

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

29 SEPTEMBER 2011

STATEMENT OF FINAL ACCOUNTS including LETTER of REPRESENTATION

Report of the Corporate Director – Finance and Central Services

1.0 PURPOSE OF REPORT

- 1.1 To approve a Letter of Representation that is required to be submitted to the External Auditor.
- 1.2 To approve a Statement of Final Accounts for 2010/11 following completion of the external audit of those Accounts.

2.0 BACKGROUND

- 2.1 A draft Statement of Final Accounts (SOFA) for 2010/11 was considered by this Committee on 30 June 2011 in advance of these accounts being audited by Deloitte during July and August 2011. This SOFA incorporates the accounts of the North Yorkshire Pension Fund.
- 2.2 Members will recall that the requirement for ‘formal Member approval’ of the draft accounts by 30 June each year, in advance of their consideration and review by the External Auditor was removed this year as part of updated Accounts and Audit Regulations. Hence the version of the SOFA submitted to Members in June was for information and review/comment only, not formal approval. This approach followed both DCLG and CIPFA’s suggestion that it would still be good practice for the SOFA to be presented to Members for review and comment prior to audit and that this was an area where the Audit Committee could still add value.
- 2.3 The external audit of the 2010/11 Accounts is now complete with the report of the Auditor being included as a prior item on this Agenda. Separate reports are issued by the Auditor for the County Council and North Yorkshire Pension Fund accounts.
- 2.4 The External Auditor has indicated that he anticipates being able to issue an unmodified opinion on 29 September 2011.
- 2.5 To conclude the Final Accounts process (in advance of the External Auditor signing off the 2010/11 Accounts by the required statutory date of 30 September 2011), it is necessary for this Committee to
 - (i) agree and countersign a Management Letter of Representation to the External Auditor (see **paragraph 3**)

- (ii) note the changes reflected in the Final SOFA compared to the version considered on 30 June 2011 (see **paragraph 4**), and
- (iii) approve the Final SOFA and authorise the Chairman to sign the Accounts on that basis (see **paragraph 5**)

3.0 **LETTER OF REPRESENTATION**

3.1 The External Auditor requires a written representation from the County Council's management as an acknowledgement of its responsibility for the fair presentation of the SOFA and as audit evidence on matters material to the financial statements when other sufficient appropriate evidence cannot reasonably be expected to exist.

3.2 The External Auditor has therefore requested that this Letter should be discussed and agreed by the Audit Committee (as the body charged with responsibility for governance) and then signed on their behalf by the Chairman, before approval of the SOFA. This is to ensure that Members of this Committee are aware of the representations on which the Auditor intends to rely when issuing his opinion.

3.3 This Letter is attached as **Appendix A** and has already been signed by management (ie the Chief Executive and the Corporate Director – Finance and Central Services). For security reasons the copy attached does not include the signatures of the two officers – the version to be signed at the meeting by the Chairman has already been signed by the two officers.

3.4 The Letter applies to the financial statements of both the County Council and North Yorkshire Pension Fund.

3.5 Members are therefore asked to consider and approve this Letter and then authorise the Chairman to approve it on their behalf. The Letter will then be submitted to the External Auditor.

4.0 **CHANGES REFLECTED IN THE FINAL SOFA**

4.1 A number of changes have been made to the SOFA since it was considered by Members of this Committee on 30 June 2011, mainly relating to minor refinements to either narrative or notes to the accounts.

4.2 These changes are explained in detail in **Appendix B** attached and arise from:-

- (i) refinements agreed with the External Auditor during their audit of the accounts
- (ii) internally initiated refinements
- (iii) inclusion of two sections in the final version of the SOFA that were not included in the draft document on 30 June 2011 - the Annual Governance Statement and the External Auditor's certificate

5.0 APPROVAL OF THE FINAL SOFA

- 5.1 The audited final SOFA is attached at **Appendix D**. This incorporates all the changes to the draft version considered by Members on 30 June 2011, as set out in **paragraph 4** and **Appendix B**. These accounts have been re-signed by the Corporate Director – Finance and Central Services and the Chief Executive on 29 September 2011.
- 5.2 As reported on 30 June 2011 this SOFA is based on International Financial Reporting Standards (IFRS) for the first time and reflects a number of significant changes to accounting policies, primary financial statements (and the figures contained within them) and disclosure notes compared to previous years. Full details of these changes were reported to Members in June and it is therefore not considered necessary to repeat them in this report.
- 5.3 Members are therefore asked to approve the Final SOFA for 2010/11 attached as **Appendix D** following completion of the audit and authorise the Chairman to sign the accounts on behalf of the Audit Committee. A copy of the Balance Sheet (page 34 of the SOFA) which the Chairman is asked to sign is attached as **Appendix C** with the wording
- ‘I confirm that these accounts were approved by the Audit Committee on 29 September 2011 following completion of the External Audit.’
- 5.4 As mentioned in **paragraph 2.4** the Auditor has already indicated that he anticipates being able to issue an unmodified opinion on the accounts.

6.0 RECOMMENDATIONS

- 6.1 That in relation to the Letter of Representation
- (i) Members approve the Letter of Representation set out in **Appendix A**, and
 - (ii) authorise the Chairman to sign the Letter on behalf of the Audit Committee
- 6.2 That in relation to the Statement of Final Accounts 2010/11
- (i) Members note the changes to the Final SOFA as set out in **paragraph 4 and Appendix B**, and
 - (ii) Members approve the Final SOFA for 2010/11 (**paragraph 5.3**), and
 - (iii) authorise the Chairman to sign the Balance Sheet as attached at **Appendix C**

JOHN MOORE
Corporate Director – Finance and Central Services

County Hall
Northallerton

There are no background documents

19 September 2011



Your ref:

Our ref: JSM/AP

Please call: Mr J S Moore

29 September 2011

John Moore, Corporate Director

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NORTH YORKSHIRE COUNTY COUNCIL – AUDIT OF THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire County Council, the consolidated financial statements and the North Yorkshire Pension Fund (hereafter collectively referred to as North Yorkshire County Council) for the year ended 31 March 2011.

This representation letter is given for the purpose of expressing an opinion as to whether the financial statements present a true and fair view of the financial position of North Yorkshire County Council as of 31 March 2011 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with applicable accounting framework and relevant statutory authorities.

We acknowledge our responsibilities under the relevant statutory authorities for preparing financial statements for North Yorkshire County Council which give a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the North Yorkshire County Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all County Council, Executive and Committee meetings, have been made available to you.
2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting North Yorkshire County Council involving:
 - (i) management and other employees who have significant roles in the system of internal accounting control

- (ii) irregularities involving other employees or members that could have a material effect on the financial statements or
 - (iii) communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.
5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting North Yorkshire County Council financial statements communicated by employees, former employees or others.
 6. We are not aware of any actual or possible instances of non-compliance with laws, regulations and code of practice the effects of which would likely have a significant effect on the finances or operations of the North Yorkshire County Council.

North Yorkshire County Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

7. We have considered the unadjusted errors and disclosure deficiencies detailed in the appendix 1 to this report. We believe that no adjustment is required to be made in respect of any of these items as they are individually and in aggregate immaterial having regard to the financial statements taken as a whole.
8. Where required, the value at which assets and liabilities are recorded in the balance sheet and net asset statement is, in our opinion, the fair value or other value as required by the applicable accounting framework and relevant statutory authorities. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of North Yorkshire County Council. Any significant changes in those values since the balance sheet date have been disclosed to you.
9. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements. We have made enquiries of members and other individuals who are in a position to influence, or who are accountable for the stewardship of the reporting entity and confirm that we have disclosed in the financial statements all transactions relevant to North Yorkshire County Council and we are not aware of any other such matters required to be disclosed in the financial statements, whether under IAS24 "Related party disclosures" or other requirements.
10. There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:
 - (i) no claims in connection with litigation have been or are expected to be received, other than those already disclosed in the financial statements

- (ii) there are no material commitments or contractual issues, other than those already disclosed in the financial statements
 - (ii) no financial guarantees have been given to third parties.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
 12. Since the date of consideration of the financial statements by the Audit Committee on 30 June 2011, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements except as disclosed in the Statement of Accounts.
 13. There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.
 14. We have properly recorded the bank balances of all school bank accounts in the financial statements.
 15. We have evaluated the adequacy of the self-insurance reserve maintained and consider it to be appropriate.
 16. We confirm that no amounts are expected to be paid in respect of any legal claims, which are being dealt with by our solicitors, other than those already provided in the annual accounts and no other legal claims have been received or are expected to be received that would have a material impact on the annual accounts.
 17. We confirm that where grant income has been received that the income has been recognised in the appropriate period based on whether the grant conditions have been met.
 18. We confirm that no significant fixed assets have been sold or scrapped during the financial year other than those identified in the financial statements.
 19. We have considered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost less residual value over the remaining useful lives.
 20. We confirm that in relation to accounting and disclosures of the pension costs and liabilities in North Yorkshire Council's financial statements:
 - there are no schemes of which you have not been made aware or properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities accord with the management's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the Council; and

- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology the amounts included in the financial statements derived from the work of the actuary are appropriate.

21. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your Auditors' report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of North Yorkshire County Council (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of North Yorkshire County Council and North Yorkshire Pension Fund

Name: R Flinton

Name: J S Moore

Position: Chief Executive

Position: Corporate Director – Finance and Central Services (S151 Officer)

Signed: _____

Signed: _____

Date: 29 September 2011

Date: 29 September 2011

Signed by the Chairman of the Audit Committee on behalf of that Committee as evidence that Members are aware of the representations on which the auditor intends to rely.

Signed: _____

Chairman of the Audit Committee

Date: 29 September 2011

Deloitte LLP
1 City Square
LEEDS
West Yorkshire
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APPENDIX TO LETTER OF REPRESENTATION

UNADJUSTED ERRORS AND DISCLOSURE DEFICIENCIES

The Auditors have identified the following unadjusted errors and disclosure deficiencies, but officers believe that no adjustment is required to be made in respect of these items as they are individually and in aggregate immaterial having regard to the financial statements taken as a whole.

COUNTY COUNCIL'S ACCOUNTS

(1) Disclosure Deficiencies

- (a) Related Parties note – the amount due at 31 March 2011 to the YPO and North Yorkshire Business and Education Partnership has not been disclosed because this information is not readily available
- (b) Financial Instrument note – a reconciliation of the movement between the opening and closing bad debts provision has not been made

(2) Unadjusted Errors

- (a) Reclassification of £2.5m of the RPI to CPI past service gain (Pension Fund Liability) from cost of service to interest payable
- (b) Overstatement of accruals - £195k
- (c) Grossing up of Insurance Fund Reserve by £295k which had been netted down for the resources used to finance the Carbon Fund

NORTH YORKSHIRE PENSION FUND ACCOUNTS

Unadjusted Errors

- (a) Investment Management fees that were not accrued at the year end of £498k
- (b) Investment Managers fees that were not accrued at the end of the prior year of £800k

CHANGES TO THE 2010/11 STATEMENT OF FINAL ACCOUNTS SINCE AUDIT COMMITTEE ON 30 JUNE 2011

1.0 Introduction

1.1 There have been a number of changes made to the Statement of Final Accounts (SOFA) since it was considered by the Audit Committee on 30 June 2011.

1.2 These changes are as a result of:

- (i) refinements agreed with the External Auditor during the Audit of Accounts.
- (ii) internally agreed refinements.
- (iii) inclusion of two sections of the SOFA in the final version that were not included in the draft document on 30 June (**paragraph 4** below).

2.0 Changes made as a result of the final accounts audit

2.1 Deloitte commenced their auditing of the SOFA in early July and concluded their auditing process in late August 2011. During the period of the audit the following amendments have been agreed with the Auditors:

- the most significant change has been the removal of £8.2m of Capital expenditure on Voluntary Aided and Voluntary Controlled schools from the County Council's accounts. This relates to the period from the last revaluation of schools in 2006/07 to 31 March 2011 and would have been written out of the accounts anyway in 2011/12 as part of the detailed school revaluation in that year. This adjustment has had the impact of reducing the value of Property, Plant and Equipment in the Balance Sheet and increasing the reported deficit on the provision of services in the Comprehensive Income and Expenditure account by £8.2m. This particular issue has been identified in 2010/11 as a consequence of the IFRS requirement that all capital expenditure is accounted for against specific establishments rather than the previous methodology of block capitalisation for certain categories of assets
- clarification in the Related Party Disclosure Notes regarding the value of the dividend to be received from the Yorkshire Purchasing Organisation (YPO) for 2010 and that schools were also likely to receive a loyalty bonus.
- the addition of a Post-balance Sheet Event Note and the insertion of text within the Accounting Policies & Pension Liabilities' Notes explaining the ongoing impact of the Government's decision to update future Pension benefits by CPI rather than RPI. This Note also makes reference to the fact that the aforementioned government decision is currently subject to legal challenge and judicial review

- reworking of the restated 2009/10 Segmental statement to restate employee expenditure and other expenditure in all the Directorates of the County Council
- refinement of PFI Material Contingent Liabilities Disclosure Note to reflect entering into an agreement on 26 August 2011 and potential compensation payable
- inclusion of an additional table summarising the changes required to restate the County Council's 2008/09 Balance Sheet to an IFRS basis
- non-current Assets have been renamed as "Property, Plant, Equipment & Intangible Assets"
- various amendments made to the restated 2009/10 Cash-flow Statement together with consequential changes to the Group Cash-flow Statement
- various other minor amendments
- various changes to the North Yorkshire Pension Fund (NYPF) accounts including:
 - a reallocation of a pooled investment from equities to pooled investment vehicles on the net assets statement
 - adjusting the analysis of the change in the market value of investments between realised and unrealised profit and the treatment of corporate actions.
 - various other minor alterations, mainly to the disclosure notes supporting the accounts (both figures and narrative)

3.0 **A number of internally initiated Refinements were also made to the Accounts:**

- amendment to the table of remuneration for 2010/11 with one officer being re-classified between bands
- amendment of the 2009/10 Group Balance Sheet between Provisions and Pension Liability to amend the incorrect consolidation adjustment at the IFRS-restatement stage of Group Accounts
- various minor amendments to the Group Account Consolidation adjustments in terms of the value of Long-term Creditors, Provisions and Pension Liability
- adjustment of the Group Consolidation Income & Expenditure Account, Balance Sheet and Movement in Reserves to reflect the receipt of final Veritau audited accounts
- adjustment to the note in the Explanatory Foreward detailing the numbers of Full Time Equivalent Employees employed as School Teachers and School's Non-teachers as at 31 March 2011
- various other minor amendments
- various changes to the NYPF accounts resulting mainly from some detailed work on investment accounting taking place after the version submitted to members on 30 June 2011, together with minor charges to figures in the accounts and the supporting disclosure notes.

4.0 Inclusion of two sections of the SOFA not included in the draft document on 30 June 2011

4.1 Two sections of the final SOFA which were not included in the earlier draft approved by the Audit Committee on 29 June 2010 as follows:-

- (i) the Annual Governance Statement was submitted as a separate report to the Audit Committee on 30 June and is now required to be incorporated into the final SOFA
- (ii) inclusion of the External Auditor's Certificate in the final SOFA as a result of the Audit process having now been finalised

APPENDIX C

BALANCE SHEET AS AT 31ST MARCH 2011

Restated			31 March
31 March	31 March		2011
2009	2010		£000
£000	£000		
1,657,735	1,680,836	Property, Plant and Equipment (note 21)	1,546,348
12,959	26,724	Investment Property (note 26)	28,235
6,964	6,290	Intangible Assets (note 25)	6,786
3,518	3,518	Long Term Investments (note 29)	3,518
11,204	10,211	Long Term Debtors (note 30)	11,823
1,692,380	1,727,579	Long Term Assets	1,596,710
79,928	55,409	Short Term Investments (note 43a)	115,968
1,415	1,115	Inventories (note 32)	1,262
46,003	49,090	Short Term Debtors (note 33)	36,952
68,931	89,323	Cash and Cash Equivalents (note 28)	92,327
0	0	Landfill Allowances Trading Scheme (note 31)	1,906
1,748	2,119	Assets held for sale (note 27)	2,139
198,025	197,056	Current Assets	250,554
(24,646)	(39,940)	Short Term Borrowing (note 43a)	(46,189)
(90,814)	(95,724)	Short Term Creditors (note 34)	(94,300)
(67)	(178)	PFI Liability repayable within 12 months (note 14)	(194)
(256)	(50)	Finance Lease repayable within 12 months (note 15)	(53)
(33,803)	(21,949)	Capital Grant Receipts in Advance (note 7)	(16,724)
(149,586)	(157,841)	Current Liabilities	(157,460)
0	0	Long Term Creditors	(303)
(5,504)	(5,326)	PFI Liability repayable in excess of 12 months (note 14)	(5,132)
(1,235)	(1,185)	Finance Lease repayable in excess of 12 months (note 15)	(1,131)
(14,611)	(17,718)	Provisions (note 36)	(19,294)
(410,604)	(492,421)	Pensions Liability (note 38e)	(402,260)
(319,871)	(310,125)	Long Term Borrowing (note 43a & 43d)	(366,770)
(3,439)	(5,083)	Capital Grant Receipts in Advance (note 7)	(4,190)
(755,264)	(831,858)	Long Term Liabilities	(799,080)
985,555	934,936	Net Assets	890,724

APPENDIX C

BALANCE SHEET AS AT 31ST MARCH 2011 (continued)

Restated			31 March
31 March	31 March		2011
2009	2010		£000
£000	£000		£000
Usable Reserves			
21,688	17,569	General Working Balance (note 37a)	23,949
61,055	66,452	Earmarked Reserves (note 37b)	81,724
0	0	Capital Receipts Reserve (note 37c)	0
<u>2,332</u>	<u>13,348</u>	Capital Grant Unapplied Reserve (note 37d)	<u>13,662</u>
85,075	97,369	Total Usable Reserves	119,335
Unusable Reserves			
162,156	159,415	Revaluation Reserve (note 38a)	137,023
(363)	304	Council Tax Adjustment Account (note 38b)	461
0	0	Financial Instruments Adjustment Account (note 38c)	0
(9,395)	(11,378)	Accumulated Absences Account (note 38d)	(10,072)
(410,604)	(492,421)	Pension Reserve (note 38e)	(402,260)
<u>1,158,686</u>	<u>1,181,647</u>	Capital Adjustment Account (note 38f)	<u>1,046,237</u>
900,480	837,567	Total Unusable Reserves	771,389
<u>985,555</u>	<u>934,936</u>	Total Reserves	<u>890,724</u>

The Balance Sheet is a statement of the financial position of the County Council as at the Balance Sheet date. It shows the assets and liabilities of the authority; the net assets on the Balance Sheet are matched by reserves held by the County Council. The first category of reserves are usable reserves. These are reserves that the Authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of Unusable Reserves are those that arise from accounting requirements and are not available to be used for the provision of services.

A requirement arising from transition to IFRS is to present restated Balance Sheets for both 2009/10 and 2008/09. The purpose of showing a restated 2008/09 Balance Sheet is to allow further comparative information and reconcile the movement in the Comprehensive Income and Expenditure Statement for the year to 31st March 2010.

A summary of the movement in the Balance Sheet values arising for IFRS transition is provided under notes 1b and 1c on pages 39 to 40.

I confirm that these Accounts were approved by the Audit Committee on 29th September 2011 following completion of the External Audit.

Signed: _____

Date: 29 September 2011

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS 2010/11

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EXPLANATORY FOREWORD

INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2011 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* - issued by the Chartered Institute of Public Finance and Accountancy and in accordance with the International Accounting Standards Board framework for the preparation and presentation of financial statements as interpreted by the code (*The Code*). The Code is based upon International Financial Reporting Standards (IFRS) which require new accounting policies for 2010/11; further commentary on this change is given under note 18 on Page 9 "Changes in Accounting Policy".
 - (a) **the Explanatory Foreword**; the purpose of this Foreword is to act as a guide to the most significant matters impacting on the County Council's finances. It gives an indication of where the County Council's money comes from, what it is spent on and what services it provides as well as its financial position and assisting in the interpretation of the accounting statements.
 - (b) **the Statement of Accounting Policies**; which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Accounts.
 - (c) **the Statement of Responsibilities for the Statement of Accounts**; this outlines the County Council's responsibilities for the Accounts under local government legislation and any other requirements. It also shows the legal and professional responsibility for the Accounts of the Corporate Director – Finance and Central Services.
 - (d) **the Independent Auditor's Report**; this explains the auditors' responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a value for money opinion in terms of the arrangements for securing economy, efficiency and effectiveness.
 - (e) **the Comprehensive Income and Expenditure Statement**; this shows the Net Cost of the Services provided by the County Council and how this has been financed from general government grants and local tax payers. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation.
 - (f) **the Movement in Reserves Statement**; this statement shows the movement in the different reserves held by the County Council over the year. The statement is analysed into usable reserves, those that can be applied to fund expenditure or reduce local taxation, and other unusable reserves.
 - (g) **the Balance Sheet**; this is a statement of the financial position of the County Council and shows the Balances and Reserves at the County Council's disposal, its long term indebtedness and the long term and net current assets employed in its operations.
 - (h) **the Cash Flow Statement**; this statement shows the changes in cash and cash equivalents of the County Council during the financial year. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
 - (i) **notes to the Core Financial Statements**; these provide further details and explanation of the figures included in the Core Financial Statements.
 - (j) **Group Accounts**; the County Council conducts some of its activities through partnerships and separate undertakings. Some of these are not directly reflected in the statements (e) – (h) above due to legal and regulatory reasons. These Group Accounts are required to present a full picture of the County Council's economic activities and financial position in order to aid the primary financial statements.

