

Better value, delivered.



Delivering savings
for the public sector
Annual Report
2012



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Better value, delivered.

At YPO we're committed to delivering better value in everything we do. Ultimately our aim is to help our customers make financial savings to meet their demanding efficiency targets.

Whether we're reviewing an everyday product to appear in one of our catalogues or tendering for a multi-million pound service contract, we want to achieve the best possible price while maintaining the highest standards of quality.

Cllr Terry Sharman,
Chairman,
YPO Management Committee
(Rotherham Metropolitan
Borough Council)

“I have seen many changes over the past four decades. Yet the core purpose of the organisation is even more pertinent in the current age of public sector spending cuts”

Chairman's Statement

On behalf of the YPO Management Committee, I am proud to introduce the YPO Annual Report and Financial Summary 2012-13.

I was present at the birth of YPO in 1974 and have seen many changes over the past four decades. Yet the core purpose of the organisation - to deliver procurement efficiency savings through combining spend - is even more pertinent in the current age of public sector spending cuts.

As the government looks to local authorities to save an additional £445 million in 2015-16 and plans to extend austerity measures into 2017-18, YPO is specifically equipped and experienced to support its public sector customers and generate buying efficiencies.

YPO is a perfect example of how significant and sustainable savings can be achieved through public sector collaboration, aggregation and standardisation. Because the organisation is managed directly by public sector authorities, YPO can achieve competitive pricing while returning any profit made back to the public purse, and ultimately achieve better value for the taxpayer. These savings also mean that within authorities, savings can be redirected where they are most needed - at the frontline.

Following the renewed management agreement signed by the committee in late 2011, we have agreed a new three year strategy presented by the YPO Board of Directors in March 2012.

I am very pleased with the progress made so far, reflected in the results of the 2012 audit cycle led by Wakefield Council. 'Fully effective' ratings were awarded to 11 out of the 14 areas reviewed, with the remaining areas awarded 'mostly effective' - the second highest rating.

This progress clearly shows development towards the organisation's vision that every single public organisation should achieve the best possible value for money when procuring its goods and services.

With extremely challenging targets to meet, YPO has made exceptional progress in a very short time, creating a professional team that is focussed on meeting objectives and is customer driven. I look forward to seeing how the organisation continues to evolve and respond in this ever-changing, unpredictable sector.

i The YPO Management Committee is made up of elected members (councillors) from the organisation's thirteen owning local authorities. The committee meets regularly to make collective decisions about YPO's current position and strategic direction.

Simon Hill,
Managing Director,
YPO

Managing Director's Statement

2012 has been one of the busiest and most challenging years in our history. It was the first full year of the new YPO Board of Directors, and we spent the year refocusing the organisation, redefining our vision, and repositioning ourselves as a market leading organisation in public sector procurement.

Our new three year strategy was approved by Management Committee in March 2012, focusing the business on four key areas:

1. **Growth**
2. **New Products**
3. **Competitiveness**
4. **Customer Service**

We face many challenges from private sector competitors, but are well placed to react with our network of public sector partnerships. These create many opportunities for improved efficiency for ourselves and our customers. Our mission is to be the UK's number one public sector buying organisation – this leads the way to realising our vision that every public sector organisation achieves the best possible value for money in procurement.

As a compliant procurement route, we can provide all of the choice and value that the private sector offers, but with the reassurance of protection - a key benefit for many public sector organisations.

Recent achievements within our procurement division have resulted in over £10m of savings delivered to YPO customers through lower pricing, increased contract rebate revenue to £4.5m and we held catalogue pricing below inflation for 2013. All of these are benefits which are handed directly back to our customers.

Key highlights of the year include:

- The highest turnover in our history at £128 million, enabling us to return the highest ever surplus to our owners and customers through dividend payments and loyalty vouchers.
- Our first ever national marketing campaign, making YPO a truly UK-wide organisation and contributing significantly toward business growth.
- Delivery of the Wakefield One furniture project for the Council's new headquarters – our biggest ever single order and a huge efficiency gain for Wakefield.
- Securing the contract through open tender to run North Yorkshire County Council's procurement function. This has reinforced our relationship with local government and our commitment to work even more closely at the procurement coalface.
- A series of successful internal audit outcomes through our lead authority in Wakefield, reinforcing the solid governance and compliance structures that underpin our commercial activities on behalf of the public sector.

In the lead up to our 40th anniversary in 2014 we are still delivering the savings that we were established to achieve all those years ago, reaching a milestone of returning a total of £100 million back to the public sector through our activities – an achievement of which we are all very proud.

“Recent achievements within our procurement division have resulted in over £10m of savings delivered to YPO customers through lower pricing”

Achievements of 2012

One of our most notable achievements, and one of the reasons we do what we do, has been the dividend paid to our customers. In 2012 we returned more money to the public sector purse since we began sharing our profits in 1992, reaching the milestone figure of £100m.

We were hugely successful in driving down costs to our customers through global sourcing. Our existing suppliers embraced the challenge and worked closely with us to reduce costs throughout the supply chain. In some product ranges, the initiative has delivered cost reductions of up to 35%.

Partnership activity has been key to relationships with both our competitors and our customers. The memorandum of understanding we have signed with Government Procurement Service (GPS) means we can work together more strategically and deliver efficiencies for the benefit of education, local and central government and the public sector as a whole.

