



THE CITY OF YORK COUNCIL

SHAREHOLDER COMMITTEE

2 FEBRUARY 2026

**TITLE: YPO UPDATE REPORT**

**REPORT OF: YPO MANAGING DIRECTOR**

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**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 The key business focus for the financial year from January to December 2025, has fallen into three broad categories: taking short term commercial actions in an aggressive commercial marketplace for education resources in order to retain customers and market share; launching new services (consultancy and training) in the public sector procurement market while strengthening our existing offer; reviewing and controlling costs to ensure that achievement of the year-end profit target is as close as possible to original expectations. I am extremely pleased to say that YPO has performed well in all three of these areas.

2.2 The education resources market continued to be challenging throughout 2025 with budget restrictions, cost cutting initiatives, and reduced ability to forward plan spend continuing to impact negatively on the education sector. Although currently undergoing year-end financial audit, 2025 product sales are expected to be 7% down against budget and 1% down against the previous year.

2.3 Despite the challenging market conditions our market share, as measured by BESA (British Education Suppliers Association), is up +0.2%, showing that YPO is performing more strongly than its competitors in a challenging market environment.

2.4 The YPO own-brand has demonstrated exceptional growth over the past five years, achieving a 68% increase in revenue and an impressive 112% increase in gross margin (GM). The brand now represents 34% of total sales and 43% of total margin, compared to supplier brands which account for 48% of sales and 37% of margin.

2.5 In contrast to the underachievement in education product sales, the public sector contracting business is performing strongly, with the forecast outturn for rebate income in 2025 expected to meet the forecasted figure of £8.5m, the highest ever achieved. This strong performance has been greatly assisted by the recruitment of a team of

four Business Engagement Managers (BEMs) to work across all sectors with a view to establishing long term relationships that can help YPO build on its offering and to continuously develop its service offering to meet the needs of our customers. Part of this new function will offer an Account Management approach to our 13 founding members and extend this to our 71 associate members, building on well established relationships and working in partnership with all members.

- 2.6 The impact of the shortfall in education sales has been further offset by strong control of costs within the organisation. Overhead savings of £1.988m were achieved, mainly through transport costs, vacancies held and savings in utility and general facilities costs.
- 2.7 The net effect of these variances – both positive and negative, lead to an expected profit figure of £12m against an original budget of £12.2m. This forecast is, as stated, subject to financial audit with the results presented to YPO's Audit & Governance Sub-Committee in June 2026.
- 2.8 In light of the challenging market conditions and the fact that market share in the education sector was retained by aggressive pricing, which is expected to continue into 2026, the YPO Management Committee has approved a business plan for 2026, showing flat profit achievement at £12m.
- 2.9 The strong financial performance over the last 3 years, with profit targets mainly achieved as budgeted, improved performance on debt collection and reductions in stock and inventory levels, has enabled YPO to fully pay back the finance facility provided by Wakefield Council as Lead Authority and YPO is therefore now fully self-sufficient from a cash point of view. This has allowed YPO to resume its treasury management strategy with Wakefield Council, investing cash surpluses into external market funds, to maximise the return on funds held.
- 2.10 Performance of all IT during the last year has been particularly strong, addressing previous areas of risk within the business. The redevelopment of our Warehouse Management System which went live at the end of August 2024 has performed flawlessly all year, including through the peak period. Thousands of lines of code were rewritten and over 6 million records transferred to the new system. No support issues were raised during peak specifically related to the upgrade.
- 2.11 In our continuing efforts to ensure the security of YPOs systems and data we were pleased to announce in June 2025 that YPO achieved the ISO 27001 certification in Information Security. ISO 27001 is the gold standard of information and cyber security and although the program of work was managed by IT, this is a business wide certification that will ensure full compliance with data protection, information governance and cyber security best practice.
- 2.12 Work now continues to embed all elements of the ISO 27001 framework into all areas of the business prior to the first annual review by the BSI in June 2026.
- 2.13 As we approach the end of 2025 we are planning our deliverables for next year. Some of the major technology projects include the next phase of development work on our ERP system (NAV), our ISO 27001 cyber security one year review, and our Artificial Intelligence (AI) offering. The team will also be supporting on the deployment of the new CRM system, a new CMS system, a new website, as well as several technology projects in the operations, warehouse and logistics areas of the business.
- 2.14 The lease on YPO's additional storage facility, located on the same industrial estate,

comes to an end in 2027. Investigations into alternative solutions are currently underway and these include an extension to the current main warehouse, lease or purchase of an additional facility elsewhere, or extension of the existing lease. Proposals are due to be taken to the July Management Committee for approval.

### **3. PROCUREMENT POLICIES**

- 3.1 YPO has invested in a new bespoke procurement solutions team, offering support to public sector contracting authorities that require bought in procurement services. This team is made up of four procurement professionals who are able to be charged out on a day rate. Our aim is to facilitate short to medium term needs for procurement functions that have resource, skill or capacity issues.
- 3.2 In May we completed our first bespoke procurement package with North Yorkshire Council and have now gone on to start work at City of Bradford Council and Wakefield Council. Both clients are currently planning to extend our services beyond the initial period.
- 3.3 There is also a need for continuous professional development within the procurement profession, with an ever-changing environment, we have seen the introduction of the new Procurement Act 2023, Social Value changes and many more in recent years. Public Sector customers have fed back to us that they require support and a cost-effective way to keep their procurement workforce informed and adequately trained. YPO has responded to this need by investing in a team of two individuals that are working with some founder member Heads of Procurement to curate a training programme that will meet the needs of our public sector partners.
- 3.4 Our key focus is on delivering procurement training to Procurement Professionals, Suppliers and Customer Stakeholders. The team is now taking bookings and has delivered several training sessions to procurement teams across various sectors.

### **4. INTERNATIONAL SALES**

- 4.1 The narrative above describes the activities of the YPO Joint Committee, a public body. In addition, City of York Council is a shareholder in YPO Procurement Holdings Limited, which trades through its operational subsidiary, YPO Supplies Limited. Performance for this business during the 2025 financial year exceeded budget, with sales of £3.348m (£2.825m UK and £0.523m International) against a budget of £2.85m (£2.55m UK and ££0.3m International).
- 4.2 The YPO Procurement Holdings Board recommended approval of a business plan for 2026 with total sales of £5.0m (£4.0m UK and £1.0m International) and this was approved by a majority of shareholding authorities. The UK sales mainly derive from private nurseries, care facilities, private individuals and teachers. The International sales mainly derive from international schools operating in the United Arab Emirates. For this reason, City of York Council declined to approve the business plan, as in previous years. This position is understood and respected by YPO.

### **5. RECOMMENDATIONS**

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

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**APPENDICES:**

*Appendix 1: City of York Council Members Benefits Statement 2024*