- (k) **the North Yorkshire Pension Fund Accounts**; which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31st March 2011.
- (l) **the Annual Governance Statement**; this sets out the framework within which financial control and corporate governance is managed and reviewed by the County Council and the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.

SUMMARY OF REVENUE SPENDING

2. The main components of the final Revised Budget for 2010/11 and a comparison with the actual position are set out below:-

	Final Revised Budget £m	Actual £m	Variation £m
Directorate Net Expenditure			
Children and Young People's Service	77.4	76.2	(1.2)
Business and Environmental Services	68.8	69.2	0.4
Adult and Community Services	132.5	132.1	(0.4)
Chief Executive's Group	14.3	13.1	(1.2)
Finance and Central Services	25.2	20.8	(4.4)
Corporate Miscellaneous	42.0	32.2	(9.8)
	<u>360.2</u>	<u>343.6</u>	<u>(16.6)</u>
Financed by:			
Revenue Support Grant	13.2	13.2	0.0
Business Rates Proceeds	91.1	91.1	0.0
Precept Income (including arrears)	245.7	245.7	0.0
	<u>350.0</u>	<u>350.0</u>	<u>0.0</u>
(Deficit) or Surplus in year	<u>(10.2)</u>	<u>6.4</u>	<u>(16.6)</u>
General Working Balance			
Start of Year	17.5	17.5	0.0
(Deficit) or Surplus in year	<u>(10.2)</u>	<u>6.4</u>	<u>16.6</u>
End of Year	<u>7.3</u>	<u>23.9</u>	<u>16.6</u>

The Service Directorate expenditure headings and figures reported above reflect the County Council's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 30, which conform with Best Value Accounting Code of Practice (BVACOP) requirements.

The spending, financing and surplus figures reported above are also not the same as those reported in the Comprehensive Income and Expenditure Statement. This is because of a number of accounting transactions that are required to be reflected in the Comprehensive Income and Expenditure Statement. A brief reconciliation of the two sets of figures are as follows:-

	Net Expenditure £m	Funding £m	Net £m
County Council's Accounts (as reported on page 3)	343.6	(350.0)	(6.4)
Different treatment of some Government Funding - mainly Area Based Grant	44.5	(44.5)	0.0
Other required accounting entries reflected in the Comprehensive Income and Expenditure Statement (£84.6m)			
- Capital Accounting	208.1	(64.4)	143.7
- Council Tax Collection Fund Accounting		(0.1)	(0.1)
- Holiday Pay	(1.3)		(1.3)
- Pensions Accounting	(42.4)		(42.4)
- Movement in Earmarked Reserves	(15.3)		(15.3)
Net expenditure / Funding and deficit per Comprehensive Income and Expenditure Statement	537.2	(459.0)	78.2

3. As indicated in note 2, the “bottom line” revenue underspend in 2010/11, compared to budget, was £16.6m which has been accounted for as follows:-
- a net overspend on the Highways Winter Service of £1.5m being written off in 2010/11
 - a net underspend of £15.1m being carried forward to 2011/12 which includes £7.1m of Corporate Funds which were set up to manage one off issues across a number of financial years. The majority of this £15.1m underspend was identified during the year and reported as part of the quarterly monitoring process. The sum consists of a combination of managed savings to assist the 2011/12 budget and future years budgets, planned / earmarked savings to support developmental initiatives and projects in 2011/12 and spending planned for 2010/11 being deferred / delayed until 2011/12 for a variety of reasons; and
 - a residual underspending of £3.0m on a range of central budgets and certain specific Directorate budgets which is not carried forward to 2011/12 and therefore increases the level of the “free” General Working Balance.
4. The County Council's Working Balance for general purposes amounted to £23.9m at 31st March 2011 which includes planned underspends and managed savings etc. of £15.1m which are carried forward to 2011/12. The effective working balance is therefore £8.8m which is above the target of £7.3m (based on 2% of the net revenue budget).
5. Accounting arrangements for Local Management of Schools (LMS) are implemented in accordance with the Schemes of Delegation and LMS funding formula approved by the County Council. At the beginning of the financial year delegated revenue and devolved capital budget allocations and other Department for Education (DfE) grants are made to individual nursery, primary, secondary and special schools. Any underspendings or overspendings on budget allocations are earmarked in the County Council's balances and carried forward into the following financial year to supplement or set against that year's budget allocation. There is also some flexibility to carry forward DfE grants as determined by the appropriate grant conditions. The overall unspent LMS balance as at 31st March 2011 was £27.1m.

WHAT THE MONEY IS SPENT ON AND HOW IT IS FINANCED

6. The following table sets out how the money was spent:-

	£m
Gross cost of providing County Council Services (See Comprehensive Income and Expenditure Statement, page 30)	1,042.2
Precepts Paid to Other Authorities	0.4
Interest Payable	18.1
Capital Accounting Adjustments	(143.2)
IAS 19 Pension Adjustments *	65.3
Movement in Reserves Adjustment	6.4
Loss on Disposal of Fixed Assets	26.5
Contributions to Reserves	15.3
Accumulated Absences Adjustment	1.3
	<hr/>
= Actual Spending financed from Income, Government Grants, Council Tax and other Government funding	1,032.3
	<hr/>

* This figure represents the Actual Employer Contributions made to the Pension Fund, less the current service costs (as determined by the County Council's actuary) less Early Retirement costs.

7. The following table sets out the main headings of gross expenditure incurred in providing the County Council's services:-

	£m	%
Employees	479.9	46
Premises	49.0	5
Transport (including transport of school children)	39.2	4
Supplies and Services	156.7	15
Agency and Contracted Services etc	254.6	25
Capital Financing Costs	52.9	5
	<hr/>	<hr/>
	1,032.3	100
	<hr/>	<hr/>

8. The following table sets out the gross expenditure incurred in providing the main services of the County Council based on the Best Value Accounting Code of Practice service expenditure analysis:-

	£m	%
Central Services to the Public	3.4	0
Court Services	0.8	0
Cultural, Environmental, Regulatory and Planning	53.1	5
Education and Childrens	757.2	73
Highways, Roads and Transport	64.0	6
Adult Social Care	216.9	21
Housing Services	1.7	0
Corporate and Democratic Core	8.0	1
Non-Distributed Costs	(62.9)	(6)
	<u>1,042.2</u>	<u>100</u>
Interest Payable	18.1	
Capital Accounting Adjustments	(143.2)	
IAS 19 Pension Adjustments	65.3	
Loss on Sale of Fixed Asset	26.5	
Other Corporate Adjustments	23.4	
	<u>1,032.3</u>	

9. The following table sets out the sources of finance:-

	£m	%
Government Specific Grants		
- Dedicated Schools Grant	327.6	32
- Other Specific Grants	140.5	14
Council Tax from District Council Collection Funds	245.7	24
Fees and Charges etc	103.3	10
Uniform Business Rates proceeds	91.1	9
Area Based Grant	40.8	4
Government Revenue Support Grant	13.2	1
Capital Grants	64.4	6
Other General Government Funding	3.5	0
Interest and Investment Income	1.8	0
Dividends Received	0.4	0
	<u>1,032.3</u>	<u>100</u>

10. The income from District Council Collection Funds of £245.7m includes the precept charge of £245.2m for 2010/11, which is equivalent to a basic amount of Council Tax per Band D property of £1,057.48, plus a surplus of £0.5m relating to previous years. The Other Specific Grants mainly relate to Education and include the Young People's Learning Agency grant and Standards Fund. Major grants for other services include Road Damage grant and Social Care Reform grant.

11. The County Council employed 14,930 full time equivalent staff at the end of the financial year and a breakdown across Service Directorates is as follows:-

Chief Executive's Group		307
Finance and Central Services		
Corporate Property Management	591	
Other	<u>368</u>	959
Children and Young People's Service		
Schools - Teachers	4,768	
Schools - Non Teaching Staff	3,916	
Catering Services	447	
Other	<u>1,735</u>	10,866
Business and Environmental Services		537
Adult and Community Services		<u>2,261</u>
		<u>14,930</u>

CAPITAL EXPENDITURE

12. In 2010/11 the County Council spent £130.8m on capital expenditure and a comparison with the original and revised Capital Plan is set out below:-

	Original Capital Plan £m	Revised Capital Plan £m	Actual £m
Capital Plan			
Fixed Assets	132.4	127.4	119.7
Revenue Expenditure Funded from Capital under Statute / Intangible Assets	6.0	2.5	10.9
	<u>138.4</u>	<u>129.9</u>	<u>130.6</u>
Other expenditure on fixed assets funded directly from the revenue budget	0.5	0.5	0.2
	<u>138.9</u>	<u>130.4</u>	<u>130.8</u>

Actual Capital spending was therefore £130.6m compared with an Original Capital Plan of £138.4m approved in February 2010 and a Revised Capital Plan of £129.9m approved in February 2011.

In addition, £0.2m was spent on fixed assets from Directorate revenue budgets, principally on Vehicles and ICT Equipment.

The above expenditure was funded as follows:-

	£m	%
Borrowing		
- from external sources (Public Works Loan Board)	33.5	26
- from internal sources (internal cash balances)	9.9	8
Grants from Government Departments	60.9	46
Contributions from External Bodies	4.8	4
Capital Receipts from the Sale of Assets etc	1.4	1
Direct Revenue Funding	<u>20.1</u>	<u>15</u>
	130.6	100
Expenditure on fixed assets funded directly from revenue budgets	<u>0.2</u>	<u>0</u>
	<u>130.8</u>	<u>100</u>

13. The major part of this capital expenditure related to spending on the Children and Young People's Service and Business and Environmental Services. The largest individual areas of capital expenditure were Richmond School - Building Schools for the Future (£9.2m), the rationalisation of highways depots and salt barns (£4.5m) and new / replacement road lighting columns (£3.1m).
14. Total borrowing for capital purposes at 31st March 2011, was £408.8m which includes both external borrowing and borrowing from internal sources and consists of the following:-

	£m
External Borrowing	
Public Works Loans Board (PWLB)	370.1
Other Institutions	<u>20.0</u>
Total External Borrowing	390.1
Temporary Borrowing from Internal Cash Balances	19.6
Less: relating to debt administered on behalf of North Yorkshire Police Authority	(0.9)
	<u>408.8</u>

The Capital Financing Requirement (CFR) at 31st March 2011 was £415.3m which includes the Capital Borrowing Requirement of £408.8m reported above together with other long term Private Finance Initiative (PFI) and finance lease liabilities of £6.5m.

LOCAL GOVERNMENT PENSION FUND

15. This Statement of Accounts includes a section on the Accounts of the North Yorkshire Pension Fund. The impact of the County Council's participation in this Fund is reflected in the County Council's Accounts based upon the requirements of IAS 19 Employee Benefits. IAS 19 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employees rather than the year in which the pensions and employers' contributions are actually paid. Also, any net liability arising from a deficit on the Pension Fund should be reflected on the Balance Sheet as calculated under the prevailing market conditions.
16. The results of the 2010 Triennial Valuation were produced in 2010/11 when the Actuary completed a detailed analysis of the Fund's liabilities. These results were used to determine employer contribution rates for the 3 years from 2011/12 and as the basis for the IAS 19 calculations from 2010/11. In the

years between each Triennial Valuation approximations are used to calculate the IAS 19 figures, as permitted in the guidance, and hence this year a number of adjustments are required to the assumptions.

The funding level calculated by the Actuary as at 31st March 2010 was 57.5% which was significantly more than the 35.2% quoted in the 2008/09 final Accounts as a result of financial markets recovering from the world wide financial crisis. Following another good year for the Fund's assets the funding level has risen to 69.7% as at 31st March 2011. Full details of the management of the Fund and it's investment performance are available in the Annual Report of the Fund.

17. The total reported pension liability of the County Council has decreased over the year from £492.4m to £402.3m. This decrease, (£90.1m), is mainly as a result of the decision by HM Treasury to change the basis of valuation of liabilities by linking pensions increases to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), from April 2011.

The Fund's assets performed above the assumptions made by the Actuary resulting in an actuarial asset gain of £18m. This is due primarily to the actual return of around 7.9% compared to the "expected" return calculated at the start of the year of 6.8%.

The North Yorkshire Pension Fund has an investment strategy in place to address it's funding deficit. At the 2010 Triennial Valuation the recovery period was extended to 30 years as a result of the challenging economic environment which all LGPS Funds have endured over recent years. This established appropriate employer contributions over the first three years of this period and ensures positive cash flow into the Fund.

Due to it's nature, the liability cannot occur immediately as it represents benefit payments to pensioners over their lifetime. As a significant proportion of the membership is still actively contributing to the Fund, the liability spread will be in excess of 50 years.

CHANGES IN ACCOUNTING POLICY

18. International Financial Reporting Standards (IFRS) have been adopted for the first time in 2010/11. This is in accordance with Central Government regulations to apply these new standards originally developed within the private sector and now applied across all UK public sector bodies.

A phased approach to IFRS has been applied over preceding years with the adoption of standards on Financial Instruments in 2008/09 and for 2009/10 the revised treatment of PFI type arrangements. Full transition to IFRS has been applied for 2010/11 with restatement of comparative information for 2008/09 and 2009/10.

IFRS requires financial statements to give a true and fair view of the financial position, financial performance and cash flows of an authority. Greater emphasis is placed upon the substance of transactions rather than the legal form and the qualitative aspects of financial statements. The adoption of IFRS has impacted upon the County Council's accounts in a number of areas the most significant of which are as follows:-

- accrual of short term accumulated employee benefits such as holiday pay, it should be noted however that this accrual is reversed out when determining the general working balance;
- certain leases are now held on Balance Sheet, this arises from a broader consideration of the substance of any lease type transaction;
- the new term Cash Equivalents is to include cash and certain short term investments;
- the reclassification of certain property and the treatment of revaluation gains on those properties as presented through the Comprehensive Income and Expenditure Statement;

- the introduction of a category of current asset, 'Assets Held for Sale';
- the treatment of government capital grants which are now released to the Comprehensive Income and Expenditure Statement once the conditions of the grant are met rather than deferring the credit to match the life of the asset to which the grant relates; and
- revenue grants are to be recognised within the Comprehensive Income and Expenditure Statement when the conditions of the grant have been met and not necessarily matched to expenditure.

Further detail on the restatement of the accounts is provided under note 1 to the Core Financial Statements on page 38.

IFRS applies retrospectively, with the exception of the requirement to componentise assets, so opening balances have been adjusted including those for 2008/09 to ensure valid comparative figures between years.

CHANGES TO THE STATEMENT OF ACCOUNTS

- 19.** A number of changes have been made to the format and presentation of the 2010/11 Statement of Accounts.

The adoption of IFRS gives rise to a revised format of the County Council's accounts. A new financial statement 'Movement in Reserves Statement' is introduced and combines the prior statement on the Movement on the General Fund Balance together with other reserve movements; the new Comprehensive Income and Expenditure Statement now incorporates the former Statement of Total Recognised Gains and Losses. Presentational changes have also been applied to the Balance Sheet and Cash Flow Statements.

The notes to the accounts have been amended to reflect the requirements of IFRS, the main changes are as follows:-

- Segment Reporting, a note is introduced to disclose information in a format that is based upon internal management reporting;
- Notes to the Movement in Reserves Statement are presented within a different format; providing detail of adjustments between accounting basis and funding basis under regulation;
- additional information is given on prior year movement comparatives;
- Property, Plant and Equipment are now classified under certain other headings; the supporting notes to these assets categories have been amended accordingly;
- notes on leasing arrangements have been expanded; and
- supporting notes on the cash flow statement are no longer required.

MATERIAL CONTINGENT LIABILITIES

20. Scarborough Integrated Transport Scheme

Under legislation, compensation may be payable to residents living near a new road improvement scheme such as the Scarborough Integrated Transport major highway scheme. Compensation claims received in relation to this scheme are substantially in excess of budget provision. Initial assessment of the claims indicate that costs should be contained within budget, but prior to full assessment it is not possible to accurately determine the final financial position.

On this scheme there is also a potential claim against the County Council for loss of land value. Although such action would be robustly contested, it is being disclosed as a contingent liability given the materiality of the potential claim.

Adult Social Care

There has been a recent increased incidence of other authorities exercising "Ordinary Residents Rights" in relation to people living within North Yorkshire. This arises where people receiving social care in North Yorkshire following relocation from outside the County have continued to have their care-package funded by the local authority where they have in the past resided.

These local authorities have become active in claiming that the liability for these costs lies with the County Council. This has resulted in significant additional costs to the County Council and in some cases, back-dated and retrospective charges have been levied. Where cases and costs can be quantified these have been included within the accounts. However given the significant number of people living in the County, and placed by other authorities, the full potential liability may not be fully reflected within the accounts and it is very difficult to reliably measure the potential total liability.

Service Unit Restructures

The County Council has committed itself to undertaking a number of Service Unit restructures. Provision has been made in the accounts where the County Council is committed to paying Termination Benefits to employees in 2011/12. However there are further restructures planned in the next few years where the impact of employee terminations is currently unknown. It is anticipated however that the costs of these restructures will be largely funded from a £5 million fund set aside for this purpose.

Waste PFI

The County Council entered into an agreement for the provision of a long term waste management service contract on 26 August 2011 with AmeyCespa (Contractor). Many of the provisions of the contract only come into effect after financial close.

The contract includes provision whereby compensation could be payable by the County Council up to a maximum of £5m (partially offset by a 21% contribution from City of York Council) to the Contractor in specific circumstances should the contract not proceed to financial close. This liability is however considered unlikely to arise. After financial close, the County Council has a contingent liability for payment of compensation on termination in line with the rules governing PFI contracts.

GROUP ACCOUNTS

- 21.** The 2010 Code of Practice requires all Local Authorities to consider their relationships with associated companies, strategic partnerships, joint ventures and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established.

Work has been undertaken to document all the entities connected with the County Council and their financial relationship. Following Chartered Institute of Public Finance and Accountancy (CIPFA)

guidance on Group Accounts, it has been established that the County Council has group relations with five bodies:-

- Yorwaste Limited
- NYnet Limited
- North Yorkshire Business and Education Partnership
- Veritau Limited
- Yorkshire Purchasing Organisation.

These have been consolidated into the financial statements of the County Council, where appropriate, and a full set of equivalent "group" financial statements have been produced. The major impact on the County Council's financial results are in relation to:-

- Yorwaste Limited, a subsidiary waste disposal company
- NYnet Limited, a company providing a broadband infrastructure in North Yorkshire
- Veritau Limited, a company providing Internal Audit and Information Governance Services.

The full set of Group Accounts and the financial implications are seen on pages 102 to 116.

John Moore
Corporate Director – Finance and Central Services
Finance and Central Services
County Hall
Northallerton

21st June 2011

STATEMENT OF ACCOUNTING POLICIES

1. General

The purpose of this statement is to explain the basis for the Recognition, Measurement and Disclosure of transactions and other events in the Accounts.

These Accounts have been prepared in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2010 (The Code)*: issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code has adopted International Financial Reporting Standards (IFRS) for financial statements produced from 2010/11. The financial statements for prior periods have also been restated to comply with these new standards to ensure valid comparatives. The accounting policies adopted have been used consistently throughout the current and prior period unless stated otherwise. Any significant non-compliance with The Code is disclosed as part of the relevant financial statement.

The accounts have been prepared on the historic cost basis as modified to include the revaluation of certain long term assets.

2. Property, Plant and Equipment

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the Accounts. Expenditure is capitalised, provided that the asset yields benefits to the County Council, for a period of more than one year, and it meets the accepted definition of capital expenditure in line with IAS 16 Property, Plant and Equipment. This excludes expenditure on routine repairs and maintenance which is charged direct to revenue. A deminimus level of £20k has been adopted by the County Council in relation to capital expenditure.

Measurement

Assets are initially measured at cost, comprising all expenditure directly attributable to bringing the asset into working condition for its intended use. Borrowing costs incurred whilst assets are under construction are not capitalised. Assets are valued on the basis required by the Code and in accordance with the Appraisal and Valuation Standard issued by The Royal Institution of Chartered Surveyors (RICS). Asset Valuations are carried out on an agreed ongoing basis by Bruton Knowles, an external land and property consultancy organisation.

Assets are classified into the groupings required by The Code with assets being valued on the following basis:-

- Land and Buildings (other property) are included in the Balance Sheet at fair value in their existing use, net of any subsequent depreciation;
- Assets surplus to requirements are those assets that do not fall into any of the prior categories and are valued at fair value;
- Vehicles, Plant and Equipment are carried at historic cost net of any depreciation as a proxy for fair value;
- Assets under the course of construction are measured at historic cost;
- Infrastructure assets, (mainly roads), are included in the Balance Sheet at historical cost, net of depreciation.

Revaluation of Property is undertaken on at least a five year "rolling programme". A desk top valuation exercise can take place, however, if the valuer believes that the Land and Property market has moved significantly to warrant an interim asset valuation.

A Revaluation Reserve for those Assets recorded at fair value is held in the Balance Sheet made up of unrealised revaluation gains relating to individual Assets, with movements in valuations being managed at an individual asset level. Any decreases in value of an asset are recorded against the revaluation reserve to the extent that a balance of accumulated gains is recorded against the individual asset. Where the decrease in value is in excess of any balance held within the revaluation reserve the reduction is then charged to the relevant service line within the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of this reserve's formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movement in the valuations of properties do not impact upon the General Working Balance and are not a charge or credit to council tax.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or,
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the original loss had not been recognised.

Disposal and Non Current Assets Held for Sale

When it becomes probable an Asset will be sold rather than the County Council recovering the economic value through its continuing use, it is reclassified as an Asset Held for Sale. Assets held for sale are marketed with the expectation of disposal within 12 months of the financial period end.