During 2012 our list of associate member authorities grew, meaning we can deliver even further savings and efficiencies for all our members and the wider public sector. Five new local authority associate members and one emergency services authority joined the organisation, taking our total number to 24.

2012 saw the launch of our first national marketing campaign to raise awareness of the organisation – especially in areas identified as having opportunities for growth. This was the year we launched our new brand, which is helping to position YPO as truly a national player.

A year of strong achievements has been reflected in the results of the 2012 audit cycle led by Wakefield Council. Of the fourteen areas that were rated, the highest rating of ‘fully effective’ was awarded to eleven, while three were awarded ‘mostly effective’ (the second highest rating).

In September, we were accredited with the ISO 14001 standard following a rigorous process to demonstrate our commitment to environmental sustainability. We continue to reduce the waste that reaches landfill. In 2012 we recycled 78% of our total waste.

Earlier in the year, we were awarded with the Commitment Marque by NoEE (North of England Excellence) in recognition of our journey towards business excellence. The award represents 15 months of rigorous self-assessment scrutinising our working practices based on the EFQM Excellence Model. This model is an internationally recognised management framework used by 30,000 organisations in Europe and beyond.

We were successful in gaining Wakefield Together’s Healthy Business Award last year, an award developed to give recognition to workplaces who take positive steps to improve employee health, wellbeing and environmental performance.

On a similar theme, we have shown a commitment to provide healthy food choices. In their assessments to obtain the Eatwell Award from Wakefield Council and NHS Wakefield District, our canteens achieved the maximum 5 stars.

In October we successfully bid to provide North Yorkshire County Council’s outsourced procurement service, reinforcing our commitment to work with local government more closely to achieve efficiencies.

An historic milestone

£100m
given back to the public sector since 1992.

“The reward from YPO is fantastic news for our staff and pupils, and will help us further enhance the school learning environment”

**Chris Wigley, Headteacher,
 Clifton with Rawcliffe Primary School**

In 2012 we reached an historic milestone – returning £100 million back to the public sector in the two decades since we began returning a dividend in 1992.

A record year for sales in 2012 will mean that we can return a substantial £8.2 million to our member authorities and customers across the public sector in 2013 alone.

These figures help to reassure customers that they will achieve the very best value for money when procuring their products and services from us.

Clifton with Rawcliffe Primary School received £2,291.69 through the loyalty scheme in 2012.

“Like many others, we are facing pressure to continue delivering a top class education to children on a significantly reduced budget. Despite a fantastic new building we still face a continuous challenge to resource our classrooms. The reward from YPO is fantastic news for our staff and pupils, and will help us further enhance the school learning environment.”

**Chris Wigley – Headteacher,
 Clifton with Rawcliffe Primary School**



Our Public Value Champions

This is Tom. With nearly three decades of public service, he knows how to manage everyday challenges, but can always see the bigger picture.

For 28 years Tom has been working as the interface between our customers and suppliers. As part of our Energy Team, he helps aggregate the demand for gas, electricity, coal and oil purchasing to get the best possible prices. He uses live trading screens to buy in the wholesale markets, helping to take control of costs and reduce price fluctuations. Tom loves the daily challenge this brings and knows precisely how to achieve and deliver savings straight to our customers.

Tom is rightly proud of the contracts he has helped put in place to both comply with government strategy and control the risk posed by high energy prices. It took over two years, and involved extensive discussions and collaboration with partner organisations and local authorities to satisfy them. As a result of this hard work, we were accredited as a centre of excellence and the project won the National Civil Service Award for Innovation in 2010.

Better value, delivered.

Tom James,
Category Manager – Energy,
YPO



*Between 2010-2012
we reduced our
carbon emissions
by 13.5%*

Continued collaboration to deliver savings

"We are already seeing how joint working can deliver for our customers."

**David Shields,
Managing Director of GPS**



In 2012, we continued to develop partnerships with other public sector buying organisations to pool our resources and work on common objectives. This means smarter combined purchasing, achieving savings and improving quality for all our customers.

We signed a memorandum of understanding with the Government Procurement Service (GPS) in September 2012. This officially cements our shared vision to work together and help drive procurement efficiencies across the public sector.

As a member organisation of the Pro5 Group, we also continue to collaborate with the largest professional buying organisations in the UK. With combined purchasing power in excess of £2 billion per year, our work reduces duplication of effort, driving savings for the whole of the UK public sector.

"The memorandum of understanding between YPO and GPS demonstrates the commitment from both organisations to deliver significant and sustainable savings for the whole of the public sector."



"We believe that YPO is best placed to help us drive the efficiencies we need to make in the way that we purchase goods and services."

"This new development will significantly contribute towards the council's task to save £69 million as part of government spending cuts. After reviewing all the proposals, we believe that YPO is best placed to help us drive the efficiencies we need to make in the way that we purchase goods and services."

**County Councillor John Watson,
Executive Member for Financial Services**



In October, YPO won the contract to deliver North Yorkshire County Council's outsourced procurement service.

As part of the four-year agreement, a Northallerton-based team will provide procurement services to the council, giving advice and guidance, running tenders and providing training. They will be supported by an extended network of category teams based at YPO headquarters.

Working more closely together means the service can cater locally for the council's unique demands, while being able to access procurement expertise from an enhanced team of colleagues. Being able to draw upon these skills equips the service to source better value solutions from the market to gain maximum value for the taxpayer.

"By using the framework the school is saving 90% [on photocopiers] plus over 80% on the service contract."

