ESPO currently do not have a product to offer. The team will also be using ESPO's benchmarking tool Skuuudle to support this work and to identify any areas where margin can be improved.

5. Strategic supplier relationships have identified that there may be opportunities to improve margin through considering direct container imports into ESPO, a Free on Board (FOB) delivery model and bulk buying on improved terms. The team will consider options to utilise space in a structured way with a staged approach so not to adversely impact cashflow. The Product Management team is focusing on new products and potential new ranges of products which will likely include expanding ESPO's own brand range of products (SmartBuy), increasing the number of class packs, as well as considering any current direct delivered products which could be held in stock. This work is also focusing on increasing the number of sustainable products or those with environmentally friendly credentials and converting existing products to a more sustainable alternative. Product Managers are also completing a competitor gap analysis through engaging with our suppliers to ensure that ESPO have an alternative option to any volume products sold offered by our competitors.

### **Overall Timescales**

6. The programme of work started in October 2023 and is due to be completed by September 2024. A Project Board created in 2022 will continue to provide governance and oversight, supported with specialist staff from LCC. A 'Ground Breaking' ceremony will take place on 9<sup>th</sup> November with Councillor Maggie Wright and members of the ESPO team and provide a good PR opportunity.

### **Conclusion**

7. In conclusion the new warehouse extension is a major landmark in ESPO's evolution and will provide new opportunities for ESPO to remain a preeminent supplier in the education sector.
8. An appendix attached provides some visual updates.

### **Resources Implications**

None arising directly from this report.

### **Recommendation**

The Management Committee is asked to note and support the contents of this report.

**Officer to Contact**

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**Appendix**

Pictures of the site.

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