The asset is revalued before reclassification and then carried at the lower of its carrying value and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Receipts from the disposal of Assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement, as is the disposal receipt. These amounts are not a charge or receipt to council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. The asset value written off is appropriated to the Capital Adjustment Account, the capital receipt to the Usable Capital Receipts Reserve, via the Movement in Reserve Statement. Any revaluation gains that have accumulated in the revaluation reserve are transferred to the Capital Adjustment Account.

Usable Capital Receipts have been used to finance capital expenditure based on the policy of the County Council.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:-

- in accordance with the Best Value Accounting Code of Practice, all buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the County Council's valuers. Estimates of the useful life are determined for each property. From 1st April 2010, where material components are identified as part of those properties they are valued separately as part of the valuation process. These estimates of economic life may vary from property to property
- Infrastructure is depreciated over a 40 year period
- Vehicles, Plant, Furniture and Equipment are depreciated over a number of years depending on the nature of the asset. This is normally 6 years.

Depreciation is calculated on a straight-line basis with no residual value being assumed. Depreciation has been charged in the year of asset acquisition and also in the year of revaluation.

Depreciation is charged to the Comprehensive Income and Expenditure Statement but does not impact on council tax and is written off to the Capital Adjustment Account via the Movement in Reserves Statement. Where non current assets have been re-valued the excess depreciation, above the historic cost depreciation, is transferred from the Revaluation Reserve to the Capital Adjustment Account.

3. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Working Balance. The gains and losses are therefore transferred out of the General Working Balance in the Movement in Reserves Statement and allocated to the Capital Adjustment Account.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Working Balance.

4. Intangible Assets

Intangible Assets represent Non Current Assets that do not have physical substance, but are identifiable and are controlled by the County Council through custodial or legal rights. All purchased Intangible Assets are capitalised at historical cost in line with The Code.

In line with other Non Current Assets, their useful economic life is determined based on the length of time that the benefit will accrue to the County Council. Based on the best estimate of the useful economic life, the intangible asset is charged to the relevant service lines within the Comprehensive Income and Expenditure Statement over this period. This is between three and twenty five years on a straight line basis.

5. Charges to Revenue

Service Revenue Accounts, Support Services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets throughout the year:-

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to non current assets used by the service; and
- amortisation of intangible assets attributable to the service.

The County Council does not raise Council Tax to cover depreciation, impairment loss or amortisations. The County Council does, however, make an annual provision from revenue to reduce its borrowing requirement (equal to approximately 4% of the Capital Financing Requirement). Depreciation, impairment losses, amortisation and gains or losses on the disposal of assets are therefore written out of the General Working Balance via the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account.

6. Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any fixed asset to the County Council. In line with the guidance contained in the Code, this expenditure is written off to the relevant service within the Comprehensive Income and Expenditure Statement in the year the expenditure is incurred, because the County Council does not control the economic benefits arising from this expenditure.

7. Long-Term Investments

Shareholdings in associated companies are valued at historic cost based on the acquisition price paid. Other long term investments, in the form of deposits with banks / building societies, are valued at amortised cost using the effective interest rate method. This is in accordance with IAS 39 and the requirement for financial assets to be classified as loans and receivables if they have fixed or determinable payments and are not quoted in an active market (e.g. stock market).

8. Accruals of Income and Expenditure

The revenue and capital accounts of the County Council are, in general, maintained on an accruals basis in accordance with recognised accounting policies. The Accounts reflect sums due to or incurred by the County Council during the year, whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for Creditors and Debtors at 31st March 2011.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:-

- revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract unless the difference is immaterial; and
- where revenue and expenditure have been recognised but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of Debtors is written down and a charge made to revenue for the income that might not be collected.

9. Grants

Revenue grants are accrued and credited to income in the period in which the conditions of the grant have been complied with and there is reasonable assurance that the grant or contribution will be received. Where this is in advance of the related expenditure being incurred an earmarked reserve is credited to reflect the expenditure commitments in future years. Where the grant or contribution is for capital purposes then the grant income is recognised in the year it is received, although this is subject to any outstanding conditions having been met. Capital Grant income recognised in the Comprehensive Income and Expenditure Statement in advance of the related expenditure is transferred to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG) received in 2010/11 has been treated as General Grant Income and credited in full to the Comprehensive Income & Expenditure Account for 2010/11 as there was no terms and conditions attached to the issuing of the grant.

Monies advanced as grant and contributions for which conditions have not been satisfied are carried on the Balance Sheet as Creditors (Capital Grants Receipts in Advance).

This accounting treatment for grants is in accordance with IAS 20 Accounting for Government Grant.

10. VAT

Income and Expenditure transactions exclude any amounts relating to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

11. Leases

The County Council, as lessee, has entered into leasing arrangements of both an Operating and Finance Lease nature. Where under IAS 17 Leases it is judged that substantially all of the risks and rewards incidental to the ownership of an asset have been transferred, then the lease is classified as a Finance Lease. A Finance Lease gives rise to the recognition of the Fixed Asset on the Balance Sheet together with a corresponding liability for future payments. Rental payments made under a Finance Lease are apportioned between a charge to write down the lease liability within the Balance Sheet and an element for finance charges, this is based upon the original rent payable on the lease agreement.

The County Council acts as the lessor on a number of properties under operating lease arrangements (a lease which is not classified as a Finance Lease as described above). Rental income is credited to the cost of services on a straight-line basis over the period of the lease.

The County Council has reviewed its operational contractual arrangements to determine whether any embedded leasing of assets exists within these types of arrangements.

12. Private Finance Initiative (PFI) and Service Contracts

PFI contracts are fixed-term agreements whereby the County Council receives a service from a PFI contractor and the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. These Fixed Assets are deemed to be owned by the County Council because:-

- the County Council control the services that are provided under its PFI schemes for the duration of the fixed-term contract; and
- ownership of the Assets pass to the County Council at the end of the contract for no additional charge.

If the PFI arrangement meets the above two criteria, it is the Accounting Policy of the County Council to carry the Assets used under this type of contract onto its Balance Sheet. In addition the County Council recognises a liability for amounts due to the PFI operator to pay for those assets for the duration of the PFI Contract.

The Assets associated with PFI Contracts, which are recognised on the Balance Sheet are depreciated and revalued in the same way as all other property, plant and equipment directly owned by the County Council.

The amounts payable to the PFI contractor on an annual basis for the provision of services are referred to as Unitary Charges. The Unitary Charge is split into the following elements:-

- payment for the provision of day-to-day services during the year. These are charged to the relevant BVACOP service headings in the Comprehensive Income and Expenditure Statement;
- payment towards reducing the liability associated with the cost of the Asset. This is included within the annual Minimum Revenue Provision which the County Council sets aside to repay external debt and liabilities; and
- interest charges on the outstanding Balance Sheet liability which are charged against Interest Payable in the Comprehensive Income and Expenditure Statement.

13. Financial Instruments

A Financial Instrument is defined as: *“any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another”*. Although this covers a wide range of items, the main implications are in terms of investments and borrowings.

As reflected in The Code, accounting standards on Financial Instruments IAS 32, 39 and IFRS 7 cover the concepts of recognition, measurement, presentation and disclosure.

A financial asset or liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability

settled between knowledgeable and willing parties in an arms length transaction. Annual charges to the Financing and Investment line in the Comprehensive Income and Expenditure Statement for interest payable and receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings and investments of the County Council, this means that the amount included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year. Interest charged to the Comprehensive Income and Expenditure Statement is the effective amount payable for the year in the loan agreement (which is not necessarily the cash amount payable).

When long term borrowing is reviewed for rescheduling opportunities, the early repayment results in gains and losses (discounts and premiums) which are credited or debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. If the County Council decides to write off these gains or losses on early repurchase/settlement then this can be done over 10 years or over the life of the new loan or over a shorter more prudent time scale. The Comprehensive Income and Expenditure Statement is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Movement in Reserves Statement - General Working Balance. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase / settlement.

The County Council has the power to advance loans to Voluntary Organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the relevant service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the Voluntary Organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision requires that the impact of soft loans on the General Working Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Working Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

14. Inventories

Inventories have generally been included in the Accounts at weighted average cost price. Any obsolete and slow moving items are written-off during the year and netted off against the value of the inventories shown in the Balance Sheet. No amounts are included for such items as inventories at Adult and Community Services residential homes, and inventories at special schools and outdoor education centres due to their materiality. It is considered that exclusion of these items does not have a material effect on the values stated.

15. Allocation of Support Services Costs

The costs of Support Services provided by Corporate Service Units have been allocated to the relevant Services largely on the basis of the estimated time spent by officers, (with the exception of Corporate and Democratic Core, and Non Distributed cost categories). A proportion of the costs of Finance and Central Services and the Chief Executive's Group costs have been charged to the North Yorkshire Pension Fund in respect of the administration of the Fund.

All recharges of support services costs are consistent with the principles outlined in the Best Value Accounting Code of Practice.

16. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provision has been made against relevant services within the Comprehensive Income and Expenditure

Statement for liabilities that have been incurred by the County Council, but where the amounts or dates on which they will arise are uncertain.

Provisions are required to be recognised when the County Council has a present obligation, as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, (IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Statement. The estimated value and timing of settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service within the Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another third party (e.g. from an insurance claim), this is only recognised as income in the relevant service Revenue Account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A Contingent Liability arises where an event has taken place that gives the County Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the County Council. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A Contingent Asset arises where an event has taken place that gives the County Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the County Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

17. Reserves

The County Council maintains a General Fund Working Balance and also holds reserves earmarked for specific purposes which are detailed in note 37 to the Notes to the Core Financial Statements. These reserves together with the Capital Grant Unapplied Reserve are deemed to be distributable reserves, which can be utilised to support future expenditure.

Under arrangements for Local Management of Schools (LMS) budget allocations are made to individual establishments at the start of each financial year. Any underspendings or overspendings against budget allocations are carried forward into the following financial year's budget allocation by way of the LMS reserve.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate Service Income and Expenditure heading in that year and represents a charge against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Non-distributable (unusable) reserves include the Revaluation Reserve, the Capital Adjustment Account, the Pension Reserve, the Accumulated Absences Reserve and the Council Tax Adjustment Account Reserve. These represent "technical non-cash" reserves which are maintained to manage the accounting processes and other statutory accounting adjustments under regulations. These reserves do not represent usable resources available to the County Council or impact upon the level of local taxation and are not able to be utilised in support of service delivery.

18. Pensions

The pension liabilities of the County Council are to be accounted for using IAS 19 principles. The County Council participates in two different pension schemes which meet the needs of employees in particular services. The two schemes are:-

- The Local Government Pension Scheme, administered by the County Council
- The Teachers Pension Scheme administered by Capita Hartshead on behalf of the Department for Education.

Both the schemes provide members with defined benefits related to pay and service. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the County Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no future liability for future payments or benefits is recognised in the balance sheet.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit pension scheme. In line with the accounting policies outlined in The Code, the County Council has complied with the requirements of IAS 19 Employee Benefits and in particular:-

- the assets of each scheme are measured at fair value;
- the attributable liabilities of each scheme are measured on an actuarial basis;
- quoted securities and unitised securities are measured at current bid-price, unquoted securities are measured using a professional estimate and property is valued at latest market value;
- the scheme liabilities are discounted at a rate based upon long dated, AA rated, corporate bonds which reflects the time value of money and the characteristic of the liability;
- the deficit in the scheme is the shortfall of the value of assets over the present value of liabilities;
- the current service cost is based on the most recent actuarial valuation at the beginning of the period;
- the interest cost is based on the discount rate and present value of liabilities at the beginning of the period;
- the expected return on assets is based on long-term expectations at the beginning of the period;
- actuarial gains and losses may arise from a new valuation or updates to the latest valuation;
- past service costs are disclosed on a straight-line basis over the period of the increased benefits; and
- past service costs / gains – the increase or decrease in liabilities arising from current decisions whose effect relates to years of service earned in earlier years is charged or credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

In assessing liabilities for retirement benefits at 31st March 2010 for the 2009/10 Statement of Accounts, the Actuary assumed a discount rate of 2.3% real (5.6% actual), a rate based upon the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2010/11 Statement of Accounts, the Actuary has advised that a rate of 2.6% real (5.5% actual) is appropriate which has resulted in an increase in the actuarial value of liabilities measured at today's prices of around 3% (£30m).

The Government announced that from April 2011, the increase in pensions paid will be linked to the Consumer Price Index rather than the Retail Price Index. The impact of this change has been recognised as a Past Service Gain.

19. Trust Funds Administered by the County Council

Trust Funds administered by the County Council have not been included in the Balance Sheet, in accordance with the provisions of The Code.

20. Group Accounts

The County Council has financial relationships with a number of entities and partnerships and, as a result, is required to prepare Group Accounts in addition to its main financial statements.

In preparing Group Accounts the County Council has followed CIPFA guidance and in general, the following policies have been applied:-

- all financial relationships within the scope of Group Accounts have been assessed;
- subsidiary company statutory accounts have been prepared under UK GAAP, this may give rise to inconsistent accounting treatments to those applied within the County Council's accounts. Where material difference in the accounting treatment applied within subsidiaries are identified the subsidiary accounts are aligned with the accounting policies of the County Council prior to consolidation;
- Associates and Joint Ventures have been accounted for in line with the provisions of IAS 28 Investment in Associates and IAS 31 Interest in Joint Ventures;
- simple investments have been left at their historic value in the County Council's Balance Sheet; and
- financial interests that do not have a material impact on the Group Accounting Statements have not been consolidated.

21. Council Tax Income

The Code provides guidance on how local authorities account for Council Tax Income. Billing authorities in England maintain a separate fund for the collection and distribution of Council Tax. The Billing Authority collects and distributes Council Tax on behalf of itself and other major preceptors such as the County Council. The collection of Council Tax by a billing authority is in substance an agency arrangement, and the cash collected by Billing Authorities from Council Tax Debtors belongs proportionately to the billing authority and major preceptors.

Council Tax income collected by Billing Authorities is credited to the Collection Fund on an annual basis. The amount credited to the General Fund under statute is the County Council's precept or demand for the year, plus the authority's share of the surplus (or deficit) on the Collection Fund for the previous year.

The County Council's Comprehensive Income and Expenditure Statement now shows the value of accrued Council Tax Income in a financial year rather than the current year's precept plus or minus the previous year's share of each Billing Authority's Collection Fund surplus or deficit.

The difference between accrued precepts received and actual precepts received does not impact on the General Working Balance or the Revenue Budget of the County Council in 2010/11, and is taken to the Collection Fund Adjustment Account in the Balance Sheet and included as a reconciling item in the Movement in Reserves Statement - General Working Balance.

The County Council also makes provision for the following values in its Balance Sheet at year end for the following:-

- Debtor provision for the County Council's share of Council Tax arrears;
- Provision for bad debts of Debtors in relation to Council Tax arrears;
- Creditor provision for Council Tax over-payments and pre-payments; and
- Creditor or Debtor provision where the billing authority has under or over collected Council Tax in-year against what it actually paid over to the County Council 2010/11.

22. Cash and Cash Equivalents

Cash Equivalents are short term investments that are of a highly liquid nature. The County Council has deemed that deposit held within call accounts and other short term investments that have a deposit term of three months or under and are held for the purposes of meeting short-term cash commitments are categorised as Cash Equivalents.

In the Cash Flow Statement, Cash and Cash Equivalents are shown net of bank overdrafts that are repayable on demand where there is a right of offset.

23. Short Term Compensated Employee Benefits

The County Council in accordance with IAS 19 makes accruals for short term employee compensated absences such as untaken holiday pay and accumulated flexi time at the period end. These balances are recognised as provisions and under statutory guidance an offsetting balance is included within the reserves section of the Balance Sheet.

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the County Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged against the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are ultimately charged to revenue in the financial year in which the holiday absence occurs.

24. Exceptional items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the County Council's financial performance.

25. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is

applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified, and are accounted for accordingly.

26. Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

27. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the County Council in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The County Council recognises in its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of Property, Plant or Equipment that are jointly controlled by the County Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not necessarily involve the establishment of a separate entity. The County Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

28. Landfill Allowances

Landfill Allowances allocated in 2010/11 by the Department for Environment, Food and Rural Affairs (DEFRA) and associated liabilities are classified as Current Intangible Assets and Current Liabilities respectively and are both valued at fair market value. However, purchased allowances held relating to future years are valued at Historic cost. Excess allowances to be carried forward to future years are held in Earmarked Reserves.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The County Council is required to:

- (a) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director - Finance and Central Services;
- (b) manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- (c) approve the Statement of Accounts.

The Corporate Director - Finance and Central Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Corporate Director - Finance and Central Services has:

- (a) selected suitable accounting policies and then applied them consistently;
- (b) made judgements and estimates that were reasonable and prudent; and
- (c) complied with the Code of Practice.

The Corporate Director - Finance and Central Services has also:

- (a) kept proper accounting records which were up to date; and
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE CORPORATE DIRECTOR - FINANCE AND CENTRAL SERVICES

I certify that the Statement of Accounts 2010/11 presents a true and fair view of the financial position of the County Council and the North Yorkshire Pension Fund at the accounting date and their income and expenditure for the year ended 31st March 2011.

John Moore
Corporate Director - Finance and Central Services
29th September 2011

Co signed by,
Richard Flinton
Chief Executive
29th September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF NORTH YORKSHIRE COUNTY COUNCIL

Opinion on the Authority and Group accounting statements

We have audited the Authority and Group accounting statements of North Yorkshire County Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority accounting statements comprise the statement of accounting policies, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow and the related notes 1 to 43. The Group accounting statements comprise the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow and the related notes 1 to 17. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Yorkshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director – Finance and Central Services and auditor

As explained more fully in the Statement of the Corporate Director – Finance and Central Services Responsibilities, the Corporate Director – Finance and Central Services is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the state of North Yorkshire County Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which we report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

We have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 23. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Yorkshire Pension Fund in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director – Finance and Central Services and auditor

As explained more fully in the Statement of the Corporate Director – Finance and Central Services Responsibilities, the Corporate Director – Finance and Central Services is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March

- 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, North Yorkshire County

Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the Authority and Group accounts of North Yorkshire County Council and North Yorkshire Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature of partner]
Christopher Powell FCA (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
Leeds, United Kingdom
September 2011

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2010/11

Restated				Year to 31 March 2011		
Year to 31 March 2010				Year to 31 March 2011		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
2,977	(1,238)	1,739	Central Services to the Public	3,407	(1,565)	1,842
785	0	785	Court Services	764	(1)	763
52,903	(6,344)	46,559	Cultural, Environmental, Regulatory and Planning Services	53,077	(9,984)	43,093
596,751	(455,635)	141,116	Education and Childrens Services	757,232	(494,486)	262,746
65,402	(3,488)	61,914	Highways, Roads and Transport Services	63,962	(7,958)	56,004
222,439	(78,596)	143,843	Adult Social Care	216,899	(57,205)	159,694
201	0	201	Housing Services	1,696	(2)	1,694
8,354	(126)	8,228	Corporate and Democratic Core	8,037	(87)	7,950
211	(47)	164	Non Distributed Costs	(62,907)	(150)	(63,057)
<u>950,023</u>	<u>(545,474)</u>	<u>404,549</u>	Cost of Services	<u>1,042,167</u>	<u>(571,438)</u>	<u>470,729</u>
			Other Operating Expenditure			
			23 Loss on Disposal of Property, Plant and Equipment (note 20)			26,546
			497 Impairment of Assets Held for Sale (note 27)			2,017
			381 Precepts of Local Precepting Authorities (note 10)			438
			Financing and Investment Income and Expenditure			
			15,993 Interest payable and similar charges (note 43b)			18,099
			(2,788) Interest receivable and similar income (note 43b)			(2,147)
			(16,298) Investment Properties; revaluation and impairment (note 26)			(1,473)
			(709) Deficit / (Surplus) on trading activities (note 6)			25
			31,147 Pensions interest cost and expected return on pensions assets (note 11)			22,929
			Taxation and Non-Specific Grant Income			
			(237,584) Demand on District Council Collection Funds for Council Tax (note 9)			(245,803)
			(80,697) Non-Domestic Rates Distribution			(91,123)
			(30,723) Area Based Grant (notes 7 and 8)			(40,772)
			(18,626) Government Revenue Support Grant (note 7)			(13,232)
			(73,366) Capital Grants (note 7)			(64,370)
			(2,020) Other Government Funding (note 7)			(3,669)
			<u>(443,016)</u>			<u>(458,969)</u>
			(10,221) (Surplus) or Deficit on Provision of Services			<u>78,194</u>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)

Restated			Year to 31 March 2011		
Year to 31 March 2010			Year to 31 March 2011		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
		<u>(10,221)</u>			<u>78,194</u>
		(4,210)			13,749
		65,050			(47,731)
		<u>60,840</u>			<u>(33,982)</u>
		<u>50,619</u>			<u>44,212</u>

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; which is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement reconciles the year on year change in the net assets and Reserves held in the Balance Sheet. The statement is divided into two sections; the Surplus or Deficit on the Provision of Services and the Other Comprehensive Income and Expenditure.

The Surplus or Deficit on the Provision of Services represents the IFRS-based accountancy cost of delivering services by the County Council.

Other Comprehensive Income and Expenditure includes movements in the fair value of assets and actuarial movements on pension balances that are not reflected within the Surplus or Deficit of Provision of Services.

Reported figures for the year to 31st March 2010 have been restated following the adoption of IFRS; a summary of the changes arising on restatement is provided for under note 1a on page 38.