**Benthal Primary School,
Stoke Newington, London**



Responding to reports that many public sector organisations have contracts in place which are unfit for their requirements and give poor value for money, a collaborative partnership was established between YPO, Government Procurement Service and fellow Pro5 member organisation ESPO to create a new, fully-compliant contract for the provision of printers, photocopiers (MFDs) and print services.

Launched in March 2012, the framework has four separate options to cater for all types of establishment, approved suppliers and a fully-compliant procurement process. A bespoke option was designed in consultation with the Department for Education to cater specifically for the needs of schools and academies, which have often fallen victim to cowboy deals in the past.

Furnishing an authority to achieve efficiencies

Located in the heart of the city centre's regeneration development, Wakefield One is the city's new civic office building. Opened in late 2012 as a multi-purpose facility for customers and employees, it is designed and built around core principles of flexible working and sustainability.

As Wakefield Council is looking to deliver services for less in the future like many local authorities, the building meets many government-wide efficiency objectives. It will rationalise the Council's property portfolio to save running costs, streamline working practices, and focus services by becoming the single point of contact for the public.

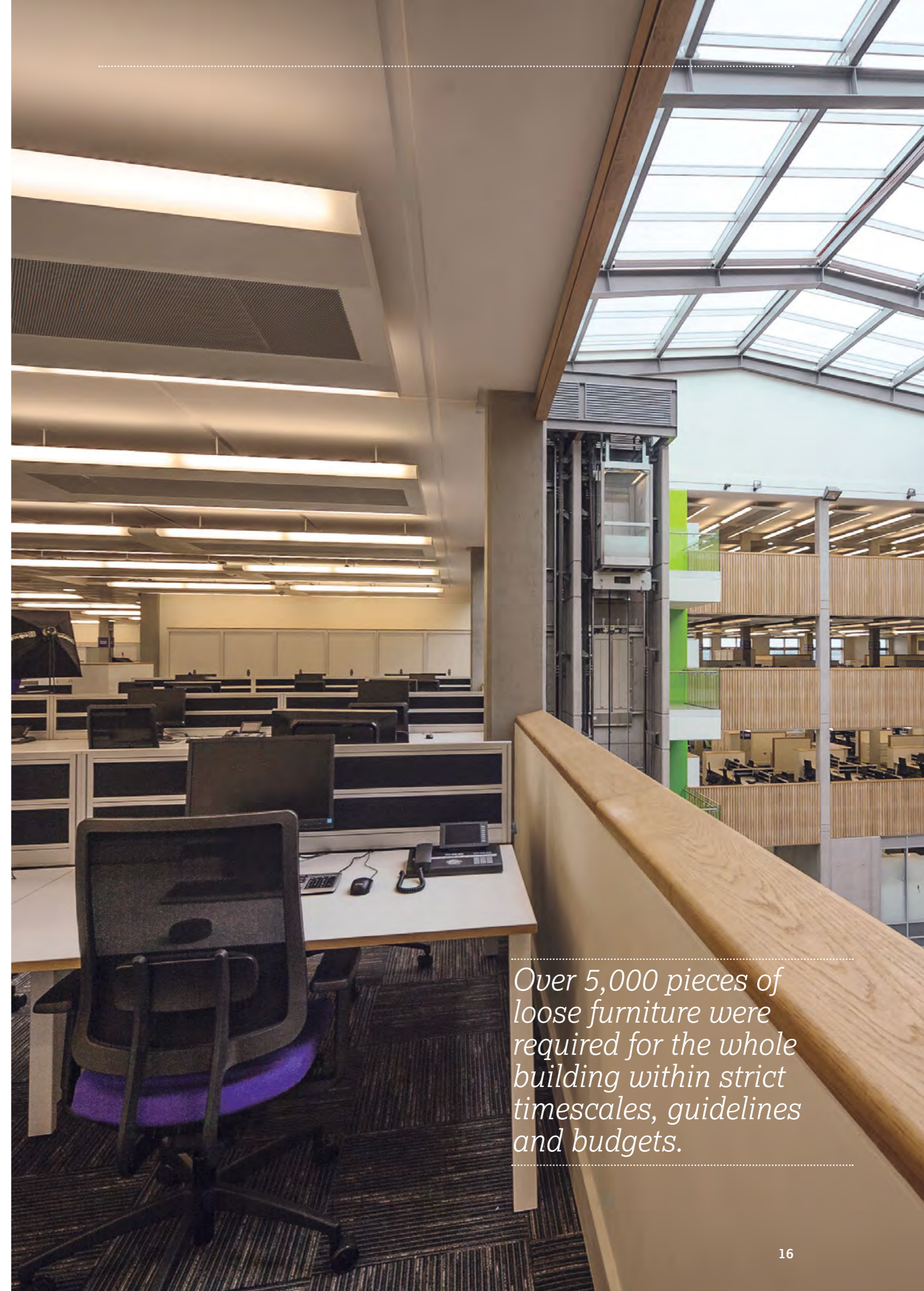
Wakefield Council approached YPO in the early stages of the project to design, source and deliver loose and bespoke furnishings for the entire building - including employee workstations, office meeting and breakout areas, library and customer access areas.

This proved to be a considerable challenge with over 5,000 pieces of loose furniture required for the whole building within strict timescales, guidelines and budgets.

