

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.**



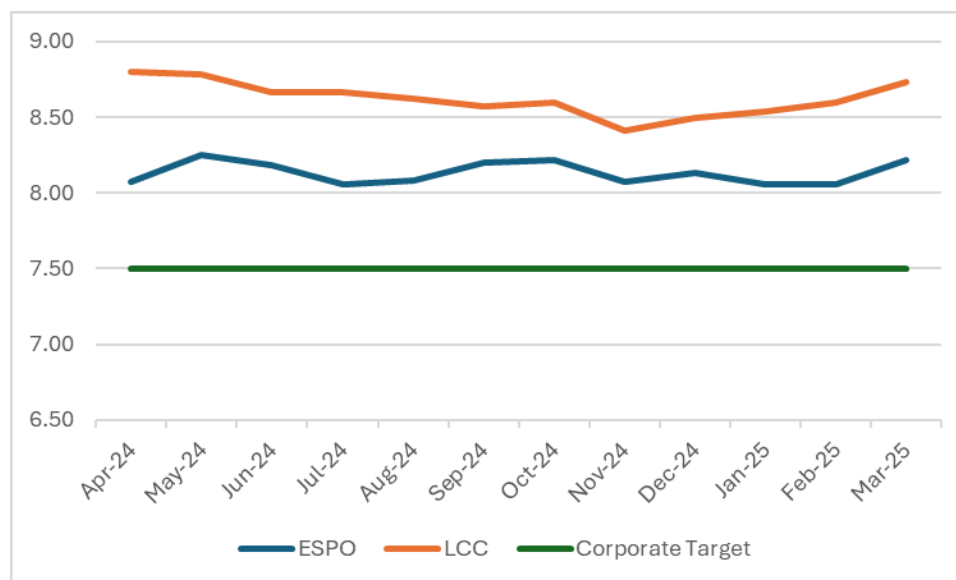
27. The Customer Services Team handled 5,892 calls across the three customer service channels. Average wait times across all teams was one minute 18 seconds with 91% of all calls answered. The team processed 28,385 customer orders valued at £9.280m. Online and electronic converted orders were at 97.2% 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

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