MOVEMENT IN RESERVES STATEMENT

	General Working Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000 (note 37)	Total Unusable Reserves £000 (note 38)	Total Authority Reserves £000
Movement in Reserves during 2010/11							
Balance at 31st March 2010	(17,569)	(66,452)	0	(13,348)	(97,369)	(837,567)	(934,936)
Deficit on provision of services (accounting basis)	78,194	0	0	0	78,194	0	78,194
Other Comprehensive Expenditure and Income	0	0	0	0	0	(33,982)	(33,982)
Total Comprehensive Expenditure and Income	78,194	0	0	0	78,194	(33,982)	44,212
Adjustments between accounting basis and funding basis under regulations	(99,846)	0	0	(314)	(100,160)	100,160	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(21,652)	0	0	(314)	(21,966)	66,178	44,212
Transfers to / from Earmarked Reserves (note 37b)	15,272	(15,272)	0	0	0	0	0
Increase / Decrease in Year	(6,380)	(15,272)	0	(314)	(21,966)	66,178	44,212
Balance at 31st March 2011	(23,949)	(81,724)	0	(13,662)	(119,335)	(771,389)	(890,724)

MOVEMENT IN RESERVES STATEMENT (continued)

	General Working Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000 (note 37)	Total Unusable Reserves £000 (note 38)	Total Authority Reserves £000
Balance at 31st March 2009	(21,688)	(61,055)	0	(2,332)	(85,075)	(900,480)	(985,555)
(Surplus) on provision of services (accounting basis)	(10,221)	0	0	0	(10,221)	0	(10,221)
Other Comprehensive Expenditure and Income	0	0	0	0	0	60,840	60,840
Total Comprehensive Expenditure and Income	(10,221)	0	0	0	(10,221)	60,840	50,619
Adjustments between accounting basis and funding basis under regulations	8,943	0		(11,016)	(2,073)	2,073	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(1,278)	0	0	(11,016)	(12,294)	62,913	50,619
Transfers to / from Earmarked Reserves (note 37b)	5,397	(5,397)	0	0	0	0	0
Increase / Decrease in Year	4,119	(5,397)	0	(11,016)	(12,294)	62,913	50,619
Balance at 31st March 2010	(17,569)	(66,452)	0	(13,348)	(97,369)	(837,567)	(934,936)

This Statement shows the movement in the year on the different reserves held by the County Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the County Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Working Balance for Council Tax setting. The 'Net increase /decrease before transfers to earmarked reserves' line shows the statutory General Working Balance before any discretionary transfers to or from earmarked reserves undertaken by the County Council.

BALANCE SHEET AS AT 31ST MARCH 2011

Restated			31 March
31 March	31 March		2011
2009	2010		£000
£000	£000		
1,657,735	1,680,836	Property, Plant and Equipment (note 21)	1,546,348
12,959	26,724	Investment Property (note 26)	28,235
6,964	6,290	Intangible Assets (note 25)	6,786
3,518	3,518	Long Term Investments (note 29)	3,518
11,204	10,211	Long Term Debtors (note 30)	11,823
1,692,380	1,727,579	Long Term Assets	1,596,710
79,928	55,409	Short Term Investments (note 43a)	115,968
1,415	1,115	Inventories (note 32)	1,262
46,003	49,090	Short Term Debtors (note 33)	36,952
68,931	89,323	Cash and Cash Equivalents (note 28)	92,327
0	0	Landfill Allowances Trading Scheme (note 31)	1,906
1,748	2,119	Assets held for sale (note 27)	2,139
198,025	197,056	Current Assets	250,554
(24,646)	(39,940)	Short Term Borrowing (note 43a)	(46,189)
(90,814)	(95,724)	Short Term Creditors (note 34)	(94,300)
(67)	(178)	PFI Liability repayable within 12 months (note 14)	(194)
(256)	(50)	Finance Lease repayable within 12 months (note 15)	(53)
(33,803)	(21,949)	Capital Grant Receipts in Advance (note 7)	(16,724)
(149,586)	(157,841)	Current Liabilities	(157,460)
0	0	Long Term Creditors	(303)
(5,504)	(5,326)	PFI Liability repayable in excess of 12 months (note 14)	(5,132)
(1,235)	(1,185)	Finance Lease repayable in excess of 12 months (note 15)	(1,131)
(14,611)	(17,718)	Provisions (note 36)	(19,294)
(410,604)	(492,421)	Pensions Liability (note 38e)	(402,260)
(319,871)	(310,125)	Long Term Borrowing (note 43a & 43d)	(366,770)
(3,439)	(5,083)	Capital Grant Receipts in Advance (note 7)	(4,190)
(755,264)	(831,858)	Long Term Liabilities	(799,080)
985,555	934,936	Net Assets	890,724

BALANCE SHEET AS AT 31ST MARCH 2011 (continued)

Restated			
31 March	31 March		31 March
2009	2010		2011
£000	£000		£000
Usable Reserves			
21,688	17,569	General Working Balance (note 37a)	23,949
61,055	66,452	Earmarked Reserves (note 37b)	81,724
0	0	Capital Receipts Reserve (note 37c)	0
2,332	13,348	Capital Grant Unapplied Reserve (note 37d)	13,662
85,075	97,369	Total Usable Reserves	119,335
Unusable Reserves			
162,156	159,415	Revaluation Reserve (note 38a)	137,023
(363)	304	Council Tax Adjustment Account (note 38b)	461
0	0	Financial Instruments Adjustment Account (note 38c)	0
(9,395)	(11,378)	Accumulated Absences Account (note 38d)	(10,072)
(410,604)	(492,421)	Pension Reserve (note 38e)	(402,260)
1,158,686	1,181,647	Capital Adjustment Account (note 38f)	1,046,237
900,480	837,567	Total Unusable Reserves	771,389
985,555	934,936	Total Reserves	890,724

The Balance Sheet is a statement of the financial position of the County Council as at the Balance Sheet date. It shows the assets and liabilities of the authority; the net assets on the Balance Sheet are matched by reserves held by the County Council. The first category of reserves are usable reserves. These are reserves that the Authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of Unusable Reserves are those that arise from accounting requirements and are not available to be used for the provision of services.

A requirement arising from transition to IFRS is to present restated Balance Sheets for both 2009/10 and 2008/09. The purpose of showing a restated 2008/09 Balance Sheet is to allow further comparative information and reconcile the movement in the Comprehensive Income and Expenditure Statement for the year to 31st March 2010.

A summary of the movement in the Balance Sheet values arising for IFRS transition is provided under notes 1b and 1c on pages 39 to 40.

I confirm that these Accounts were approved by the Audit Committee on 29th September 2011 following completion of the External Audit.

..... Date

CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2011

Restated 31 March 2010 £000		31 March 2011 £000
10,221	Net surplus or (deficit) on the provision of services	(78,194)
	Adjust net surplus or (deficit) on the provision of services for non cash movements	
57,808	Depreciation / Amortisation	59,855
16,541	Impairment and revaluations charged to the provision of services	148,134
(5,299)	Movement in Creditors	(7,240)
(3,012)	Movement in Debtors	13,036
(74)	Movement in Bad Debt Provision	(898)
300	Movement in Inventories	(147)
3,107	Movement in Provisions	1,576
16,767	Pension Liability	(42,430)
4,425	Carrying amount of non-current assets sold	27,872
0	Other non-cash items charged to the provision of services	(1,906)
90,563		197,852
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(73,366)	Grants received for investment purposes	(64,370)
(4,425)	Proceeds from the sale of property and other assets	(1,383)
(77,791)		(65,753)
22,993	Net cash flows from Operating Activities	53,905

CASH FLOW STATEMENT (continued)

Restated 31 March 2010 £000		31 March 2011 £000
22,993	Net cash flows from Operating Activities	53,905
	Investing Activities	
(111,128)	Purchase of fixed and intangible assets	(117,144)
0	Purchase of short-term and long-term investments	(60,269)
4,425	Proceeds from the sale of property (and other assets)	1,383
24,520	Proceeds from short-term and long-term investments	0
74,359	Other receipts for investing activities	62,468
(7,824)	Net cash flows from Investing Activities	(113,562)
	Financing Activities	
80,269	Cash receipts of short and long term borrowing	75,000
1,307	Other receipts from financing activities	0
(323)	Repayment of the outstanding liability of finance lease and similar arrangements	(228)
(75,761)	Repayment of short and long term borrowing	(12,530)
(269)	Other payments for financing activities	419
5,223	Net cash flows from Financing Activities	62,661
20,392	Net increase or decrease in cash and cash equivalents	3,004
68,931	Cash and cash equivalents at the beginning of the reporting period	89,323
89,323	Cash and cash equivalents at the end of the reporting period	92,327
20,392		3,004

The Cash Flow statement shows the changes in cash and cash equivalents of the County Council during the reporting period. The statement shows how the County Council generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the County Council are funded by way of taxation and grant income or income generated from services provided by the County Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the County Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the County Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Transition to International Financial Reporting Standards

Following the changes in accounting policies arising from the adoption of International Financial Reporting Standards (IFRS) there have been significant changes to the prior period values as presented in the 2009/10 accounts. To ensure comparatives are properly presented both the 2009/10 and 2008/09 accounts have been restated to apply the current IFRS policies.

The presentation and format of the primary financial statements have also been revised under IFRS policies; this may result in no direct comparative between previously reported financial statements and those presented for this financial year.

The following extracts from the 2009/10 financial statements summarise the effect on the 2009/10 values as previously presented arising from the adoption of IFRS accounting policies

The adjustments highlight certain lines that have changed within the presented 2009/10 accounts, together with relevant totals; the extracts below do not therefore necessarily total in themselves.

a) Extracts from Income and Expenditure Statement

Net Expenditure £000		Leasing arrangements £000 (note i)	Accounting for Grant Income £000 (note ii)	Accounting for Non Current Assets £000 (note iii)	Other IFRS adjustments £000 (note iv)	Short Term Absences £000 (note v)	Restated Position £000
389,442	Net Cost of Services	(132)	13,213	75	(32)	1,983	404,549
15,886	Interest payable and similar charges	107	0	0	0	0	15,993
0	Capital Grant Funding	0	(73,366)	0	0	0	(73,366)
0	Investment Property Revaluation and assets held for sale impairment	0	0	(15,581)	0	0	(15,581)
<u>63,512</u>	(Surplus) or Deficit on Provision of Services	<u>(25)</u>	<u>(60,153)</u>	<u>(15,506)</u>	<u>(32)</u>	<u>1,983</u>	<u>(10,221)</u>

b) Extracts from the Balance Sheet – 2009/10

2009/10 Presented £000		Leasing arrangements £000 (note i)	Accounting for Grant Income £000 (note ii)	Accounting for Non Current Assets £000 (note iii)	Cash Equivalents £000 (note iv)	Accumulated Absences £000 (note v)	Restated Position £000
1,715,683	Property Plant and Equipment and Intangible Assets	972		(29,529)			1,687,126
0	Investment Properties			26,724			26,724
0	Assets Held for Sale			2,119			2,119
104,578	Short Term Investment				(49,169)		55,409
40,154	Cash and Cash Equivalents				49,169		89,323
(185,419)	Current Creditors	(49)	49,576				(135,892)
(5,326)	Finance lease Liability payable in excess of 12 months	(1,185)					(6,511)
(6,340)	Provisions					(11,378)	(17,718)
(257,030)	Capital Grants Deferred Account		257,030				0
0	Capital Grants Received in Advance		(27,032)				(27,032)
667,688	Net Assets	(262)	279,574	(686)	0	(11,378)	934,936
176,282	Revaluation Reserve	7		(16,874)			159,415
908,698	Capital Adjustment Account	(269)	257,030	16,188			1,181,647
0	Capital Grants Unapplied Account		13,348				13,348
57,256	Earmarked Reserves		9,196				66,452
0	Short term Compensated Absence Reserve					(11,378)	(11,378)
667,688	Total Reserves	(262)	279,574	(686)	0	(11,378)	934,936

c) Extracts from the Balance Sheet – 2008/09

2008/09 Presented £000		Leasing arrangements £000 (note i)	Accounting for Grant Income £000 (note ii)	Accounting for Non Current Assets £000 (note iii)	Cash Equivalents £000 (note iv)	Accumulated Absences £000 (note v)	Restated Position £000
1,678,272	Property Plant and Equipment and Intangible Assets	1,205		(14,778)			1,664,699
0	Investment Properties			12,959			12,959
0	Assets Held for Sale			1,748			1,748
119,785	Short Term Investment				(39,857)		79,928
29,074	Cash and Cash Equivalents				39,857		68,931
(163,484)	Current Creditors	(256)	47,957				(115,783)
(5,504)	Finance lease Liability payable in excess of 12 months	(1,235)					(6,739)
(5,216)	Provisions					(9,395)	(14,611)
(208,706)	Capital Grants Deferred Account		208,706				0
0	Capital Grants Received in Advance		(37,242)				(37,242)
775,886	Net Assets	(286)	219,421	(71)	0	(9,395)	985,555
163,524	Revaluation Reserve	7		(1,375)			162,156
948,969	Capital Adjustment Account	(293)	208,706	1,304			1,158,686
0	Capital Grants Unapplied Account		2,332				2,332
52,672	Earmarked Reserves		8,383				61,055
0	Short term Compensated Absence Reserve					(9,395)	(9,395)
775,886	Total Reserves	(286)	219,421	(71)	0	(9,395)	985,555

i) Leasing arrangements

Under IFRS leasing arrangements are more likely to be determined as finance leases. A finance lease gives rise to an asset being recorded on the Balance Sheet together with an associated liability for future lease payments. Once 'on Balance Sheet' the asset is depreciated and is subject to revaluation, the same as other non-current assets.

Finance lease payments are allocated between a finance charge and a payment to reduce the finance lease liability, previously when determined as an operating lease the payments were charged directly as a cost of service.

ii) Accounting for Grant Income

Grant income is to be recognised within the Revenue Account when conditions of the grant have been met rather than apply a matching principle to expenditure. This results in a number of adjustments being required.

Capital Grants Deferred Account

The Capital Grants Deferred Account was the accumulated balance of capital grants received that had funded assets held on the Balance Sheet; applying a matching principle this grant income was released to the revenue account to match the depreciation charge for those assets. Under IFRS the treatment is to recognise Capital grant income when the conditions of the grant have been met and then release this income to the revenue account at this point. The adjustment above is to remove the historic accumulated balance and movements on this account.

Grant Recognition

As grants are recognised when the conditions of the grant have been met, rather than necessarily held to match future expense, this results in the release of certain grant income from creditors. The revenue for this grant income is recognised within the Comprehensive Income and Expenditure Statement; adjustments have then been made to transfer this additional income either to an earmarked reserve for revenue items of the Capital Grant Unapplied Reserve for capital grants when the corresponding expenditure has not been incurred by the year end.

iii) Accounting for Non-Current Assets

IFRS introduces a number of new accounting treatments in respect of non-current assets.

Investment Properties are now a distinct category of asset and separately identified on the face of the balance sheet. Movements in the valuation of investment properties are now recorded through the surplus or deficit of provision of services rather than recognised within the Revaluation Reserve.

A new Balance Sheet heading of Assets held for Sale is recognised for those properties that are being marketed and are anticipated to be sold within a twelve month period of the reporting date.

iv) Cash Equivalents

Cash Equivalents is a new balance sheet heading to include both cash and highly liquid short term investments that are held for cash management purposes (which are considered as the 'equivalent' of cash), such as call accounts and short term deposits that mature in less than three months.

v) Accumulated Absences

Short-term compensated absences, primarily earned but not taken holiday pay, are recognised as a provision on the balance sheet. The value is primarily made up of teachers holiday pay accrual earned in the spring term. This balance is offset into a new unusable reserve account to avoid a charge on the

General Working Balance. Movements in the period end accruals are charged to the Provision of Services in the Comprehensive Income and Expenditure Statement.

- d) The Statement of Movement on the General Working Balance is no longer a separate financial statement; rather this is incorporated within the new Movement in Reserves Statement. There has however been no change to the General Working Balance arising from the adoption of IFRS.
- e) The format and presentation of the Cash Flow statement has changed considerably and does not lend itself to a restatement reconciliation. The Cash flow now identifies the movement in Cash and Cash Equivalents; this is different from Cash balances only as previously shown.

2. Accounting Standards that have been issued but have not yet been adopted

No new accounting standards have been issued but not adopted prior to 1st January 2011 that will have a bearing on the County Council's financial statements.

3. Critical Judgements in applying accounting policies

In applying the accounting policies as set out at the Statement of Accounting Policies the County Council has had to make critical judgements about complex transactions and those involving uncertainty about future events:-

- in the current economic environment there is a degree of uncertainty about future levels of funding for local government and the County Council is undertaking a review of its provision of services in response to known and forecast future funding reductions. As a consequence, the County Council has determined that there remains sufficient uncertainty over future events that would indicate that the assets of the County Council might be materially impaired as a result of a need to close facilities or reduce funding on maintaining assets;
- the County Council, via its external valuer, has conducted an impairment review on land and property assets not being revalued in 2010/11. As a result of this impairment review, it has been concluded no material impairment has occurred;
- a number of schools have indicated that they may wish to transfer to academy status. It is the County Council's policy to exclude academy schools from its Balance Sheet as it does not retain sufficient control over the schools service provision to warrant the recognition of the school as an asset. Typically the land and buildings of schools that transfer to academy status are transferred to the Academy Trust under a 125 year lease at a peppercorn rent. It is likely that some schools will transfer to Academy Status in 2011/12. As at 31st March 2011, however, the land and building assets relating to these schools have not been removed from the County Council's Balance Sheet;
- the County Council does not recognise the Property of Voluntary-aided and Voluntary-controlled Schools located on the Balance Sheet. It has been determined that this property is held by the Trustees of the relevant schools;
- in the June 2010 budget statement, the Chancellor announced that public service pensions would be increased in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) from 1st April 2011. This change has implications for local government 2010/11 financial statements by reducing the calculated value of employers liabilities for accounting purposes. The County Council has decided that the treatment for this adjustment should be applied as a negative Past Service Cost and therefore recognised within the Deficit on Provision of Services, rather than as an actuarial gain in the Other Income and Expenditure section of the Comprehensive Income and Expenditure Statement;
- the County Council has made estimates of the net pay liability to pay pensions which depend on a number of complex judgments and projections supported by the actuary, which include; the

discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected future returns on Pension Fund Assets;

- the County Council has classified its County Farm Estate portfolio as Investment Properties rather than being held for operational purposes. This results in different revaluation recognition within the Comprehensive Income and Expenditure Statement and Balance Sheet;
- the County Council carries its investments in its investments in its Group Companies (Yorwaste Limited, NYnet Limited and Veritau Limited) at historic cost and does not re-value these investments on an annual basis because they are neither marketable or available-for-sale equity; d
- to reflect the current economic and financial climate, the County Council has determined its Bad Debt Provision based on a range of factors including the aged-profile of debtors and recent changes to payment profile of debtors; and
- the County Council will assess the degree of Componentisation within its net-current asset portfolio, as part of the five year rolling programme of non-current asset valuations. A review of "Beacon" school properties concluded that no components could be identified which were of a material value when compared to the entire value of the individual non-current asset or which would materially impact on the useful remaining life of the asset. On an annual basis the County Council will review Capital Expenditure to assess if any new material components have been added to the County Council's non-current asset portfolio.

4. Assumptions Made About the Future and Other Major Sources of Uncertainty

The Statement of Accounts contains estimated figures that are based upon assumptions made by the County Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

Pension Liability

Estimation of the net liability to pay pensions depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the County Council to provide expert advice about the assumptions to be applied, these assumptions may be adjusted on a yearly basis.

A sensitivity analysis around certain assumptions has identified the following changes to the pension deficit of £402m would occur if alternative assumptions were to be applied:-

- a +0.1%pa change in the discount rate to be applied would reduce the pension deficit by £17m,
- a +0.1%pa change in salary inflation would increase the deficit by £5m,
- an additional 1 year increase in life expectancy would increase the deficit by £24m.

Property, Plant and Equipment

Assets are depreciated over the useful economic life that the asset will be operational. The useful economic life of an individual asset is dependant upon maintaining an appropriate level of repair and maintenance expenditure on that asset. Should insufficient expenditure be incurred to properly maintain an asset then it may be the case that the useful economic life of that asset is reduced; this might give rise to an impairment or accelerated depreciation being required.

5. Segment Reporting

The Segment Report is designed to show financial information as reported within the County Council's internal management structure. The information presented for internal management reporting is different to that presented within these statutory accounts, both in terms of Directorate headings and the information included within the figures. For example, internal management reporting does not include depreciation or other capital charges within the outturn reports. Reconciliation between the internal management reports and the statutory accounts is therefore also presented. This reconciliation is made to the County Council's Income and Expenditure Statement.