To achieve this we undertook a thorough procurement programme of furniture showcases and supplier visits with product demonstrations and presentations, establishing various potential options and layouts. As well as ensuring that the designs met essential functional and health and safety standards, our team were required to demonstrate value for money, meet a strict list of environmental and aesthetic criteria, and adhere to relevant EU procurement legislation.

Consulting closely with Council staff and senior management throughout, a shortlist of six from over 100 suppliers were identified to supply the project with the best market solutions for the challenges involved, without compromising on the overall layout and design.

Building work was completed in May 2012, with furniture installation throughout the summer ready for 1,000 office workers to move in by August 2012.



Over 5,000 pieces of loose furniture were required for the whole building within strict timescales, guidelines and budgets.

Supporting schools to gain more with government funding

As an approved supplier for the government's match funding scheme, we developed a catalogue of systematic synthetic products and training alongside co-members of the Pro5 Group of public sector buying organisations. Distributed to schools at the start of the 2011-12 academic year, the catalogue contains a wide range of resources - including books, software, games and teacher training - with instructions on how to order and access the match funding.

Under the government's scheme, any state-funded school in England and Wales with Key Stage 1-2 pupils, including academies and free schools, can claim up to £3,000 match funding to buy phonics products and training from the catalogue until October 2013.

Since the launch, we implemented a nationwide campaign to raise awareness of the initiative to eligible schools in England and Wales. As part of this, we actively contacted schools to ensure they could obtain maximum resources to enhance their learning and reading schemes. To further encourage schools to access the funding, we offered an exclusive 10% discount on phonics products, and the assurance that orders would also benefit from our Share of Profits Loyalty Scheme.

Faith Primary School purchased a large phonics classroom kit worth over £1200 to enhance the school's resources. By using their loyalty voucher of nearly £700, accumulated through previous spend at YPO and claiming the rest in match funding from the government, the school did not have to pay anything for the supplies.

"We are delighted to be working with the Department for Education to ensure schools achieve the very best deals on phonics products and training"

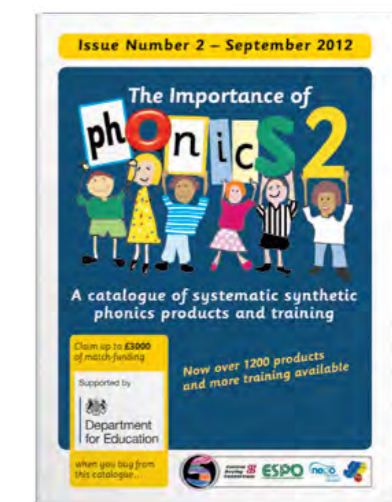
"Before YPO contacted us, we hadn't invested yet in the phonics scheme due to financial constraints. Although we had heard about the phonics match funding, for the time being we were managing on the limited resources we already had in school".

Sister Moira Meeghan, Headteacher - Faith Primary School

Jo Marshall, Commercial Director - YPO said:

"We are delighted to be working with the Department for Education to ensure schools achieve the very best deals on phonics products and training. Particularly for those schools with children of low reading ability, this is a real opportunity to gain some extra financial support to help improve literacy standards".

As an approved supplier for the government's match funding scheme, YPO developed a catalogue of systematic synthetic products and training alongside co-members of the Pro5 Group of public sector buying organisations. Distributed to schools in autumn 2011, the catalogue contains a wide range of resources - including books, software, games and teacher training - with instructions on how to order and access the match funding.



Our Public Value Champions

Meet Gemma. Customers rely on her every day to tackle all kinds of questions, queries and conundrums. She likes to get the answers.

Gemma's role involves speaking to customers on the phone, helping find answers for them, and replying to emails. She liaises with the warehouse regarding orders so she can help sort out any issues with deliveries.

She has developed really good relationships with our regular customers and they often come to her directly when they need to order something quickly.

Our customers know they can get a good, friendly and reliable service. Developing this kind of personal relationship helps customers feel they can speak to someone who understands them.

Gemma loves being part of the team here, and likes the variety she gets dealing with all sorts of issues on a daily basis. She communicates with colleagues all around the business to help sort things out efficiently.

Better value, delivered.

Gemma Maw
Customer Contact
Centre Advisor,
YPO



*In 2012 we took
202,983 calls
from customers.*

Looking forward to 2013

2013 will see further development of the four main areas outlined in our three year strategy:

1. Growth
2. New Products
3. Competitiveness
4. Customer Service

We aim to reinforce our presence nationally, increasing our competitiveness, particularly in new geographical areas. This will involve the introduction of our highly successful CPD accredited training courses for teaching staff in the London and Birmingham areas. In addition, the year will also see our presence increase in Scotland after securing a national contract to supply furniture and educational products to local authority schools.

Every year we extend our product range in response to customer demand and changes in government policy. 2013 will be no different, and our catalogues will grow further, exceeding 30,000 products.

Working closely with organisations with similar goals and objectives, we will continue to seek and establish procurement solutions which benefit the public sector. February sees the launch of the first national insurance services framework for the public sector. With the launch of new partnership projects such as www.edubuy.org, we aim to provide more tailored procurement support for academies and the education sector as a whole.

We aim to continually improve our customer service, and will be looking to modify our practices. To compete successfully with our private sector rivals, we will be investing in our delivery fleet, optimising our warehouses, increasing delivery frequency and offering more ways to order. Internally, we will invest in our workforce with continued improvements to facilities, ICT and staff training.

