

	<p>YORK SHAREHOLDER COMMITTEE</p> <p>14TH OCTOBER 2024</p>
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TITLE: YPO UPDATE REPORT

REPORT OF: YPO MANAGING DIRECTOR

1. PURPOSE OF REPORT

1.1 To provide members of the Shareholder Committee with an update on the performance of YPO, of which York is one of thirteen founder members of the governing Joint Committee.

2. PERFORMANCE UPDATE

2.1 YPO is currently in the third year of the 3-5 year strategy approved by members in November 2021 (YPO has a calendar financial year). The Strategy is entitled Invest for Growth and is intended to modernise the operation, enabling future increase in income, spend under management, profitability and therefore dividend for member authorities at a time of financial pressures on the public sector. The strategy focuses heavily on growth in income from public sector procurement activity, recognising that a level of saturation exists in the education resources market. Consequently, the strategy predicts a 300% growth in profit contribution from framework rebate income over the 5 year strategy period.

2.2 The investment referred to comprises the full breadth of YPO’s activities, including internal systems, digitalisation, website, customer experience, automation, delivery fleet and warehouse capacity. In order to accommodate this investment schedule whilst recovering cash reserves depleted during the COVID pandemic, a dual strategy of a rolling cash facility from Wakefield Council in their role as Lead Authority and a reduced dividend pay-out in the short term has been adopted. The target of becoming self-sufficient for cash resources by 2025 is on target to be achieved and the impact on member authority dividend has been reduced by ring-fencing a higher percentage for the 13 Founder Members.

2.3 The strategy sets ambitious profit targets of £7m for 2022, £8.5m for 2023 and £10m for 2024. The upward trajectory indicated, demonstrates the operational efficiencies progressively achieved as a result of the investment in systems and digitalisation. Actual achievement has so far been £7m in 2022, £8m in 2023 and YPO is currently on target for achieving £10m in 2024. The attached waterfall chart details the positive and negative financial impacts experienced in the year to date, characterising the dynamic

commercial market in which YPO operates.

3. PROCUREMENT POLICIES

- 3.1 This is currently a challenging time for public sector procurement. All local government procurement teams are faced with a growing pipeline of procurements requiring completion, a high level of vacancies with a shortage of qualified professionals right across the sector and a brand new set of regulations introduced through the recent Procurement Act. This situation has not been helped by the uncertainty over the introduction date of the new regulations, currently deferred until February 2025. As a central procurement function, owned by the 13 Founder Member authorities, YPO is currently developing strategies to provide the maximum assistance possible during this challenging period.
- 3.2 The organisation is currently recruiting for a new Consultancy and Training function, specifically designed to assist member authorities with the challenges described above. This team will take on bespoke procurement activities in member authorities or place seconded staff into members' own teams to help with the capacity issues. It will also provide training and development to assist in the member teams becoming self-sufficient in the longer term. This will hopefully the need for expensive spend on external private-sector consultants, keeping the spend on capacity within the public sector and generating dividend growth for members.
- 3.3 In addition, to ensure that the local SME supplier market is able to fully participate in future tender and contract opportunities, YPO has partnered with Go4Growth to provide training and development opportunities for SMEs within member authority geographies to take maximum advantage of the flexibilities offered under the new regulation regime.
- 3.4 The YPO Energy procurement team is currently being expanded and strengthened, learning the lessons from the challenges of the energy crisis 2 years ago and ensuring YPO's proposition is comprehensive, sustainable and competitive when current contracts are due for renewal.

4. NEW INITIATIVES

- 4.1 A comprehensive study is currently taking place into the Social Care market, specifically Children's Placement Services and Temporary Labour Supply. This is to establish the feasibility of YPO intervening with collaborative procurement solutions which would address the significant increase in spend experienced by all local authorities in recent years. Further updates will be provided to members as this concept is developed further in the coming months.

5. RECOMMENDATIONS

- 5.1 That members should note the content of the report.

SERVICE DIRECTOR: SIMON HILL, MANAGING DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

E-mail address: simon.hill@ypo.co.uk

Net Profit Budget v Forecast Movement: Aug-24 +£0k