Directorate Income and Expenditure 2010/11

	Children and Young People's Service		Business and Environmental Services	Adult and Community Services	Other Central Services	Total
	Schools	Children and Young People				
	£000	£000	£000	£000	£000	£000
Fees, Charges and Contributions	(32,340)	(6,955)	(11,219)	(57,850)	(6,724)	(115,088)
Government Grants	(419,459)	(52,753)	(12,775)	(25,137)	(4,379)	(514,503)
Total Income	<u>(451,799)</u>	<u>(59,708)</u>	<u>(23,994)</u>	<u>(82,987)</u>	<u>(11,103)</u>	<u>(629,591)</u>
Employee Expenses	253,071	64,663	17,129	64,523	34,238	433,624
Other	<u>198,728</u>	<u>71,248</u>	<u>76,008</u>	<u>150,574</u>	<u>43,030</u>	<u>539,588</u>
Total Expenditure	<u>451,799</u>	<u>135,911</u>	<u>93,137</u>	<u>215,097</u>	<u>77,268</u>	<u>973,212</u>
Net Expenditure	<u>0</u>	<u>76,203</u>	<u>69,143</u>	<u>132,110</u>	<u>66,165</u>	<u>343,621</u>

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement 2010/11

	£000
Cost of Services in Service Analysis	343,621
Add amounts required to comply with Statutory Accounting Requirements	185,979
Remove amounts reported to management not included in Comprehensive I&E Statement	(72,730)
Amounts reported below the Net Cost of Service	<u>13,859</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>470,729</u>

Reconciliation of segment report to total income and expenditure 2010/11

	Service Analysis £000	Statutory Accounting Adjustments £000	Not included in I&E £000	Amounts reported below Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Contributions	(112,255)	(3,355)	4,582	8,100	(102,928)	(86)	(103,014)
Interest and investment income	(2,833)	0	0	2,833	0	(2,833)	(2,833)
Income from council tax	0	0	0	0	0	(245,803)	(245,803)
Government grants	(514,503)	0	0	45,623	(468,880)	(213,166)	(682,046)
Investment Properties	0	0	0	370	370	(1,473)	(1,103)
Total Income	(629,591)	(3,355)	4,582	56,926	(571,438)	(463,361)	(1,034,799)
Employee expenses	433,624	(30,713)	(35,952)	0	366,959	22,929	389,888
Other service expenses	505,093	1,727	(26,088)	(23,844)	456,888	111	456,999
Depreciation, amortisation and impairment	0	218,320	0	0	218,320	2,017	220,337
MRP	15,272	0	(15,272)	0	0	0	0
Interest Payments	18,785	0	0	(18,785)	0	18,785	18,785
Precepts and Levies	438	0	0	(438)	0	438	438
Loss on Disposal of Fixed Assets	0	0	0	0	0	26,546	26,546
Total Operating Expenses	973,212	189,334	(77,312)	(43,067)	1,042,167	70,826	1,112,993
(Surplus) or deficit on the provision of services	343,621	185,979	(72,730)	13,859	470,729	(392,535)	78,194

The Segment Report identifies the primary operating directorates as reported within the County Council's financial management information. The three main Service Directorates are Children and Young Peoples Service; Business and Environmental Services; Adult and Community Services and then certain central services.

Within the Segment Report the Children and Young Peoples Service has been divided into the Schools Service and then the Local Authority Block. Central Services consists of the Chief Executives Group, Finance and Central Services and corporately held budgets.

The above statements reconcile the County Council's Management Accounts Outturn in 2010/11 (£343,621k) to the lines for Net Cost of Services (£462,533k) and the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (£69,998k).

Statutory Accounting Adjustments represent accounting entries which are not permitted to impact on the County Council's Budget Requirement or Council Tax levies and General Working Balances, but under accounting regulations are required to be charged to or credited to the Comprehensive Income and Expenditure Statement to derive a Net Cost of Services under BVACOP. Examples of these charges include Capital Charges, in-year movements in the annual Holiday Pay Accrual Adjustment and the Actual accrued costs (adjusted for any Past Service Gains) associated with employee pension costs.

Amounts not included in the Comprehensive Income and Expenditure Statement, represent sums which are charged to the Management Accounts, and therefore impact on General Working Balances, but which are not charged to the Comprehensive Income and Expenditure Account. These include the annual charge for the Minimum Revenue Provision (MRP), the actual value of Employer Pension Contributions and Capital Expenditure funded direct from Revenue Budgets.

Amounts Reported Below Net Cost of Services, represent Income and Expenditure which is not attributable to Service Headings in the Net Cost of Services and included Interest Payments and Interest Income, Contributions made to Earmarked Reserves by Directorates, General Grant Income reported as a general grant (ABG and Performance Reward Grant) and Dividends received. These adjustments are off-set by contra adjustments under the heading "Corporate Amounts."

"Corporate Amounts" also includes adjustments to reflect the value of Council Tax received from Billing Authorities and General Government Grants received from central government. Another adjustment includes the notional loss made on the disposal of fixed assets including the notional loss caused by the transfer of property to the Board of new Academy Schools.

Directorate Income and Expenditure 2009/10

	Children and Young People's Service		Business and Environmental Services	Adult and Community Services	Other Central Services	Total
	Schools	Children and Young People				
	£000	£000	£000	£000	£000	£000
Fees, Charges and Contributions	(27,248)	(10,773)	(10,173)	(62,000)	(9,096)	(119,290)
Government Grants	(394,556)	(45,014)	(11,106)	(26,078)	(2,576)	(479,330)
Total Income	<u>(421,804)</u>	<u>(55,787)</u>	<u>(21,279)</u>	<u>(88,078)</u>	<u>(11,672)</u>	<u>(598,620)</u>
Employee Expenses	244,393	62,317	17,101	65,995	30,369	420,175
Other	<u>177,411</u>	<u>71,210</u>	<u>75,882</u>	<u>154,010</u>	<u>40,291</u>	<u>518,804</u>
Total Expenditure	<u>421,804</u>	<u>133,527</u>	<u>92,983</u>	<u>220,005</u>	<u>70,660</u>	<u>938,979</u>
	<u>0</u>	<u>77,740</u>	<u>71,704</u>	<u>131,927</u>	<u>58,988</u>	<u>340,359</u>

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement 2009/10

	£000
Cost of Services in Service Analysis	340,359
Add amounts required to comply with Statutory Accounting Requirements	60,146
Remove amounts reported to management not included in Comprehensive I&E Statement	(10,290)
Amounts reported below the Net Cost of Service	<u>14,334</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>404,549</u>

Reconciliation of segment report to total income and expenditure 2009/10

	Service Analysis £000	Statutory Accounting Adjustments £000	Not included in I&E £000	Amounts reported below Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Contributions	(115,663)	0	15,870	498	(99,295)	(2,341)	(101,636)
Interest and investment income	(3,628)	0	0	3,628	0	(3,628)	(3,628)
Income from council tax	0	0	0	0	0	(237,584)	(237,584)
Government grants	(479,330)	0	0	32,743	(446,587)	(205,432)	(652,019)
Investment Properties	0	0	0	408	408	(16,298)	(15,890)
Total Income	(598,621)	0	15,870	37,277	(545,474)	(465,283)	(1,010,757)
Employee expenses	420,174	(33,493)	21,093	0	407,774	31,147	438,921
Other service expenses	486,789	0	(32,450)	(5,729)	448,610	1,632	450,242
Depreciation, amortisation and impairment	0	93,639	0	0	93,639	497	94,136
MRP	14,803	0	(14,803)	0	0	0	0
Interest Payments	16,833	0	0	(16,833)	0	16,833	16,833
Precepts and Levies	381	0	0	(381)	0	381	381
Loss on Disposal of Fixed Assets	0	0	0	0	0	23	23
Total Operating Expenses	938,980	60,146	(26,160)	(22,943)	950,023	50,513	1,000,536
(Surplus) or deficit on the provision of services	340,359	60,146	(10,290)	14,334	404,549	(414,770)	(10,221)

6. Trading Activities

The County Council operates a number of trading units that are required to operate in a commercial environment and balance their budget by generating income from other parts of the authority, or other organisations. Details of those units with a turnover of greater than £2m are as follows:-

Name and Nature	2010/11			2009/10		
	Turnover £000	Expenditure £000	Surplus/ (Deficit) £000	Turnover £000	Expenditure £000	Surplus/ (Deficit) £000
Catering Trading Objective - Breakeven - Provision of School and Welfare Catering Services	15,232	15,234	(2)	15,591	14,705	886
Building Cleaning Services Trading Objective - Breakeven - Provision of Building Cleaning Services to schools and other NYCC establishments	8,924	8,629	295	8,789	8,209	580
Schools IT Services Trading Objective - Breakeven - ICT Services to schools	5,237	5,186	51	4,619	4,451	168
Education Supply Teachers Insurance Scheme Trading Objective - Breakeven - In house insurance scheme for schools	4,305	4,013	292	4,436	4,436	0
Education Repairs and Maintenance Scheme Trading Objective - Breakeven - Provision of a premises planned General Care and maintenance	5,564	5,072	492	4,916	4,716	200
Consolidated results of all other Trading Units	8,728	9,275	(547)	9,083	8,863	220
Total Results for Trading Units	47,990	47,409	581	47,434	45,380	2,054

Although the annual trading objective for several of the trading operations is to achieve a breakeven position, a surplus is shown for 2010/11. This gives rise to accumulated surpluses being carried forward to future years and being managed within a medium term breakeven strategy.

The expenditure figures reported above reflect an adjustment to comply with pension accounting standard IAS 19. This has the effect of reducing costs reported in the County Council's management accounts, and consequently increases the above reported surplus or decreases the deficit of the trading operation. Other adjustments have also been made in respect of a charge for the use of assets where appropriate.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some trading operations are an integral part of the County Council's services to the public, whilst others are support services to the Council's activities e.g. Print Unit. Where the trading activity is not integral to the Council's service obligations the net financial position of the trading operations are identified within the Financing and Investment Income section of the Comprehensive Income and Expenditure Statement.

	31st March 2011 £000	31st March 2010 £000
Net surplus included within Cost of Services	606	1,345
Net (deficit) / surplus) credited to Financing and Investment Income and Expenditure	(25)	709
Net surplus on trading operations	<u>581</u>	<u>2,054</u>

7. Grant Income

The County Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

	31st March 2011		31st March 2010	
	£000	£000	£000	£000
Credited to Taxation and Non specific Grant Income				
Area Based Grant (note 8)		40,772		30,723
Government Revenue Support Grant		13,232		18,626
Other Government Funding				
- Local Authority Business Growth Incentive	0		287	
- Private Finance Initiative	704		704	
- Local Area Agreement Performance Reward Grant	<u>2,965</u>	3,669	<u>1,029</u>	2,020
Capital Grants				
Children and Young People's Service				
- Devolved Capital Grant		11,283		11,915
- Primary Capital Programme		8,812		1,014
- Building Schools for the Future		8,682		8,757
- New Deal for Schools Modernisation Grant		8,114		3,653
- ICT Harnessing Technology Grant		4,920		6,003
- Childrens Centre Capital Grant		4,365		3,211
- School's Private Contributions		2,836		4,341
- Targeted Capital Fund		1,280		6,062
- Early Years Settings Grant		985		1,506
- Other Capital Grants and Contributions		4,419		6,448
Business and Environmental Services				
- Local Transport Plan		4,274		16,002
- Other Capital Grants and Contributions		1,553		1,846
Adult and Community Services				
- Capital Grants and Contributions		783		1,389
Other Corporate Grants and Contributions		<u>2,064</u>		<u>1,219</u>
Total		<u>122,043</u>		<u>124,735</u>

	31st March 2011 £000	31st March 2010 £000
Credited to Services		
Children and Young People's Service		
- Dedicated Schools Grant (note 41)	327,612	318,209
- Young People's Learning Agency	47,130	0
- Standards Fund	39,475	30,597
- School Standards Grant	19,452	19,304
- Sure Start and Childcare Grant	15,672	13,783
- Learning Skills Council Funding	3,772	39,481
- Youth Justice Board Grant Income	1,659	1,534
- Diploma Grant	1,135	0
- Training and Development Agency Grant Income	740	708
- Youth Opportunities Grant	297	269
- Substance Misuse Grant	192	528
- Staying Put Funding	110	100
- Local Area Agreement Grant	0	1,019
- Young Persons Substance Misuse	0	528
- Parenting and Early Intervention Programme	0	183
- Parenting Experts Grant	0	103
- Other Grants	2,309	3,458
Business and Environmental Services		
- Economic Development Grants	2,813	1,988
- Department for Transport - Road Damage Grant	2,592	0
- DEFRA Animal Licenses Grant	405	400
- Natural England Grants	210	215
- Road Safety Grant	0	1,296
- Other Grants	66	168
Adult and Community Services		
- Social Care Reform Grant	1,456	1,563
- Campus Reform Grant	169	148
- Supporting People Initiative	0	14,645
- Other Grants	605	600
Other Corporate Grants	268	80
	<u>468,139</u>	<u>450,907</u>

The County Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the grant to be returned if those conditions are not met. The balances at the year end are as follows:

	31st March 2011 £000	31st March 2010 £000
Capital Grants and Contributions Received in Advance		
To be used within 1 year		
Children and Young People's Service		
- Standards Fund	505	5,140
- Devolved Capital Grant	7,800	11,064
- Richmond School - Building Schools for the Future	4,368	0
- Information Technology Grants	406	0
- Primary Capital Programme	2,056	3,751
- Rural Development 14-19	0	489
- Schools Private Contributions	225	457
Business and Environmental Services		
- Safety schemes	0	238
Adult and Community Services		
- Information Technology Grants	702	7
Corporate		
- Refurbishment of Travellers sites	0	345
- Other	662	458
	<u>16,724</u>	<u>21,949</u>
To be used in excess of 1 year		
Children and Young People's Service		
- Schools Devolved Capital Formula Grant	4,190	5,083
Total Capital Grants and Contributions Received in Advance	<u>20,914</u>	<u>27,032</u>

8. Area Based Grant

In 2010/11 the County Council received £40.8m of Area Based Grant (ABG). ABG is treated as General Grant within the Comprehensive Income and Expenditure Statement and is a replacement for grant funding, which up to 2007/08 was ring-fenced for specific local government functions.

The County Council is free to use all of this non-ringfenced funding as it sees fit, to support the delivery of local, regional and national priorities in the area, including the achievement of Local Area Agreement Targets. The County Council has to account for the full value of ABG received in year, including those elements of grant paid out to External Partners in the delivery of Local Area Agreement targets.

ABG has been allocated to the following County Council Directorates in 2010/11, and can be summarised, together with the corresponding year-end expenditure, as follows:-

	ABG Allocation £000	Expenditure against Grant £000	Grant Unspent £000
Adult and Community Services	22,907	21,607	(1,300)
Business and Environmental Services	6,689	6,542	(147)
Chief Executive's Group	260	224	(36)
Children and Young People's Service	10,030	9,748	(282)
Allocations to External Partners	886	799	(87)
	<u>40,772</u>	<u>38,920</u>	<u>(1,852)</u>

The unspent ABG of £1.85m has been carried forward to 2011/12 via an ear-marked reserve. The full £40.8m 2010/11 allocation is, therefore, shown in the Comprehensive Income and Expenditure Statement.

9. Demand of District Council Collection Funds for Council Tax

Precept Income totalled £245.8m (£237.6m in 2009/10) consisting of:-

	2010/11 £000	2009/10 £000
Precept Income for year	245,154	237,046
Precept surplus / (deficit) from previous years	492	(129)
Council Tax Adjustment (note 38b)	157	667
	<u>245,803</u>	<u>237,584</u>

The precept income from Council Tax is equivalent to a basic amount of £1,057.48 for an average band D property.

10. Precepts of Local Precepting Authorities

During the year precepts were levied on the County Council by other bodies as follows:-

	2010/11 £000	2009/10 £000
Environment Agency for Flood Defence	240	187
North Eastern Sea Fisheries Committee	198	194
	<u>438</u>	<u>381</u>

11. Pension Arrangements

As part of the terms and conditions of employment, the County Council offers retirement benefits to its employees. Although these benefits will not actually be payable until employees retire, the County Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The County Council participates in two different pension schemes:-

- Local Government Pension Scheme, for employees other than teachers, administered by North Yorkshire County Council. This is a funded defined benefit scheme, meaning that the County Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;

- Teachers Pensions Scheme, sponsored by the Department for Education (DfE). This is an unfunded defined benefit scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. The Actuary is unable to individually allocate a share of assets to scheme participants; this scheme is treated on the same basis as a defined contributions scheme for the purposes of these accounts.

Any discretionary enhancements to benefits awarded by the County Council remain the liability of the County Council and are paid monthly in addition to the pension paid by the DfE. These costs are accounted for on a defined benefit basis are identified separately within the following report.

The County Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the County Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out (transferred) in the Movement in Reserves Statement - General Working Balance.

The following transactions have been made in the Comprehensive Income and Expenditure Statement for 2010/11:-

	Local Government Pension Scheme		Teachers Pension Scheme	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Comprehensive Income and Expenditure Statement				
Net cost of Services:				
Current Service Cost	33,619	20,642	0	0
Past Service Cost	445	454	0	0
Past Service Gain	(62,799)	0	(672)	0
Financing and Investment Income and Expenditure				
Interest Cost	57,712 *	52,071	648 *	715
Expected return on assets	(35,431) *	(21,639)	0 *	0
Net Charge to the Surplus or Deficit on Provision of Services	(6,454)	51,528	(24)	715
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and (losses)	47,971	(63,138)	(240)	(1,912)
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	41,517	(11,610)	(264)	(1,197)
Movement in Reserves Statement				
Reversal of Net Charge to the Surplus or Deficit on Provision of Services	6,454	(51,528)	24	(715)
Actual amount charged against the General Fund Balance in the year				
Employers' contributions payable to scheme	35,032	34,555		
Retirement benefits payable to pensioners			920	921

The total net charge to the Comprehensive Income and Expenditure Statement, under the headings

“interest cost” and “expected return on assets” is £22,929k (£31,147k in 2009/10) and consists of the * items in the table above.

Therefore, although the overall amounts to be met from Government Grants and Local Taxation remains unchanged, the costs disclosed for services are £64,687k lower as a result of:-

- (i) the County Council’s contributions of £35,032k to the Local Government Pension Scheme being replaced with a current service cost of £33,619k. This £1,413k adjustment equates to a 4% decrease in employers pension costs
- (ii) in addition, under IAS 19, the unfunded liability arising from enhanced teachers pensions requires that the cost of benefits paid in the year (£920k) is removed from the net cost of services as it relates to periods of service prior to 2010/11
- (iii) a past service cost of £445k relating to settlement liabilities arising under the IAS 19 valuation which relate to decisions taken on pensions in previous financial years,
- (iv) a past service gain of £63,471k relating to the Treasury’s decision to link future pensions increases to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded Liabilities			Unfunded Liabilities		
	Local Government Pension Scheme			Discretionary Benefits		
	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09
	£m	£m	£m	£m	£m	£m
Opening balance at 1st April	(1,022.0)	(730.5)	(842.5)	(12.2)	(10.5)	(12.4)
Current Service cost	(33.6)	(20.6)	(30.0)	0.0	0.0	0.0
Interest Cost	(57.7)	(52.1)	(51.9)	(0.7)	(0.7)	(0.7)
Contributions by scheme participants	(11.5)	(11.2)	(10.5)	0.0	0.0	0.0
Actuarial gains and losses	30.0	(233.2)	179.4	(0.2)	(1.9)	1.7
Benefits paid	27.9	26.1	25.5	0.9	0.9	0.9
Past service costs	62.8	0.0	(0.1)	0.7	0.0	0.0
Settlements	(0.4)	(0.5)	(0.4)	0.0	0.0	0.0
Closing balance at 31st March	<u>(1,004.5)</u>	<u>(1,022.0)</u>	<u>(730.5)</u>	<u>(11.5)</u>	<u>(12.2)</u>	<u>(10.5)</u>

Reconciliation of the fair value of the scheme assets

	Local Government Pension Scheme			Unfunded Assets		
	2010/11	2009/10	2008/09	Discretionary Benefits		
	£m	£m	£m	2010/11	2009/10	2008/09
	£m	£m	£m	£m	£m	£m
Opening balance at 1st April	541.8	330.4	489.7	0.0	0.0	0
Expected rate of return	35.4	21.6	33.5	0.0	0.0	0
Actuarial gains and losses	18.0	170.0	(210.4)	0.0	0.0	0
Employer contributions	35.0	34.6	32.6	0.9	0.9	0.9
Contributions by scheme participants	11.5	11.3	10.5	0.0	0.0	0
Benefits paid	<u>(27.9)</u>	<u>(26.1)</u>	<u>(25.5)</u>	<u>(0.9)</u>	<u>(0.9)</u>	<u>(0.9)</u>
Closing balance at 31st March	<u>613.8</u>	<u>541.8</u>	<u>330.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

The actual return on the scheme assets in the year was £53.4m (2009/10 £191.6m).

The liabilities show the underlying commitments that the County Council has in the long-run to pay for retirement benefits. The total net liability of £402.3m has a sustained impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £890.7m. However, statutory arrangements for funding the deficit mean that the financial position in relation to pensions remains healthy because:-

- the deficit on the local government scheme will be made good by setting appropriate contribution rates over the remaining working life of employees, as assessed by the scheme actuary; and
- finance is only required to be raised to cover the teachers' pension enhancements when the pensions are actually due to be paid.

Following the June 2010 Emergency Budget announcement, from April 2011 the increase in pensions will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The impact of this change is to reduce liabilities by £63.5m and is accounted for as a Past Service gain, in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48. This change is considered to be a change in benefit entitlement. There is no impact upon the General Working Balance.

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercer's, an independent firm of actuaries and the main assumptions used in their calculations have been:-

	31st March 2011 %	31st March 2010 %	31st March 2009 %
Rate of RPI inflation	3.4	3.3	3.3
Rate of CPI inflation	2.9	2.8	3.3
Rate of increase in salaries	4.7	5.1	5.1
Rate of increase in pensions	2.9	3.3	3.3
Rate for discounting scheme liabilities	5.5	5.6	7.1
Proportion of employees opting to take a commuted lump sum (not Teachers Scheme)	50.0	50.0	50.0
Post Retirement Mortality Assumptions	Years	Years	Years
- Male future pensioner aged 65 in 20 years' time	23.5	22.2	22.2
- Female future pensioner aged 65 in 20 years' time	26.3	25.0	25.0
- Male current Pensioner aged 65	22.1	21.2	21.2
- Female current Pensioner aged 65	24.7	24.1	24.0

Changes in the Local Government Pension Scheme permit employees retiring to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take advantage of this change to the pension scheme. When first introduced, there was a significant "one-off" reduction in the County Council's liabilities which was reflected as a change in accounting policies as it affected all accrued liabilities. In subsequent years the impact of commutation is considerably smaller as it only relates to liabilities arising in the year and is included under Past Service Costs/Gains.