Achieving efficiencies through partnership working

In 2013, we will be looking to establish more partnerships and collaborate with both customers and competitors to ultimately deliver better value for the taxpayer. Our activities will demonstrate the organisation is a clear example of how significant and sustainable savings can be achieved through public sector collaboration, aggregation and standardisation.

The year will see the launch of the first national public sector insurance services framework, which we are launching on behalf of the Pro5 Group alongside Government Procurement Service, worth a potential £850 million over four years.

It follows an extensive collaboration across a number of public sector organisations and will drive efficiencies by providing public sector bodies with access to leading insurers and insurance brokers without having to go through lengthy EU procurement processes. This will save time, money, and reduce duplication of effort across multiple organisations.

With the launch of www.edubuy.org in February, we aim to demonstrate our commitment to providing the education sector with choice, and channel a potential £1 billion savings that could be made by schools and academies through smarter procurement.

Established in partnership with other public sector buying organisations and supported by the Department for Education (DfE), it will provide a single online platform where academies and schools can access EU compliant contracts, and help them achieve efficiencies with their everyday purchasing requirements.

In addition, we will continue to establish partnerships with individual authorities, responding to procurement demand on a localised level. Following the successful acquisition of NYPS in 2012, we aim to further embed the service within the organisation and develop stronger links within North Yorkshire County Council.

“The EduBuy website will save schools time and money by simplifying and speeding up the buying process for everyday products and services so they can focus on what’s most important – teaching and learning.”

Alyson Gerner, DfE Head of Procurement and Chair of the EduBuy Steering Board



Expert support for academies, every step of the way

With an increasing number of schools converting to academies and talks of privatisation, the education sector faces continual changes and challenges. Many more establishments are now able to make independent decisions, but they face various obstacles and choices away from local authority safeguards.

Independence can allow individual academies choice, but can also potentially leave them vulnerable. With decreasing budgets and increasing choice, staff with poor procurement know-how could fall victim to scams from unscrupulous suppliers without their best interests at heart.

In response to this, we are promoting our full offering to academies which will support them with their new procurement responsibilities. This will include:

- Tailored advice and support: expert, reliable support when it is needed, without academies having to pay fixed overhead costs.
- Options appraisal: assessing current public sector arrangements that may be available for academies.
- Effective procurement: ensuring the products and services purchased are the most suitable for the requirements.
- Implementation: ensuring that new arrangements are put into practice correctly.
- Performance management: full supplier and contract management.
- Full compliance: ensuring academies are fully compliant with UK government procurement legislation.

In addition to this, we are identifying and developing contracts tailored specifically towards the education market.



Investing in the education sector



93% of delegates from our 2012 courses rated them as very good or excellent.

“Excellent, varied, interesting, inspiring lots of ideas to take back to school”

Kay Holmes – Kingsland Primary

“10 out of 10”

Graham Wetherop – Silcoates School

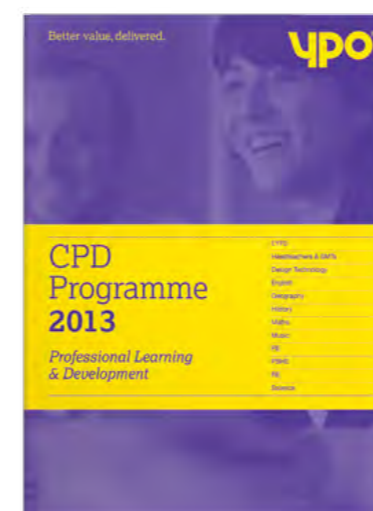
As a highly experienced teacher training (CPD) course provider with over 15 years experience, we understand how changes and developments in the curriculum and government’s agenda impact on the training needs of schools.

With this in mind, we review our course programme annually and in 2013, 80% of our courses are brand new.

Historically, our training programme has been limited geographically to those who can travel to our training venue at YPO headquarters in Wakefield. However, in June 2013 we will launch the programme in both London and Birmingham, with 1728 places available on a total of 48 courses.

Attendees receive a large proportion of the course costs back to spend with YPO, meaning schools receive even better value for money.

In our 2013 catalogues, we have introduced over 2,600 new products in response to feedback on our range and customer demand.



“I feel genuinely inspired to take new practical ideas into the classroom. The best course I’ve attended!”

Lindsay Vann – Hinchcliffe Hill J&I School



Malcolm Sykes
 Vice Chair,
 YPO Management Committee
 (Bradford Metropolitan District Council)

Helping our local authorities deliver maximum services

Although we've been doing it for a few decades through YPO, working collaboratively with other public sector authorities is increasingly important as we all look to achieve efficiencies as a result of the current pressures on public expenditure.

In Bradford alone we are making a £30 million reduction in the Council's budget. Working together where possible to reduce costs helps us to continue delivering the maximum amount of services.

In 2012, YPO grew its list of associate members to 24, and we support the aim of the organisation to establish more partnerships over the coming years.

YPO is governed by a management committee of elected representatives from 13 public sector member authorities. Free of subsidy from all member authorities, YPO is self-supporting and budgets each year to make a small surplus which is used for business development and expansion.

“Working together helps us to continue delivering the maximum amount of services”

Developing relationships with more public organisations

In line with the organisation's three year strategy, 2012 saw some excellent progress in associate membership growth, the development of strategic partnerships and geographic expansion that has positioned YPO as a national player within public sector procurement.