Assets in the North Yorkshire Pension Fund are valued at fair value, principally market value for investments. The County Council's share of the assets totals £613.8m at 31st March 2011 (£541.8m at 31st March 2010). The assets consist of the following categories, by proportion of the total assets held by the Fund. There are no assets in place to cover the teachers enhanced pension liability.

The overall expected rate of return on assets is based on the strategic asset allocation of the Fund as follows:-

	long term rate of expected return %	31st March 2011 %	31st March 2010 %	31st March 2009 %
Equity investments	7.50	74.7	76.2	74.8
Government Bonds	4.50	8.9	7.8	8.5
Corporate Bonds / Other Bonds	5.20	15.9	13.9	11.2
Cash / Liquidity Assets	0.50	0.5	2.1	4.4
Other (Global Tactical Asset Allocation)	n/a	0.0	0.0	1.1
		<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Surplus / (Deficit) in the Scheme

	IFRS		UK GAAP		
	2010/11	2009/10	2008/09	2007/08	2006/07
	£m	£m	£m	£m	£m
Present Value of defined benefit obligations	(1,016.0)	(1,034.2)	(741.0)	(854.9)	(771.0)
Fair Value of Scheme Assets	<u>613.8</u>	<u>541.8</u>	<u>330.4</u>	<u>490.2</u>	<u>510.7</u>
Deficit in the Scheme	<u>(402.2)</u>	<u>(492.4)</u>	<u>(410.6)</u>	<u>(364.7)</u>	<u>(260.3)</u>

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2011:-

	2010/11		2009/10		2008/09		2007/08		2006/07	
	£m	%	£m	%	£m	%	£m	%	£m	%
Experience adjustments on scheme assets	18.0	1.4	170.0	31.4	(210.5)	63.7	(65.5)	13.4	2.5	0.5
Experience adjustments on scheme liabilities	29.7	2.9	(235.1)	22.7	181.0	24.4	15.9	1.9	0.0	0.0
Changes in the demographic and financial assumptions used to estimate liabilities	0.0	0.0	0.0	0.0	0.0	0.0	(44.8)	5.2	36.9	(4.8)
	<u>47.7</u>		<u>(65.1)</u>		<u>(29.5)</u>		<u>(94.4)</u>		<u>39.4</u>	

Further details are contained in the Statement by Consulting Actuary, copies of which are available on request from Finance and Central Services, County Hall, Northallerton, DL7 8AL.

The estimate amount of contributions expected to be paid to the Scheme during the 2011/12 financial year is £44m.

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by Capita Hartshead. It provides teachers with defined benefits upon their retirement, and the County Council contributes towards the costs by making contributions based upon a percentage of members' pensionable salaries. The policy of offering enhancements to the retirement benefits of teachers ceased in 1996/97, however, the cost of enhancements awarded prior to that date will continue to be met until those pensions cease to be paid.

In 2010/11 the County Council paid £26.4m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents an average 14.1% of teachers' pensionable pay. The figures for 2009/10 were £25.8m and 14.1%.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the County Council to identify a share of the underlying liabilities in the scheme attributable to its own employees.

The County Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability as described above.

Assumptions for the Teachers Pension Scheme are broadly in line with those for the Local Government Pension Scheme.

12. Audit Fees

In 2010/11 the County Council incurred the following fees relating to external audit and inspection:-

	2010/11 £000	2009/10 £000
Fees payable to the External Auditor with regard to :-		
- external audit services carried out by appointed auditor	233	224
- statutory inspection	0	17
- certification of grant claims and returns	15	20
- other services	7	2
	<u>255</u>	<u>263</u>

13. Member's Allowances

The total amount of members' allowances, (including travel); paid during the year was £1,023k, (£1,070k in 2009/10).

14. Private Finance Initiative (Service Concessions)

In April 2002 the County Council commenced payments on a Private Finance Initiative (PFI) scheme which provides for four replacement primary schools at Ripon Cathedral CE, Brotherton CP and Barlby CP (both near Selby) and Kirby Hill CE (near Boroughbridge). The contract is for 25 years.

Two of the schools, Ripon Cathedral CE and Kirby Hill CE, are voluntary controlled schools. On expiry of the private finance initiative in 2027 these two school buildings will transfer to the respective trustees of each of the schools. However, to reflect the substance of the transaction and to give consistency in approach to the PFI scheme the building values for these two schools are retained on the County Council Balance Sheet along with the other two schools whose ownership will transfer to the County Council at the end of the PFI term.

The associated liability for all of the schools is shown as a finance lease within the accounts.

Value of PFI Assets

	2010/11 £000	2009/10 £000	2008/09 £000
Opening Balance	4,348	4,542	4,693
Depreciation	(209)	(142)	(151)
Additions	0	111	0
Revaluations	<u>0</u>	<u>(163)</u>	<u>0</u>
Closing Balance	<u>4,139</u>	<u>4,348</u>	<u>4,542</u>

Forming part of the above balance are the two voluntary controlled schools which have a carrying net book value of £1,308k, (£1,398k 2010). This represents the fair value of the County Council's interest in the remaining term of the contract, on the expiry of the PFI arrangement in 2027 the buildings for the two voluntary controlled schools revert to the trustees of those schools.

Value of PFI liabilities

	2010/11 £000	2009/10 £000	2008/09 £000
Opening Balance	5,504	5,571	5,728
Repayments	(178)	(67)	(157)
Additions	0	0	0
Closing Balance	<u>5,326</u>	<u>5,504</u>	<u>5,571</u>

Payments due to be made under PFI Contracts

	Repayment of leasing liability * £000	Payment of interest * £000	Lifecycle Costs * £000	Provision of services £000	Total £000
within 1 year	<u>194</u>	<u>481</u>	<u>0</u>	<u>469</u>	<u>1,144</u>
more than 1 year					
within 2 - 5 years	680	1,758	279	1,858	4,575
within 6 - 10 years	1,497	1,773	111	2,337	5,718
within 11 -15 years	2,336	934	111	2,337	5,718
within 16 - 20 years	<u>619</u>	<u>56</u>	<u>0</u>	<u>469</u>	<u>1,144</u>
	<u>5,132</u>	<u>4,521</u>	<u>501</u>	<u>7,001</u>	<u>17,155</u>
Total	<u>5,326</u>	<u>5,002</u>	<u>501</u>	<u>7,470</u>	<u>18,299</u>
Prior Year 2009/10					
within 1 year	178	497	0	469	1,144
more than 1 year	<u>5,326</u>	<u>5,002</u>	<u>501</u>	<u>7,470</u>	<u>18,299</u>
	<u>5,504</u>	<u>5,499</u>	<u>501</u>	<u>7,939</u>	<u>19,443</u>
2008/09					
within 1 year	67	503	111	462	1,143
more than 1 year	<u>5,504</u>	<u>5,499</u>	<u>501</u>	<u>7,939</u>	<u>19,443</u>
	<u>5,571</u>	<u>6,002</u>	<u>612</u>	<u>8,401</u>	<u>20,586</u>

* these columns relate to the price payable for the use of the school buildings together with financing charges.

Provision of services is payment for the day to day operation of the schools.

Values given are based upon current prices with no assumed inflation in future years.

A Government grant of £704k towards the overall costs of the PFI has also been credited in year to the Comprehensive Income and Expenditure Statement under other government funding.

15. Leases

Finance Leases

Arising from conversion to IFRS the County Council has a number of arrangements that are considered to be finance leases. These leases are in relation to buildings and vehicles, the rental payments under these arrangements in the year were £829m (£1,038m in 2009/10).

The County Council had commitments at the 31st March 2011 to make payments under these leases in

future financial years in settlement of the outstanding lease obligation together with future financing costs payable whilst the lease obligation remains outstanding. The minimum lease payments are made up of the following amounts.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Finance Lease Liabilities			
Current	53	50	256
Non Current	1,131	1,185	1,235
Finance Costs Payable in future years	<u>3,174</u>	<u>3,277</u>	<u>3,385</u>
Minimum Lease Payments	<u>4,358</u>	<u>4,512</u>	<u>4,876</u>

The minimum lease payments are to be paid over the following periods.

	Minimum Lease Payments			Finance Lease Liabilities		
	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Within 1 year	155	154	363	53	50	256
Between 2 - 5 years	439	489	539	46	92	136
Later than 5 years	<u>3,764</u>	<u>3,869</u>	<u>3,974</u>	<u>1,086</u>	<u>1,093</u>	<u>1,099</u>
	<u>4,358</u>	<u>4,512</u>	<u>4,876</u>	<u>1,185</u>	<u>1,235</u>	<u>1,491</u>

The following net value of assets held under finance leases are shown on the Balance Sheet.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Property	1,020	1,059	1,254
Other Plant and Equipment	<u>54</u>	<u>93</u>	<u>292</u>
	<u>1,074</u>	<u>1,152</u>	<u>1,546</u>

Operating Leases

The County Council utilised assets held under operating leases for Land and Buildings and Vehicles, Plant and Equipment. Payments made during the year amount to £1,404k (£1,480k in 2009/10) in respect of Land and Building leases and £793k for Vehicles, Plant and Equipment (£840k in 2009/10). The County Council had commitments at the 31st March 2011 to make payments under operating leases in future financial years, comprising the following elements:-

	31st March 2011 £000	31st March 2010 £000
Within 1 year	2,077	2,087
Between 2 - 5 years	4,653	3,797
Later than 5 years	<u>4,030</u>	<u>4,803</u>
	<u>10,760</u>	<u>10,687</u>

The capital value of these operating leases is not shown on the Balance Sheet.

The County Council acted as lessor and sub-lessor for various properties under cancellable agreements, these primarily comprise of County Farms and highway maintenance depots operated under a service agreement with Balfour Beatty.

Rental receipts for Land and Buildings received during the year amount to £951k (£910k in 2009/10).

16. Related Party Transactions

The Accounting Code of Practice requires the disclosure of all material transactions undertaken by the County Council with a related party during the year. IAS 24 Related Party disclosures was introduced to ensure that financial statements highlight any material transactions between an organisation and its related parties. These are bodies or individuals that have the potential to control or influence the County Council or to be controlled or influenced by the County Council. It should be noted that information on other related parties such as Central Government, the Pension Fund and other precepting bodies is disclosed elsewhere in the Accounts.

Members of the Council have direct control over the County Council's financial and operating policies. No material related party transactions occurred with Members in 2010/11.

Officers have day to day control of the running of the County Council's affairs. No material related party transactions occurred with Officers in 2010/11. However, it should be noted that the Corporate Director - Finance and Central Services is Treasurer to the following local bodies:-

- Yorkshire Dales National Park Authority
- North York Moors National Park Authority
- North Yorkshire Pension Fund.

Companies and Joint Ventures

The County Council has a substantial interest in the following companies:-

- Yorwaste Limited - owning 78% of the issued share capital
- NYnet Limited - owning 100% of the share capital
- Veritau Limited - owning 50% of the share capital.

The transactions between the County Council and these three companies are included in the Group Accounts financial statements on pages 102-116.

There is also a group relationship with North Yorkshire Business and Education Partnership (NYBEP) and Yorkshire Purchasing Organisation (YPO) but, due to their nature, no consolidation adjustments have been undertaken within the Group Account statements on the grounds of materiality and it being a simple investment respectively.

Yorwaste Limited:

The total value of services, including landfill tax provided by Yorwaste Limited in 2010/11 was £9,402k and at 31st March 2011 (£9,432k in 2009/10), the trading creditor balance was £1,043k (£1,158k in 2009/10).

The County Council provided services to Yorwaste Limited totalling £368k (£416k in 2009/10) of which £291k (£254k in 2009/10) was outstanding as at 31st March 2011.

At 31st March 2011, the County Council provided a loan to Yorwaste Limited of £3,700k of which interest was received by the County Council of £55k in 2010/11. The loan balance has remained the same since 31st March 2010.

Yorwaste Limited did not pay the County Council a dividend in 2010/11 (£1,075k in 2009/10).

NYnet Limited:

The total value of services provided by NYnet Limited in 2010/11 to the County Council was £5,754k and at 31st March 2011 (£4,295k in 2009/10), the trading creditor balance was £141k (£nil in 2009/10).

The County Council provided services to NYnet Limited totalling £64k (£84k in 2009/10).

At 31st March 2011, the County Council provided a loan-facility to NYnet Limited of £7,629k of which interest was received by the County Council of £257k in 2010/11. The loan balance has increased by £2,787k during 2010/11.

Veritau Limited:

The total value of services provided by Veritau Limited in 2010/11 to the County Council was £683k and at 31st March 2011 (£700k in 2009/10), the trading creditor balance was £nil.

The County Council provided services to Veritau Limited totalling £18k (£13k in 2009/10), and at 31st March 2011, £3k was outstanding.

North Yorkshire Business Enterprise Partnership (NYBEP):

The County Council made payments to NYBEP in 2010/11 totalling £979k (£597k in 2009/10) and received £96k (£266k in 2009/10) in income.

Yorkshire Purchasing Organisation (YPO):

The County Council made estimated payments to YPO in 2010/11 totalling £8.4m (£9.5m in 2009/10).

A dividend of £534k (£576k in 2009/10) in relation to YPO's 2010 trading activities is reflected in the County Council's 2010/11 Accounts. This excludes a loyalty bonus of £120k which will ultimately be paid directly to individual County Council establishments.

Other Related Party Transactions

As well as the details disclosed above, the following material transactions, (over £1m), with other related parties arose, which are not disclosed elsewhere in the Statement of Accounts:-

Revenue and Capital contributions received towards jointly funded schemes; North Yorkshire and York Primary Care Trust totalling £11.7m (£11.5m in 2009/10) and payments totalling £1.0m (£1.1m in 2009/10).

17. Pooled Funds

Under Section 31 of the Health Act 1999, the County Council has undertaken joint working arrangements with appropriate NHS bodies. Pooled funds enable the County Council to address specific local health issues.

The formation of a Pooled Fund does not create a separate legal entity. The County Council is involved in two distinct areas of pooled funds - the Intermediate Care (Whole Systems) Pooled Fund and Equipment Pooled Fund. Where the County Council acts as the 'host', the County Council has responsibility for the financial administration of the pool. All contributions by the County Council toward pooled funds have been included within the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Intermediate Care (Whole Systems) Pooled Fund

The Whole Systems Pooled Fund was established in 2000/01 and acts as a single body when commissioning services. It aims to provide intermediate care for older people and provides a means to discharge clients from hospital, provide rehabilitation and prevent hospital admissions.

The County Council is the host Authority for Selby and Scarborough / Whitby / Ryedale (SWR). The Primary Care Trust (PCT) is the host organisation for Hambleton / Richmondshire. A payment break was agreed for the SWR pooled fund to use the accumulated underspend in that area. Payments will be reinstated in 2011/12.

	NYCC as host £000	PCTs as host £000	Total 2010/11 £000	Total 2009/10 £000
Expenditure				
Gross Expenditure	262	613	875	884
(Under)/Overspend 2009/10	(324)	0	(324)	(215)
(Over)/Underspend 2010/11	100	0	100	324
Total Pooled Fund	<u>38</u>	<u>613</u>	<u>651</u>	<u>993</u>
Contributions to Pooled Fund				
North Yorkshire and York PCT	24	420	444	629
NYCC	14	193	207	364
Total Contributions	<u>38</u>	<u>613</u>	<u>651</u>	<u>993</u>

Equipment Pool

The Equipment pool was established in 2004 and provides for all purchases of community equipment for all age groups. The arrangement to pool budgets with the PCT has only been agreed for 3 of the 4 localities. Currently there is no pooled arrangement in the Selby locality; this may be developed in 2011/12.

	Scarborough			Total	Total
	Hambleton Richmondshire £000	Whitby Ryedale £000	Harrogate Craven £000	2010/11 £000	2009/10 £000
Gross Expenditure	149	338	216	703	634
Over/(Underspend) 2009/10	22	0	(51)	(29)	(91)
(Over)/Underspend 2010/11	(19)	(24)	78	35	29
Total Pooled Fund	<u>152</u>	<u>314</u>	<u>243</u>	<u>709</u>	<u>572</u>
Contributions to Pooled Fund					
North Yorkshire and York PCT	115	221	147	483	227
NYCC	37	93	96	226	345
Total Contributions	<u>152</u>	<u>314</u>	<u>243</u>	<u>709</u>	<u>572</u>

18. Disclosure of Remuneration

Regulations require the County Council to disclose the number of staff receiving payments, including taxable benefits, of more than £50k in the relevant financial year.

The number of employees who receive remuneration of over £50k are as follows. These figures include teachers employed directly by a school's governing body rather than by the local authority and the senior employees as identified at the end of this note :-

Band	2010/11			2009/10		
	Teachers	Other	Total	Teachers	Other	Total
£50,000 - £54,999	166	50	216	165	51	216
£55,000 - £59,999	100	34	134	68	23	91
£60,000 - £64,999	43	13	56	29	6	35
£65,000 - £69,999	23	1	24	22	4	26
£70,000 - £74,999	13	11	24	9	12	21
£75,000 - £79,999	5	3	8	3	4	7
£80,000 - £84,999	2	3	5	10	1	11
£85,000 - £89,999	8	0	8	4	0	4
£90,000 - £94,999	5	1	6	4	2	6
£95,000 - £99,999	2	2	4	3	1	4
£100,000 - £104,999	4	1	5	1	0	1
£105,000 - £109,999	2	1	3	0	0	0
£110,000 - £114,999	0	0	0	0	1	1
£115,000 - £119,999	0	1	1	1	2	3
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	2	2	0	1	1
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0
£145,000 - £149,999	0	1	1	0	0	0
£150,000 - £154,999	0	0	0	0	0	0
£155,000 - £159,999	0	0	0	0	0	0
£160,000 - £164,999	0	0	0	0	0	0
£165,000 - £169,999	0	0	0	0	0	0
£170,000 - £174,999	0	0	0	0	0	0
£175,000 - £179,999	0	0	0	0	0	0
£180,000 - £184,999	0	0	0	0	1	1
	<u>373</u>	<u>124</u>	<u>497</u>	<u>319</u>	<u>109</u>	<u>428</u>

The Regulations also require the County Council to disclose the individual remuneration details of senior employees, under the following categories:

- (i) salary, fees and allowances;
- (ii) bonuses;
- (iii) expenses allowance;
- (iv) compensation for loss of employment;
- (v) employer's pension contribution;
- (vi) any other emoluments.

The regulations also require that persons whose salary is in excess of £150,000 per annum must be identified by name and that certain senior employees whose salary is £50,000 or more per year but less than £150,000, must be listed individually by way of job title.

Unless otherwise stated, none of the senior officers received fees, bonuses or compensation for loss of employment or any other emoluments in 2010/11 or 2009/10.

	2010/11 £	2009/10 £
Chief Executive		
Richard Flinton (1st July 2010 to 31st March 2011)		
John Marsden (1st April 2009 to 31st March 2010)		
<i>NB – (i) John Marsden resigned from the post of Chief Executive on 31st March 2010 (ii) the post was vacant between 1st April 2010 & 30th June 2010 (iii) Richard Flinton became Chief Executive on 1st July 2010 and the 2010/11 figures relate to the value of payments made to him for the part year (iv) the annualised salary for the post in 2010/11 is £155,000</i>		
Salary, Fees and Allowances	116,250	183,935
Expense Allowances	398	205
Pension contributions	<u>22,320</u>	<u>35,316</u>
Total Remuneration including Pension contributions	<u>138,968</u>	<u>219,456</u>
Assistant Chief Executive (Policy, Performance and Partnerships)		
Salary, Fees and Allowances	94,479	90,842
Expense Allowances	93	131
Pension contributions	<u>18,140</u>	<u>17,442</u>
Total Remuneration including Pension contributions	<u>112,712</u>	<u>108,415</u>
Assistant Chief Executive (Human Resources and Organisational Development)		
Salary, Fees and Allowances	98,267	98,267
Expense Allowances	192	208
Pension contributions	<u>18,867</u>	<u>18,867</u>
Total Remuneration including Pension contributions	<u>117,326</u>	<u>117,342</u>
Assistant Chief Executive (Legal and Democratic Services)		
Salary, Fees and Allowances	98,267	94,479
Expense Allowances	0	0
Pension contributions	<u>18,867</u>	<u>18,140</u>
Total Remuneration including Pension contributions	<u>117,134</u>	<u>112,619</u>
Corporate Director of Business and Environmental Services		
<i>NB – (i) the postholder resigned on 30th June 2010 (ii) a new director was appointed to this post on 19th July 2010 on an annualised salary of £107,479</i>		
Salary, Fees and Allowances	104,147	111,267
Expense Allowances	603	208
Pension contributions	<u>19,996</u>	<u>21,363</u>
Total Remuneration including Pension contributions	<u>124,746</u>	<u>132,838</u>
Corporate Director of Children and Young People's Services		
Salary, Fees and Allowances	128,975	128,975
Expense Allowances	165	239
Pension contributions	<u>24,763</u>	<u>24,763</u>
Total Remuneration including Pension contributions	<u>153,903</u>	<u>153,977</u>
Corporate Director of Adult and Community Services		
Salary, Fees and Allowances	118,739	118,739
Expense Allowances	439	503
Pension contributions	<u>22,798</u>	<u>22,798</u>
Total Remuneration including Pension contributions	<u>141,976</u>	<u>142,040</u>

	2010/11	2009/10
	£	£

Corporate Director of Finance and Central Services

NB – The 2010/11 figures include an allowance for temporarily undertaking the role of ‘Head of Paid Service’ between 1st April 2010 and 30th June 2010

Salary, Fees and Allowances	124,889	118,739
Expense Allowances	165	99
Pension contributions	23,979	22,798
Total Remuneration including Pension contributions	<u>149,033</u>	<u>141,636</u>

Termination Benefits

The County Council terminated the contracts of a 188 employees in 2010/11 (54 in 2009/10), incurring costs of £1,477k (£364k in 2009/10).