We are gradually introducing new associate members into the organisation, creating a significant membership client base upon which pro-active contract collaborations can be established. This delivers savings and efficiencies for all our members and the public sector as a whole.

Key strategic partnerships we have established over the last 12 months position the organisation at the forefront of public sector procurement strategy for local government, health, charity, and housing sectors and we hope to evolve these further in 2013.

Our aspirations for geographical growth has been successful, extending the profile of the organisation into new territories and new customers.

YPO is now well on the road to achieving its strategic objectives and can look forward in 2013 with the confidence to continue delivering better value and helping support the public sector in the current challenging economic climate.

Our 2012 associate member authorities:

1 	2 	3 	4 	5 	6 
7 	8 	9 	10 	11 	12 
13 	14 	15 	16 	17 	18 
19 	20 	21 	22 	23 	24 



Our Public Value Champions

Meet Dave. He will always go the extra mile to make sure we meet our customers' expectations.

Dave delivers our product orders to schools and other public sector organisations. He considers himself an integral part of our customer experience. Like the other drivers who deliver to a regular customer base, although he often has a lot of deliveries to make on his route, he will always go that extra mile to make sure they receive the extra special service they deserve.

Dave is on first name terms with many of his customers. He gets a real sense of achievement from seeing the kids' excited faces on delivery day when he arrives at schools with all sorts of things to help them learn. These are the kinds of relationships that inspire customer confidence in YPO.

Dave is proud to know he can give every one of his customers precisely what they need, with the kind of service they have come to expect from us.

Better value, delivered.

Dave Firth,
Driver,
YPO



*In 2012 we delivered
4,515,547 parcels
weighing a total
14,765,490kg.*

Our plans for the future

“A key part of our strategy is to ensure we have a skilled workforce built around customer and service needs”

At a strategic level we aspire to grow while maintaining our core business model of aggregated demand that gives us the ability to achieve purchase prices that are more competitive than alternative suppliers.

To meet these aspirations we will be continuously benchmarking to ensure that our prices are competitive, compared to both private and public sector rival organisations across a basket of goods and services. Tailoring our approach to target individual vertical markets, we will gain new business from new sectors while retaining our existing customer base through increased customer satisfaction. These measures will enable us to become the number one UK supplier of products in the education market.

We are in the process of developing a robust proposition to meet the procurement service and framework contract requirements of all our customers with the aim of becoming their partner of choice for the future.

With the advent of the Localism Act and its increasing freedoms for local authorities, our legal structure will also be reviewed as we evolve to meet the new demands of the public sector and the future marketplace. This will enable us to meet the challenges brought about by the expected significant changes in the type and range of local service providers.

Part of our purpose is to enable greater collaboration within public sector procurement. Therefore, it is natural for us to seek alliances with other organisations to ensure that demand can be aggregated and efficiencies found in procurement processes.

By collaborating with other public sector buying organisations such as Government Procurement Service and the other members of the Pro5 Group, we can better serve all our customers by aggregating demand on a national scale and offering a much greater range of solutions.

There are also a number of other public sector organisations that we work with and will continue to develop closer working relationships with.

These include:

- Department for Education (DfE)
- Association of Greater Manchester Authorities (AGMA) Procurement Hub
- Local Government Yorkshire & Humber (LGYH)
- YORbuild
- NHS Central Purchasing Consortium

While significant efficiency improvements have already been made in the logistics and warehousing operation, it is clear that there is still considerable potential for further progress. Over the next few years we aim to deliver further operational efficiency savings, carry out external benchmarking on operational best practice and review our current warehousing and office facilities to ensure that they have sufficient capacity to support future business.

We cannot succeed in the challenges that lay ahead without talented and effective employees. So a key part of our strategy is to ensure we have a skilled workforce built around customer and service needs. We are also investing in our ICT infrastructure to ensure that the commercial, procurement and operational strategies can deliver their projected benefits.

Our Directors

Simon Hill Managing Director

Simon joined YPO in July 2011 from former regional development agency Yorkshire Forward, where he was an Executive Director. Previously, Simon was Managing Director for electronic automotive manufacturer Kostal UK Limited. With experience across supply chain and procurement, Simon has over five years public sector experience and 20 years commercial experience.



Ian Knowles Corporate Director

Ian joined YPO as Corporate Director in September 2010 and has overall responsibility for the organisation's finance, legal, facilities and IT functions. A qualified accountant, Ian has over 17 years public sector experience from previous roles at Sheffield City Council, Hertfordshire County Council and Connexions South Yorkshire.



Jo Marshall Commercial Director

Jo joined YPO as Business Development Manager in September 2010 from her position as Head of Public Sector at Samsung Electronics. She was promoted to Commercial Director the following August to lead the organisation's sales, marketing and customer engagement teams. With a strong sales background, Jo has been working with the public sector for over 15 years.



Paul Smith Procurement and Supply Chain Director

Paul joined YPO as Procurement and Supply Chain Director in September 2010 to lead the procurement supplies and services teams, in addition to the organisation's supply chain function. With over 20 years procurement experience, Paul has held roles with Aviva, Capita, RM and Ford. Paul currently represents YPO on the SOPO Executive Committee and as a director of the Pro5 Group of public sector buying organisations.



Julie Wray Head of HR and People Support Services

Julie joined YPO as Head of HR and People Support Services in September 2010. In addition to her role as the strategic lead for human resources, learning and development and staff engagement, Julie sits on the Board of Directors to represent employee interests. Julie has over 20 years HR experience within both the public and private sector including roles at Wakefield Council and Barclays Bank.



Malcolm Hepworth Independent Director

Malcolm was appointed in September 2011 to provide independent guidance to the organisation as a member of our Board of Directors. He has spent his entire career in retail businesses, most recently holding the position of Chief Operating Officer of the Co-Operative Wholesale Society (including the position of Chief Executive of the Co-Operative Retail Trading Group, the national buying group for all independent co-operatives with combined annual sales of £5.5 billion).



Our Public Value Champions

This is Gareth. When we receive an order he knows exactly how to pick, pack and ship it out so we get it right first time.

Gareth's role involves picking, packing and loading food deliveries for schools, local authorities and other public sector organisations. After nine years here, he knows the orders pretty well and can probably tell you what's coming next.

Gareth works hard to make sure everything is present and correct, because that means the customer gets a better service.

Gareth enjoys training new starters and helping to put them on the right track. It's rewarding knowing they are doing things right. He has also spent time job shadowing other roles in the business, to gain a better understanding of how our organisation works. Recently he visited schools with one of our area sales managers, to get valuable first-hand customer feedback which he wouldn't normally hear behind the scenes.

Better value, delivered.

Gareth Roberts,
Warehouse Operative
and FLT Driver,
YPO

*In 2012 we picked
16,246,847 products
across 5,566,234 lines.*

Corporate Director's Statement

YPO has performed exceptionally well against a challenging environment in 2012, which has seen further cutbacks in public spending, economic uncertainty and the impact of changes in government policy. The continued conversion of local authority controlled schools to academy status allows increased freedom and decision making, creating a more competitive climate in which to operate.

Despite the challenges, this environment has allowed us to capitalise on our core strengths of delivering best value to customers and grow the business across all categories in 2012. We are continuing to return significant savings back to the public purse through our best value procurement routes and profit distribution schemes.

The financial performance for 2012 achieved a number of records; the catalogue and food sales of £128m is the highest in our history and, when income from framework contracts is added, our total income exceeds £132m.

The figures on page 41 show the analysis of stores, directs and food compared with 2011, which demonstrate a healthy increase in the role played by sales of stock. The income from framework contracts continues to deliver strong benefits for YPO and has increased by 9%.

This performance is in part due to the Department for Education's phonics initiative, which represented 10% of 2012 sales. However, this in turn has led to a reduced average margin position year on year.

While retuning a record turnover and profits in 2012, we have invested in our core systems, people and customers to ensure that the benefits for the public sector are maximised. The investment plan for 2012 had an upper limit of £1.5m and covered both the technical and physical infrastructure.

The cost base of £24.9m is 51.4% employees to 48.6% non-employees, a variation of 4% on 2011 which reflects:

- the increased use of third party logistics in delivering the increased levels of stock sales
- the investment in premises
- the continued investment in staff to develop our service

It is noteworthy that whilst margins were slightly down on expectations, due to the impact of the phonics initiative, we were able to deliver over £10m of savings through better procurement which enabled price increases to be held below inflation.

Looking forward to 2013, while we anticipate a challenging year as public sector funding continues to decrease, we will aim to take advantage of every opportunity available to us. We have been advised that the government's phonics initiative has been extended to October 2013, which will provide further scope in the market.

Internally, we intend to continue our investment in technical and physical infrastructure with a proposal amounting to £1.7m in 2013.

Ian Knowles,
Corporate Director,
YPO

"We are continuing to return significant savings back to the public purse through our best value procurement routes and profit distribution schemes"

Financial Summary

Dividend paid back to the public sector

	2010	2011	2012
Dividend paid back to the public sector	£6,402,264	£7,068,000	£8,210,000

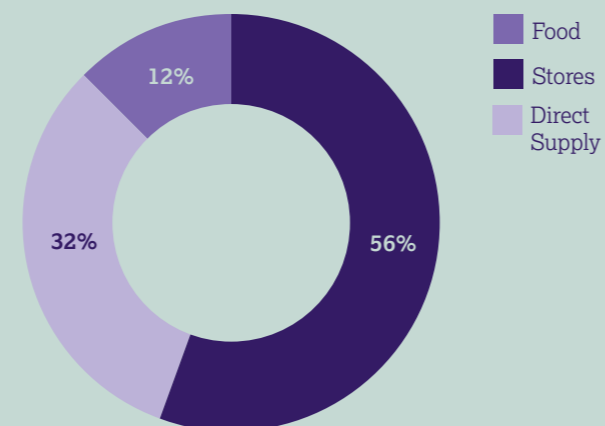
Turnover by category (£000s)

	2011	2012
Stores	64,230	71,578
Direct Supply	28,785	40,887
Food	15,438	15,982

Dividend paid back to public sector



Turnover by category 2012



Income and expenditure account (£000s)

	2011	2012
Income and expenditure account		
Invoiced turnover	108,453	128,477
Cost of sales	(81,954)	(98,274)
Gross margin	26,499	30,173
Discounts	200	225
Rebates	4,134	4,546
Other income	1,473	1,778
Gross surplus	32,306	36,722
Operating expenses		
Employees	(12,482)	(12,803)
Premises	(819)	(1,234)
Supplies and services	(4,452)	(4,575)
Transport	(4,461)	(5,834)
S.L.A Costs	(181)	(113)
Financial and Miscellaneous	(90)	(343)
Depreciation and revaluation increase / (decrease)	(756)	(863)
Pension service gain (cost) net of charges made to the general fund	(455)	(455)
	(23,696)	(26,220)
Surplus/(deficit) on trading operations	8,610	10,502

This table is an extract from the YPO Audited Statement of Accounts. To view the full document visit www.ypo.co.uk or contact Ian Knowles, Corporate Director - YPO on ian.knowles@ypo.co.uk.