19. Agency Services

The County Council has an agency arrangement with Scarborough Borough Council for maintaining highways within parts of the Scarborough Borough Council area on behalf of the County Council. Reimbursements totalling £1,562k, (£1,362k in 2010/11) were due for these works, including a contribution towards administrative costs.

20. Disposal of Property, Plant and Equipment

Harrogate Grammar School gained Academy School status from 1st March 2011. As a consequence the school’s Land and Building assets of £26.8m transferred to the Academy Trust from that date and have now been removed from the County Council's Balance Sheet. In addition, the Local Authority Accounting Code of Practice requires a 'transfer of assets for no consideration' or 'loss on disposal of fixed assets' charge to be included in the Comprehensive Income and Expenditure Account. This exceptional £26.8m loss is purely notional and does not impact on the County Council's General Working Balance or Council Tax levy.

Other disposals in the year resulted in a net surplus of £0.3m (£23k in 2009/10).

21. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2010/11

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
As at 1st April 2010	1,356,454	68,156	475,769	9,806	5,553	1,915,738
Additions	25,865	15,263	40,071	368	2,431	83,998
Disposals	(27,520)	0	0	(636)	0	(28,156)
Transferred to Assets Held for Sale	(3,550)	0	0	543	0	(3,007)
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	(30,002)	0	0	(668)	0	(30,670)
Recognised in Provision of Services	(148,511)	0	0	(855)	0	(149,366)
As at 31st March 2011	1,172,736	83,419	515,840	8,558	7,984	1,788,537
Depreciation and Impairments						
As at 1st April 2010	(99,605)	(42,702)	(92,386)	(209)	0	(234,902)
Charge for the year	(34,395)	(10,773)	(12,896)	(164)	0	(58,228)
Disposals	730	0	0	10	0	740
Transferred to Assets Held for Sale	663	0	0	0	0	663
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	16,780	0	0	143	0	16,923
Recognised in Provision of Services	32,559	0	0	56	0	32,615
As at 31st March 2011	(83,268)	(53,475)	(105,282)	(164)	0	(242,189)
Balance Sheet Net Amount at 31st March 2011	1,089,468	29,944	410,558	8,394	7,984	1,546,348
Balance Sheet Net Amount at 31st March 2010	1,256,849	25,454	383,383	9,597	5,553	1,680,836

Comparative Movements in 2009/10

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
As at 1st April 2009	1,330,891	53,496	441,742	12,427	0	1,838,556
Additions	31,547	14,660	34,027	155	5,553	85,942
Disposals	(826)	0	0	(176)	0	(1,002)
Transferred to Assets Held for Sale	(627)	0	0	(1,717)	0	(2,344)
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	2,908	0	0	(108)	0	2,800
Recognised in Provision of Services	(7,439)	0	0	(775)	0	(8,214)
As at 31st March 2010	1,356,454	68,156	475,769	9,806	5,553	1,915,738
Depreciation and Impairments						
As at 1st April 2009	(66,987)	(33,342)	(80,492)	0	0	(180,821)
Charge for the year	(35,061)	(9,360)	(11,894)	(209)	0	(56,524)
Disposals	287	0	0	0	0	287
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	1,410	0	0	0	0	1,410
Recognised in Provision of Services	746	0	0	0	0	746
As at 31st March 2010	(99,605)	(42,702)	(92,386)	(209)	0	(234,902)
Balance Sheet Net Amount at 31st March 2010	1,256,849	25,454	383,383	9,597	5,553	1,680,836
Balance Sheet Net Amount at 31st March 2009	1,263,904	20,154	361,250	12,427	0	1,657,735

Property reclassified as Assets Held for Sale was transferred from Property, Plant and Equipment at a net value of £2,344k (£2,344k in 2009/10).

During 2010/11 the County Council recognised impairment losses of £149.9m in relation to its land and buildings and surplus assets. Impairment losses were recognised within the Comprehensive Income and Expenditure Statement under the following sections.

	2010/11 £000	2009/10 £000
Impairment losses recognised within the Surplus or Deficit of Provision of Services	116,751	7,468
Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	33,139	6,636
	<u>149,890</u>	<u>14,104</u>

The 2010/11 impairment was mainly due to a reduction in the value of Land following the revaluation of the County Council's Secondary Schools in the financial year.

22. Valuation of Non Current Assets

The following statement shows the progress of the County Council's rolling programme for the revaluation of property, plant and equipment. Valuations were carried out by an external valuer – Bruton Knowles, with the effective date for 2010/11 valuation purposes being 1st April 2010:-

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	9,472	29,944	410,558	0	449,974
Valued at current value in :-					
2010/11	572,258				572,258
2009/10	66,979				66,979
2008/09	457,137				457,137
2007/08	0				0
2006/07 and prior	0				0
Total Tangible Fixed Assets	<u>1,105,846</u>	<u>29,944</u>	<u>410,558</u>	<u>0</u>	<u>1,546,348</u>

The County Council's Secondary Schools were revalued in accordance with the five year rolling programme.

The County Council is not aware of any material change in value for assets, which were not re-valued as at 1st April 2010.

23. Major Areas of Capital Spending

Major areas of capital spending, over £0.5m during 2010/11 were:-

	Actual £000
Children and Young People's Service	
- Richmond School - Building Schools for the Future	9,197
- Devolved Capital Funding to schools	8,646
- ICT Harnessing Technology	6,688
- School projects funded from capital contributions	6,668
- Suitability for purpose schemes	6,664
- Primary Capital Programmes	6,923
- Capitalised Repairs and Maintenance	4,166
- Childrens Centres	4,160
- Health and Safety	2,926
- Special Educational Needs	2,305
- Early Years Settings - Childrens Centres play area and equipment	1,761
- Pupil Referral Units and Special Schools	1,223
- Schools Access Initiative	990
- Aiming High for Disabled Children	875
- Kitchen Dining Facilities	803
- ICT Hardware	604
- Catering Equipment	565
- Additional Classroom Capacity	564
- 14 - 19 Rural Development	514
Business and Environmental Services	
- Structural Maintenance of Roads	24,823
- Rationalisation of Highways Depots and Provision of Salt Barns	4,507
- Integrated Transport Block Provision (inc. fees)	4,098
- Structural Maintenance on Bridges	3,612
- New and Replacement Road Lighting Columns	3,051
- Regional Funding Allocation - Local Transport Provision	3,001
- Scarborough Integrated Transport Scheme	1,558
- Waste Management Service	842
Adult and Community Services	
- Harrogate Library - Lottery Scheme	1,579
- "Our Future Lives" Older Peoples Resource Centre	703
- "Our Future Lives" Extra Care Scheme	520
Other County Services	
- Loans to Limited Companies	2,787
- Skipton Bright Office Strategy	1,907
- Travellers' Sites	1,176
- Affordable Housing Fund	902
- Northallerton Bright Office Strategy	971
- Material Damage Provision	880
- ICT expenditure funded from revenue	788

Revenue Expenditure Funded From Capital Under Statute

Expenditure may be incurred by the County Council that is of a capital nature for statutory purposes but does not considered capital expenditure for the purposes of these accounts. A contribution to other public bodies for their capital purposes is such an example. In 2010/11 expenditure of this type was £10,855k (£3,573k in 2009/10)

The County Council has an approved Capital Plan for 2011/12 of £120.8m. Of this £110.4m is committed expenditure as at 1st April 2011. It should be noted, however, that this figure includes a significant element, (£59.4m), relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2011.

The remaining £51.0m consisted of the following:-

	£000
Children and Young People's Service	
- Primary Capital Programme	9,096
- Various School Accommodation Schemes	6,815
- Pupil Referral Units and Special Schools	5,604
- Building Schools for the Future - Richmond School	5,271
- Special Educational Needs / Behaviour Review 2008-2011	992
- 14-19 Development Plan	2,225
- National Digital Infrastructure programme	6,585
Business and Environmental Services	
- Rationalisation of Highways Depots and Provision of Salt Barns	2,719
- New and Replacement Road Lighting Columns	3,225
- Scarborough Integrated Transport Scheme	1,646
Adult and Community Services	
- Disability Respite Centre, Skipton	1,059
Other County Services	
- Harrogate Bright Office Strategy	1,800
- Other	3,922
	<u>50,959</u>

24. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under Finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the County Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the County Council that has yet to be financed from Revenue. The CFR is analysed in the second part of this note.

	2010/11		2009/10	
	£000	£000	£000	£000
Capital Expenditure and it's financing				
Capital Investment				
Property, Plant and Equipment		118,647		110,718
Investment properties		41		0
Intangible assets		1,245		610
Revenue Expenditure Funded from Capital under statute		10,855		3,573
		130,788		114,901

Sources of Finance				
Capital receipts		1,383		5,565
Government grants and other contributions		65,684		62,350
Direct Revenue contributions		20,324		16,691
Increase in underlying need to borrow supported by Government financial assistance	33,952		30,295	
unsupported by Government financial assistance	9,445	43,397	0	30,295
		130,788		114,901

	2010/11		2009/10	
	£000	£000	£000	£000
Capital Financing Requirement (CFR)				
Opening Capital Financing requirement		385,942		364,518
Inclusion in CFR of :				
PFI (in 2009/10)		0		5,571
Finance Leases (in 2010/11)		1,235		0
Movement in year				
Increase in underlying need to borrow		43,397		30,295
MRP - capital spending funded by borrowing	(15,044)		(14,375)	
- PFI contracts	(178)		(67)	
- Finance Leases	(50)	(15,272)	0	(14,442)
Assets acquired under PFI contracts		0		0
Assets acquired under Finance leases		0		0
Closing Capital Financing Requirement		415,302		385,942
Increase in Capital Financing Requirement		29,360		21,424
Closing CFR consists of				
Capital spending Funded by borrowing		408,791		380,438
PFI contracts		5,326		5,504
Finance Leases		1,185		0
CFR at 31st March		415,302		385,942

The difference between the £130.8m capital investment above and the £93.1m additions in note 21 relates to expenditure of £1.2m on Intangible Fixed Assets, £2.7m on Revenue Expenditure Funded from Capital Under Statute, £31.0m of capital expenditure which resulted in no value being added to the County Council asset base and an increase of £2.8m in the loan to NYnet Limited in 2010/11.

25. Intangible Assets

An intangible item may meet the definition of an asset when “access to the future economic benefits” is controlled by an authority through custody or legal protection. Examples of this type of expenditure within the County Council’s Capital Plan include:-

- Adult and Community Services partnership schemes where the County Council holds nomination rights to services
- Other Adult and Community Services schemes where the County Council receives an ongoing benefit through improved service
- ICT schemes providing infrastructure services and ongoing benefit to the County Council.

Details of Intangible Assets in 2010/11 are as follows:-

	31st March 2011 £000	Charge to Revenue 2010/11 £000	Capitalised 2010/11 £000	31st March 2010 £000
Adult and Community Services				
- Extra Care Facilities	2,800	(113)	520	2,393
- Ripon Extra Care	230	(12)	0	242
- Easingwold Extra Care	1,552	(80)	0	1,632
- Older Peoples Resource Centre	1,077	(67)	703	441
- Valuing People - Day Centre Provision	184	(19)	22	181
- Milestone House - Respite Centre	36	(2)	0	38
- Mental Health Supported Expenditure	145	(19)	0	164
- Improving the Home Care Environment	703	(34)	0	737
Corporate				
- Wide Area Network	8	(66)	0	74
- Standard Desktop	0	(63)	0	63
- Transformation ICT	0	1	0	(1)
- ICT Software - provision for Integrated Children System	51	(275)	0	326
	<u>6,786</u>	<u>(749)</u>	<u>1,245</u>	<u>6,290</u>

In line with the assessed life of the benefits received by the County Council, the intangible assets are being amortised to the Comprehensive Income and Expenditure Statement and held in the Balance Sheet until they have been fully written down.

The County Council has an approved Capital Plan for 2011/12 of £120.8m of which £7.6m relates to Intangible Assets.

The movement on Intangible Asset balances during the year is as follows:-

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at start of year			
Gross carrying amount	12,388	11,778	10,547
Accumulated amortisation	<u>(6,098)</u>	<u>(4,814)</u>	<u>(3,510)</u>
	6,290	6,964	7,037
Additions	1,245	610	1,231
Amortisation in year	<u>(749)</u>	<u>(1,284)</u>	<u>(1,304)</u>
Balance at end of year	<u>6,786</u>	<u>6,290</u>	<u>6,964</u>
Comprising			
Gross carrying amount	13,633	12,388	11,778
Accumulated amortisation	<u>(6,847)</u>	<u>(6,098)</u>	<u>(4,814)</u>
	<u>6,786</u>	<u>6,290</u>	<u>6,964</u>

26. Investment Properties

The County Council has determined that County Farm properties are classified as investment properties. The following table summarises the movement in the fair value of these properties over the year.

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at start of year	26,724	12,959	16,309
Additions (subsequent expenditure)	41	3	75
Disposals	(147)	(2,234)	(3,425)
Net gain from revaluations	<u>1,617</u>	<u>15,996</u>	<u>0</u>
Balance at end of year	<u>28,235</u>	<u>26,724</u>	<u>12,959</u>

The County Council has no restriction on its ability to realise the value inherent in its investment property or its right to the remittance of income and the proceeds from disposal.

The following items of income and expense have been accounted for within the Financing and Investment Income section of the Comprehensive Income and Expenditure Statement, under Investment properties:-

	2010/11 £000	2009/10 £000
Rental Income from Investment Property	370	408
Direct operating expenses	(571)	(326)
Profit on disposal	57	220
Net gain from revaluations	<u>1,617</u>	<u>15,996</u>
Total transactions relating to Investment Properties	<u>1,473</u>	<u>16,298</u>

The County Council has certain contractual obligations in relation to repairing and maintaining these investment properties.

27. Current Assets Held for Sale

Assets held for sale are those properties that are currently marketed and it is anticipated will be sold within 12 months of the reporting period.

	2010/11 £000	2009/10 £000	2008/09 £000
Balance at start of year	2,119	1,748	2,849
Reclassification as held for sale	2,344	2,344	1,113
Net (loss) from revaluations	(2,017)	(497)	(335)
Disposals	<u>(307)</u>	<u>(1,476)</u>	<u>(1,879)</u>
Balance at end of year	<u>2,139</u>	<u>2,119</u>	<u>1,748</u>

28. Cash and Cash Equivalents

Cash and Cash Equivalents represents balances held within bank current accounts and short term investments that are of a highly liquid nature and the balance is made up of the following elements:-

	2010/11 £000	2009/10 £000	2008/09 £000
Bank current accounts and cash held by the County Council	37,115	40,154	29,074
Short-term / call deposits	<u>55,212</u>	<u>49,169</u>	<u>39,857</u>
Total Cash and Cash Equivalents	<u>92,327</u>	<u>89,323</u>	<u>68,931</u>

29. Long Term Investments

The County Council holds long term investments in Yorwaste Limited, NYnet Limited and Veritau Limited - which are all local authority owned companies, as follows:-

	Shareholding %	Shareholding £000	Dividends £000
Yorwaste Limited	77.73	3,518	0
NYnet Limited	100.00	0	0
Veritau Limited	50.00	0	0

These companies' Profit and Loss Account are not included as part of the Comprehensive Income and Expenditure Statement shown on page 30. However, any dividend income received is included as part of the County Council's income for 2010/11. Similarly, these companies' Assets and Liabilities are not included in the County Council's Balance Sheet on page 34. The County Council has determined, however, that it has a group relationship with these three companies and both therefore have been incorporated into it's Group Accounts on pages 102 to 116.

Brief details of these Companies are as follows:-

Name :- Yorwaste Limited
Business :- The management, transport and disposal of waste

Name :- NYnet Limited
Business :- The provision of broadband infrastructure in North Yorkshire

Name :- Veritau Limited
Business :- The provision of Internal Audit and Information Governance Services

	Yorwaste Limited			NYnet Limited			Veritau Limited		
	31st March	31st March	31st March	31st March	31st March	31st March	31st March	31st March	31st March
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Assets / (Liabilities)	11,638	10,922	10,756	(6,259)	(6,612)	(4,712)	35	386	0
Loans from NYCC	3,700	3,700	3,700	7,629	4,842	5,785	0	0	0
Profit/(Loss) for the year :									
Before Tax	1,621	2,290	248	(698)	(1,909)	(3,047)	179	356	0
After Tax	716	1,543	271	(445)	(1,008)	(3,047)	141	281	0

Copies of these companies' Accounts are held by Finance and Central Services, County Hall, Northallerton.

The County Council had no cash investments for greater than one year as at 31st March 2011 which fall into the category of long term investments.

30. Long Term Debtors

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
North Yorkshire Police Authority Long Term Debt	942	1,177	1,412
Car Loans	131	291	306
Economic Development Loans	8	11	13
Loans to Limited Companies	11,329	8,542	9,485
Loan to North Yorkshire Credit Union	200	200	0
Long Term Payments in Advance	166	1	0
	<u>12,776</u>	<u>10,222</u>	<u>11,216</u>
Less: Bad Debts Provision	(953)	(11)	(12)
	<u>11,823</u>	<u>10,211</u>	<u>11,204</u>

Loan balances are increased by any new loans and reduced as a loan is repaid. Loans to limited companies, (Yorwaste and NYnet), and the North Yorkshire Credit Union have been made under "well being powers".

31. Landfill Allowances Trading Scheme (LATS)

The Landfill Allowances Trading Scheme (LATS) was introduced by the Government from April 2005 in order to reduce the amount of waste being land filled. The Department for Environment, Food and Rural Affairs (DEFRA) have allocated annual LATS allowances to each waste disposal authority to allow them to landfill a limited volume of waste between 2005/06 and 2019/20. Allowances can be traded between local authorities as necessary in order to meet projected landfill requirements.

LATS Allowances are classed as a current intangible asset. The County Council received an allocation of 127,936 allowances in 2010/11. The County Council have made a Provision for and are forecast to use 126,729 of these allocated 2010/11 allowances in 2010/11, which will leave an estimated balance of unused allowances of 1,207. In line with DEFRA Rules, these unused allowances can be carried forward into 2011/12 (no un-used allowances were allowed to be brought forward 2009/10 under these DEFRA rules). DEFRA have indicated to local authorities that these allowances have been valued at £12.50 per tonne and this valuation figure has been used to calculate the value of "vintage" 2010/11 LATS Allowances less the forecast provision for usage of LATS allowances in 2010/11.

In addition the County Council, in 2010/11 purchased from another local authority, 15,000 allowances which can be used in 2011/12 and 30,000 allowances in relation to 2012/13. The total cost of purchasing these allowances was £180k. These allowances are also held as Intangible Current Assets.

Summary LATS Position 2010/11

	£000
Current Intangible Assets (LATS Allowances)	1,906
Provision (for allowances to be used in 2010/11)	<u>(1,584)</u>
Carry Forward Allowances held in LATS Reserve	<u>322</u>

The Comprehensive Income and Expenditure Statement also includes £1,727k Income and Expenditure in respect of LATS within the Net Cost of Services.

32. Inventories

	Highways Materials £000	Computers and ICT Stock £000	Catering £000	Other £000	Total £000
As at 1st April 2010					
Opening Balance	280	385	422	28	1,115
Purchases in year	1,707	51	4,828	199	6,785
Stock utilised in-year	<u>(1,531)</u>	<u>(127)</u>	<u>(4,772)</u>	<u>(208)</u>	<u>(6,638)</u>
As at 31st March 2011	<u>456</u>	<u>309</u>	<u>478</u>	<u>19</u>	<u>1,262</u>
Prior Year					
As at 1st April 2009					
Opening Balance	513	440	424	38	1,415
Purchases in year	1,439	826	4,894	200	7,359
Stock utilised in-year	<u>(1,672)</u>	<u>(881)</u>	<u>(4,896)</u>	<u>(210)</u>	<u>(7,659)</u>
As at 31st March 2010	<u>280</u>	<u>385</u>	<u>422</u>	<u>28</u>	<u>1,115</u>

33. Short Term Debtors

	31st March 2011		31st March 2010		31st March 2009	
	£000	£000	£000	£000	£000	£000
Government Entities						
Central Government Bodies	9,016		14,836		16,628	
Other Local Authorities	3,387		3,738		3,496	
NHS Bodies	<u>378</u>	12,781	<u>3,053</u>	21,627	<u>3,628</u>	23,752
General Debtors (including Public Corporations and Trading Funds)		22,779		21,128		19,804
Payments in Advance		<u>5,612</u>		<u>11,452</u>		<u>7,639</u>
		41,172		54,207		51,195
Less: Bad Debts Provision		<u>(4,220)</u>		<u>(5,117)</u>		<u>(5,192)</u>
Total Short Term Debtors		<u>36,952</u>		<u>49,090</u>		<u>46,003</u>

Included within the £22.8m for General Debtors and £12.8m for Government Entities is £8.8m, (£7.5m General and £1.3m Government), in respect of debtor invoices which were raised and issued before 31st March 2011, but for which no payment has been received from a debtor. The remaining £26.8m relates to debtor accruals for which no invoice had been raised by the County Council as at 31 March 2011.