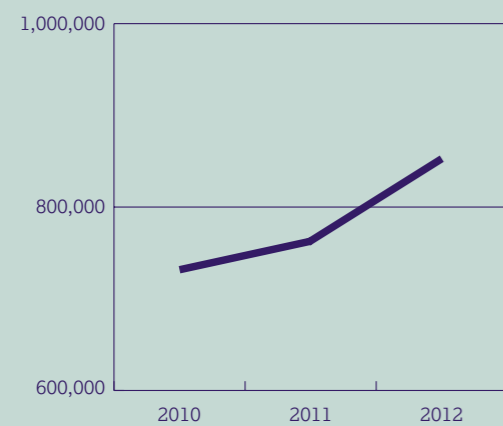
Sales invoice production

	2010	2011	2012
Number of sales invoices produced	732,122	761,889	849,649

Number of sales invoices by payment type

	2010	2011	2012
Invoices	615,013	650,621	738,435
Direct Debits	117,109	111,268	111,214

Number of sales invoices produced



Number of sales invoices by payment type



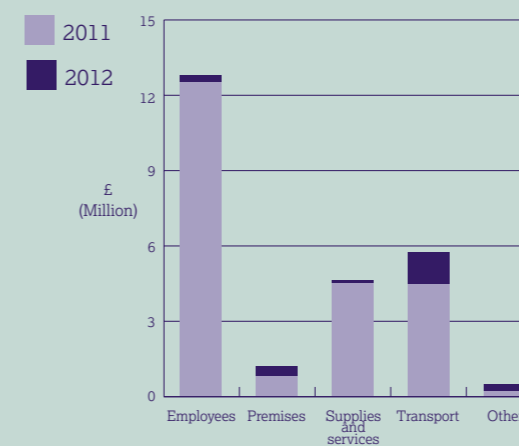
Overhead spend analysis (£million)

	2011	2012
Employees	12.5	12.8
Premises	0.8	1.2
Supplies and Services	4.5	4.6
Transport	4.5	5.8
Other	0.27	0.5

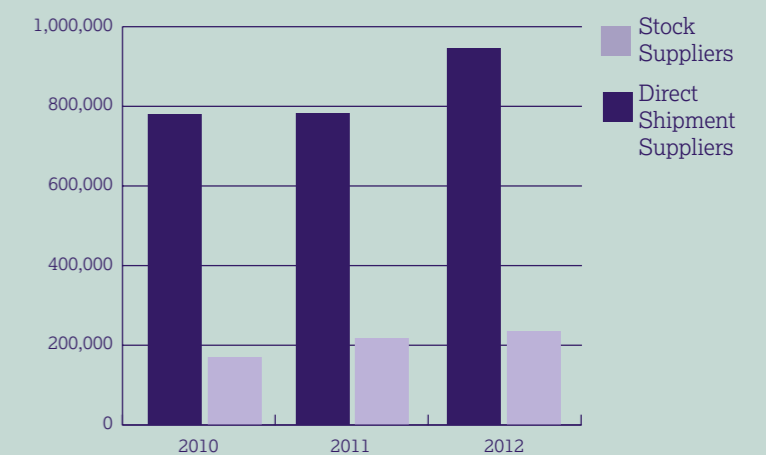
Number of purchase invoices processed

	2010	2011	2012
Direct Shipment Suppliers	116,896	117,218	141,747
Stock Suppliers	25,605	32,554	35,105

Overheads spend analysis



Purchase invoices processed



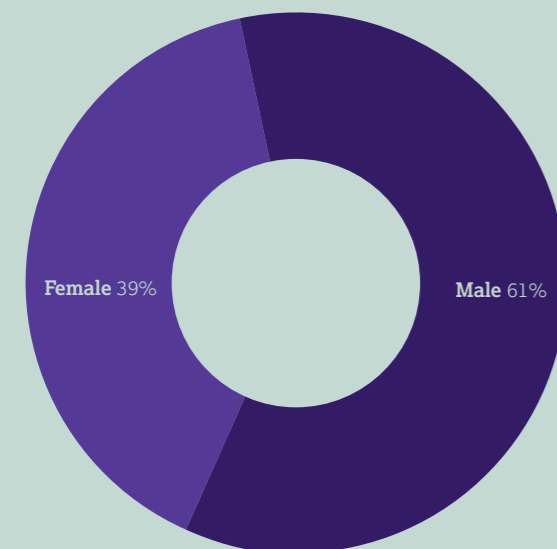
Employee age analysis

	2011	2012
< 21	7	14
21-30	76	82
31-40	78	83
41-50	143	154
51-60	113	123
>60	21	20
Total	438	476

Employees by gender

	2011	2012
Male	264	289
Female	174	187

Employees by gender
(2012)



YPO has been providing savings to the public sector since 1974. We're 100% public sector owned, meaning every single penny saved is put back into the public purse, giving even better value.



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