34. Short Term Creditors

	31st March 2011		31st March 2010		31st March 2009	
	£000	£000	£000	£000	£000	£000
Government Entities						
Central Government Bodies	13,698		12,680		10,096	
Other Local Authorities	4,501		7,958		10,605	
NHS Bodies	<u>694</u>	18,893	<u>1,133</u>	21,771	<u>786</u>	21,487
General Creditors (including Public Corporations and Trading Funds)		53,960		54,795		56,145
Income in Advance		<u>21,447</u>		<u>19,158</u>		<u>13,182</u>
Total Short Term Creditors		<u>94,300</u>		<u>95,724</u>		<u>90,814</u>

Included within the £54.0m for General Creditors and £18.9m for Government Entities is £12.1m, (£10.4m General and £1.7m Government), relating to invoices processed shortly after 31st March 2011 but which have been charged to the 2010/11 Accounts. The remaining £60.8m relates to costs accrued into 2010/11, where no invoice had been received as at 31 March 2011.

35. Insurance Provisions and Reserves

Sums are set aside to provide for the settlement of ongoing claims (identified as Provisions) and to provide for anticipated events which might give rise to claims (identified as Reserves). These sums have been determined after consultation with the County Council's insurers. Additionally, the County Council has made arrangements with its insurers to provide cover for:-

- (a) Individual liability and motor claims in excess of £0.1m (£0.1m in 2009/10);
- (b) Individual material damage claims in excess of £0.1m (£0.1m in 2009/10);
- (c) Liability claims aggregating over £1.8m (£1.6m in 2009/10);
- (d) Motor claims aggregating over £0.4m (£0.4m in 2009/10);
- (e) Material damage claims aggregating over £0.5m (£0.5m in 2009/10).

36. Provisions

	Balance as at 31st March 2010 £000	Provision made during year £000	Provision used during year £000	Balance as at 31st March 2011 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	11,378	10,072	(11,378)	10,072	10,072	0	10,072
County Care Scheduling System	81	0	0	81	81	0	81
Social Services s.117 Income	450	0	0	450	100	350	450
Minerals and Waste	76	0	(76)	0	0	0	0
Highways Advance Payments	1,977	0	(978)	999	812	187	999
Waste Management	213	0	(68)	145	36	109	145
Landfill Allowances	0	1,584	0	1,584	1,584	0	1,584
Insurance	3,543	1,667	(707)	4,503	845	3,658	4,503
Restructure Costs	0	1,460	0	1,460	1,408	52	1,460
	<u>17,718</u>	<u>14,783</u>	<u>(13,207)</u>	<u>19,294</u>	<u>14,938</u>	<u>4,356</u>	<u>19,294</u>

Comparative Movements in 2009/10

	Balance as at 31st March 2009 £000	Provision made during year £000	Provision used during year £000	Balance as at 31st March 2010 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,395	11,378	(9,395)	11,378	11,378	0	11,378
County Care Scheduling System	81	0	0	81	81	0	81
Social Services s.117 Income	450	0	0	450	0	450	450
Minerals and Waste	100	0	(24)	76	0	76	76
Highways Advance Payments	1,599	632	(254)	1,977	0	1,977	1,977
Waste Management	31	182	0	213	181	32	213
Insurance	2,955	1,319	(731)	3,543	717	2,826	3,543
	<u>14,611</u>	<u>13,511</u>	<u>(10,404)</u>	<u>17,718</u>	<u>12,357</u>	<u>5,361</u>	<u>17,718</u>

Accumulated Absences

A provision for employee benefits that have been accrued but not taken as at the period end; this balance primarily relates to holiday pay earned but not paid. The largest balance within this relates to those employees on school employee payment terms. This IFRS related provision is a non-cash provision and is balanced by an Accumulated Absences Account within the Unusable Reserves section of the Balance Sheet.

County Care Scheduling System

Adult and Community Services are installing a "Staff Scheduling System" for the Home Care Services. As a result of delays a provision was established to meet the system implementation and initial support costs which will now fall in 2011/12.

Social Services s.117 Income

Adult and Community Services can no longer charge for after-care services under s.117 of the Mental Health Act 1983. A provision has been established to cover the potential repayment of income already collected and accounted for.

Minerals and Waste Local Development Framework (LDF)

The County Council is required to produce a Minerals and Waste Local Development Framework (LDF) document and a provision has been established to fund the costs of it's production.

Highways Advance Payments

Where building work is undertaken which fronts onto a private street, a deposit under the Advance Payment Code is required from developers in respect of the cost of necessary street works. A provision is maintained in the Accounts representing deposits held where the liability of the developer has not yet been discharged.

Waste Management

A number of rent increases are outstanding on Waste Disposal sites, and a provision has been established to fund the increases when they are finally agreed.

Landfill Allowances

The provision represents the estimated use of Landfill Allowances allocated to the County Council in 2010/11 by DEFRA. The County Council estimates it will use 126,729 allowances in 2010/11 and the value of these allowances, and the obligation the County Council has to DEFRA is valued at £12.50 per tonne. This Provision is however purely notional and is off-set by the allocation of 127,936 landfill allowances in 2010/11 by DEFRA which are held in the Balance Sheet (at £12.50 per tonne) as a Current Intangible Asset

Insurance

Self-funding arrangements for employer's, public liability and motor claims have been established and an insurance provision has been created for this purpose. The County Council is unable to accurately determine when the longer term (to be used in excess on one year) provision will be utilised.

Restructure Costs

A provision of £1.5m has been made where as a result of some of the current restructures been undertaken at the Balance Sheet date there is a commitment by the County Council to terminate the employment of certain groups of employees before their normal retirement date and there has also been some advanced-acceptance by some employees of voluntary redundancy.

37. Usable Reserves

Supplementary to the Movement in Reserve Statement the following tables identify detail of the adjustments between the accounting basis and funding basis under regulations by reserve. The reserves are grouped by usable reserves and unusable reserves.

(a) General Working Balance

	2010/11 £000	2009/10 £000
General Working Balance at Start of Period	<u>(17,569)</u>	<u>(21,688)</u>
Comprehensive Income and Expenditure Charged to the General Balance	<u>78,194</u>	<u>(10,221)</u>
Adjustments between accounting basis & funding basis under regulations		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Amortisation of Intangible Assets	(749)	(1,284)
Charges for depreciation and impairment of non current assets	(59,106)	(56,524)
Revaluation losses on Property Plant and Equipment	(118,769)	(7,965)
Impairment from non enhancing capital expenditure	(30,982)	(24,572)
Movements in the value of Investment Properties	1,617	15,996
Capital Grants and Contributions	65,998	73,366
Revenue Expenditure Funded from Capital under Statute	(10,855)	(3,573)
Carrying Value of non current assets written off on disposal	(27,872)	4,622
Pension Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	6,478	(52,242)
Collection Fund Adjustment		
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	157	667
Accumulating Short Term Compensated Absences Account		
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	1,306	(1,983)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Statutory Provision for the financing of capital investment	15,272	14,693
Capital Expenditure charged against the General Working Balance	20,324	16,691
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,383	(4,425)
Pension Reserve		
Employers pension contribution payable in the year	35,952	35,476
Total of adjustments between accounting basis and funding basis under regulations	<u>(99,846)</u>	<u>8,943</u>
Transfers from /(to) Earmarked Reserves	<u>15,272</u>	<u>5,397</u>
General Working Balance at Period End	<u>(23,949)</u>	<u>(17,569)</u>

(b) Earmarked Reserves

	Balance 31st March 2011 £000	Movement in Year 2010/11 £000	Balance 31st March 2010 £000	Movement in Year 2009/10 £000	Balance 31st March 2009 £000
Earmarked for Schools					
Local Management of Schools	27,100	8,386	18,714	334	18,380
Schools Block / DSG	10,800	1,287	9,513	(115)	9,628
	<u>37,900</u>	<u>9,673</u>	<u>28,227</u>	<u>219</u>	<u>28,008</u>
Retained for Specific Initiatives					
Children and Young People's Service					
- Teachers' Severance	2,015	(483)	2,498	898	1,600
- Special Educational Needs	1,899	(155)	2,054	824	1,230
- Children's Centres	347	90	257	(461)	718
- Catering Information System	20	0	20	0	20
- Building Schools for the Future	110	0	110	110	0
- Education for looked after children	76	66	10	10	0
- High Needs Prevention	380	0	380	380	0
- Learning Difficulties & Disabilities	395	0	395	395	0
- Continuing Education	668	0	668	0	668
- 16-19 Transfer (Machinery of Govt)	413	0	413	(7)	420
- Asbestos	0	0	0	(80)	80
- Gas Ventilation in schools	0	0	0	(1,720)	1,720
Business and Environmental Services					
- Landfill Allowances	322	322	0	0	0
- Winter Maintenance	2,000	2,000	0	(250)	250
- Highways - Traffic Signals	229	(59)	288	(132)	420
- Production of Minerals Core Strategy	570	113	457	457	0
- Initiative and Transformation	766	(211)	977	977	0
- Selby Swing Bridge	563	163	400	400	0
- Trading Stds Proceeds of Crime Act	122	0	122	122	0
- YDHTP	31	6	25	25	0
- Accountable Body - YDHTP	26	0	26	26	0
- Mowthorpe Bridge	400	400	0	0	0
- Highways Advance Payments	1,569	1,569	0	0	0
Corporate					
- Boilers and Kitchens	0	(400)	400	(35)	435
- Area Based Grant	1,852	(2,499)	4,351	(134)	4,485
- LAA Performance Reward Grant	5,586	3,527	2,059	2,059	0
- Insurance (note 35)	5,904	(3,510)	9,414	(143)	9,557
- Redundancy	903	903	0	0	0
- Credit Union	85	85	0	0	0
- NY Advice Services Partnership	7	7	0	0	0
- Elections	83	83	0	0	0
- ICT Equipment / Development	1,357	719	638	(464)	1,102
- ICT Microsoft / Broadband	897	897	0	0	0
- Job Evaluation	0	0	0	(345)	345
- Contractors	847	633	214	12	202
	<u>30,442</u>	<u>4,266</u>	<u>26,176</u>	<u>2,924</u>	<u>23,252</u>

(b) Earmarked Reserves (cont)

	Balance 31st March 2011 £000	Movement in Year 2010/11 £000	Balance 31st March 2010 £000	Movement in Year 2009/10 £000	Balance 31st March 2009 £000
Reserves of Trading and Service Units					
Education Trading Reserves	1,634	197	1,437	488	949
Catering Service	758	(15)	773	499	274
Schools R & M Scheme	238	492	(254)	200	(454)
Building Cleaning	954	316	638	311	327
School Library Services	0	4	(4)	(69)	65
Print Unit	61	(110)	171	(29)	200
Grounds Maintenance	49	(17)	66	39	27
Health and Wellbeing	8	8	0	0	0
CYPS - HR Services	56	30	26	2	24
	<u>3,758</u>	<u>905</u>	<u>2,853</u>	<u>1,441</u>	<u>1,412</u>
Revenue Grant Reserves					
Children and Young People's Service					
- Schools Capital Projects	4,705	(1,580)	6,285	1,106	5,179
- Area Based Grant	2,116	2,116	0	0	0
- Other	1,382	966	416	(28)	444
Business and Environmental Services					
- Economic Development Grants	462	(7)	469	469	0
- Other	801	528	273	9	264
Adult and Community Services					
- Supporting People Initiative	0	(1,753)	1,753	(743)	2,496
- Stroke Support Grant	94	94	0	0	0
Chief Executives Miscellaneous	64	64	0	0	0
	<u>9,624</u>	<u>428</u>	<u>9,196</u>	<u>813</u>	<u>8,383</u>
Total Earmarked Reserves	<u>81,724</u>	<u>15,272</u>	<u>66,452</u>	<u>5,397</u>	<u>61,055</u>

(c) Capital Receipts Reserve

The Capital Receipts Reserve records balances of monies received from capital disposals that can be retained for qualifying capital purposes, expenditure of a capital nature or repayment of borrowings.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Opening Balance	0	0	0
Transfer of sale proceeds credited as part of the gains / loss on disposal to the Comprehensive Income and Expenditure Statement	1,383	4,425	5,304
Use of the Capital Receipts Reserve to finance new expenditure	(1,383)	(4,425)	(5,304)
Closing Balance	<u>0</u>	<u>0</u>	<u>0</u>

(d) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve is introduced under IFRS requirements, IAS 20 Accounting for Government Grants. The reserve holds the balances of capital grants received where the conditions of use have been met but the actual expenditure has not been incurred. This reserve is classified as a usable reserve as the balances held within this account can be utilised to fund future expenditure of a capital nature.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Opening Balance	13,348	2,332	601
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	65,998	73,366	60,575
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Reserve	(65,684)	(62,350)	(58,844)
Closing Balance	<u>13,662</u>	<u>13,348</u>	<u>2,332</u>

38. Unusable Reserves

(a) Revaluation Reserve

The Revaluation Reserve records the unrealised gains from the revaluation of Property, Plant and Equipment.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Opening Balance	159,415	162,156	170,027
IFRS Restatement Adjustment	0	0	(1,368)
Asset Revaluation within Other Comprehensive Income and Expenditure Statement	(14,133)	4,210	4,119
Addition of Assets	386	0	835
Adjustment between current value depreciation and historic cost depreciation	(5,214)	(6,242)	(6,264)
Write out of revaluation on disposal; Property, Plant and Equipment	(3,431)	(709)	(5,193)
Closing Balance	<u>137,023</u>	<u>159,415</u>	<u>162,156</u>

The revaluation reserve is built up from individual balances for each asset within the Property, Plant and Equipment categories of assets. No individual asset will have a negative revaluation balance even if the overall reserve is in surplus.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created; prior to this date the Capital Adjustment Account was used to record revaluation gains.

Revaluations arising on investment properties are under IFRS charged to the Surplus or Deficit on Provision of Services section of the Comprehensive Income and Expenditure Statement as and when they arise. Revaluation values for investment properties are therefore no longer held within the revaluation reserve.

(b) Council Tax Adjustment Account

The Council Tax Adjustment Account represents an Unusable Reserve in the Balance Sheet of the County Council. The County Council must show the accrued value of Council Tax Income relating to the County Council as at 31st March 2011 rather than the actual Council Tax paid over by Billing Authorities to the County Council during the Financial Year.

In addition, the County Council is required to show in its Balance Sheet provisions for the following:-

- Debtors for the County Council's share of Council Tax arrears at 31st March 2011
- Provision for bad debts of Debtors in relation to Council Tax arrears as at 31st March 2011
- Income in advance from Council Tax payers who have paid their Council Tax Bills early as at 31st March 2011
- Creditor provision where the billing authorities have under-collected Council Tax Income in-year compared to the value of Council Tax precepts actually paid over to the County Council in 2010/11.

The Council Tax Adjustment Account represents an adjustment between the Council Tax collected and paid over to the County Council by Billing Authorities in 2010/11, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2010/11. The Council Tax Adjustment Account also represents the County Council's actual net share of surplus or deficit in all the billing authorities collection funds combined at the end of 2009/10 and 2010/11 and can be calculated as follows:

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Council Tax Debtors	(8,953)	(8,693)	(8,346)
Provision for Doubtful Debts	3,940	3,902	4,082
Creditors for Pre-payments and Over-payments	4,139	4,129	4,096
Net creditors to the Billing Authority	<u>413</u>	<u>358</u>	<u>531</u>
Collection Fund Account Surplus	<u>(461)</u>	<u>(304)</u>	<u>363</u>
Movement in Year (note 9)	<u>(157)</u>	<u>(667)</u>	<u>1,377</u>

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and recognition of losses or gains under statutory provision. The County Council has no financial instruments of this nature; no adjustments are required on the financial assets and liabilities as the interest rates relating to them, (loans and investments), were fixed. This means no adjustments were made to the Comprehensive Income and Expenditure Statement which needed to reflect in the FIAA. Rescheduling of long term borrowing also has not resulted in any changes in the FIAA as all resulting premiums and discounts were charged directly to the Comprehensive Income and Expenditure Statement.

The accounting policies have been applied in full and no entries were required to be made to the FIAA for 2010/11. The balance on the FIAA is, therefore, zero in the Balance Sheet.

(d) Accumulated Absences Account

The Accumulated Absences Account is used to accrue for short term compensated absences such as holiday pay earned but not taken. This accrual is under statutory provision not a charge to the General Working Balance; this reserve holds the balance of the accrual within the unusable reserves section of the Balance Sheet.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Balance Brought Forward	11,378	9,395	0
Movement in Year	<u>(1,306)</u>	<u>1,983</u>	<u>9,395</u>
Closing Balance	<u>10,072</u>	<u>11,378</u>	<u>9,395</u>

(e) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The County Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefit are earned by employees; however, statutory arrangements require benefits earned to be financed as the County Council makes contributions to the pension fund. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the County Council has set aside to meet them.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Opening Balance	492,421	410,604	364,706
Change in Accounting Policy	0	0	473
Actuarial (gains) or losses on pension assets and liabilities	(47,731)	65,050	29,416
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,478)	52,243	49,548
Employers pension contribution payable in the year	<u>(35,952)</u>	<u>(35,476)</u>	<u>(33,539)</u>
Closing Balance	<u>402,260</u>	<u>492,421</u>	<u>410,604</u>

(f) Capital Adjustment Account

The Capital Adjustment Account records the historic cost of acquiring, creating or enhancing fixed assets, (including depreciation and impairment), over the life of those assets as well as the resources set aside to finance them.

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Opening Balance	1,181,647	1,158,686	997,590
Adjustments between accounting basis and funding basis under regulations			
IRFS Restatement Adjustment	0	0	208,689
Amortisation of Intangible Assets	(749)	(1,284)	(1,304)
Charges for depreciation and impairment of non current assets	(59,106)	(56,524)	(52,884)
Revaluation losses of Property, Plant and Equipment	(118,769)	(7,965)	(6,203)
Impairment from non enhancing capital expenditure	(30,982)	(24,572)	(18,020)
Movements in the value of Investment Properties	1,617	15,996	0
Capital Grants and Contributions	65,684	62,350	10,530
Revenue Expenditure Funded from Capital under Statute	(10,855)	(3,573)	(2,899)
Carrying Value of non current assets written off on disposal	(27,872)	4,622	(19,490)
Statutory Provision for the financing of capital	15,272	14,693	13,330
Capital Expenditure charged against the General Fund	20,324	16,691	12,654
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,383	(4,425)	5,304
Write down of long term debtors	(2)	0	(68)
Other Reserve Movements			
Adjustment between current value depreciation and historic cost depreciation	5,214	6,243	6,264
Write out of revaluation on disposal; Property, Plant and Equipment	3,431	709	5,193
Closing Balance	<u>1,046,237</u>	<u>1,181,647</u>	<u>1,158,686</u>

39. Contingent Liabilities

The County Council has identified four areas where a present or past obligation has resulted in the possibility of a future liability being incurred. They relate to:-

- Scarborough Integrated Transport Scheme,
- Adult Social Care,
- Service Unit Restructures
- Waste PFI.

The nature and expected financial implications of these events have resulted in the inclusion in the Explanatory Foreword on page 11 as Material Contingent Liabilities.

The details in the Foreword include a brief description of the potential liability and indication of the uncertainties involved. Due to a number of factors, amounts can not yet be determined and disclosed. In line with accounting guidance (IAS 37) no adjustments have been made within the Balance Sheet for these liabilities.

40. Events after the Balance Sheet Date

Under IAS 10 Events after the Reporting Period, the County Council is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts.

The Statement for 2010/11 is to be authorised for issue by 30th June 2011 by the Corporate Director – Finance and Central Services. The Statement of Accounts will then be subject to the External Audit process, before being considered and approved by Audit Committee members on 29th September 2011.

The County Council will enter into a commercial agreement for the provision of a long term waste management service contract prior to September 2011 with AmeyCespa. This post Balance Sheet event is disclosed in more detail on page 11 as a Material Contingent Liability. The financial statements and relevant disclosure notes have not been adjusted as this event is considered to be a non-adjusting event.

The County Council has recognised in it's Accounts, a decision of the Government to uprate Public Sector pensions using the Consumer Price Index rather than the Retail Price Index. The Government's decision is currently before the courts in judicial review proceedings. The Government is to robustly defend the case and therefore no adjustment has been made to the Accounts for this matter. The financial implications consequent on the findings of the judicial review going against the Government have not been assessed.

41. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education - the Dedicated Schools Grant (DSG). This is a ringfenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, (ISB) which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are detailed below:-

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2010/11	42,706	285,293	327,999
Academy Recoupment	<u>(4)</u>	<u>(383)</u>	<u>(387)</u>
Revised DSG for 2010/11	42,702	284,910	327,612
Brought forward from 2009/10	9,072	0	9,072
Carry forward to future years agreed in advance	<u>(9,072)</u>	<u>0</u>	<u>(9,072)</u>
Agreed budgeted distribution in 2010/11	42,706	285,293	327,999
Academy Recoupment	<u>7</u>	<u>(394)</u>	<u>(387)</u>
Revised budgeted distribution in 2010/11	42,713	284,899	327,612
Actual central expenditure	41,399	0	41,399
Actual ISB deployed to schools	0	284,925	284,925
ISB Overspend funded from LMS Contingencies	<u>0</u>	<u>0</u>	<u>0</u>
Carry forward from prior years utilised in 2010/11	<u>10,386</u>	<u>(26)</u>	<u>10,360</u>

In 2010/11, £327.6m has been credited against the Education and Childrens Services in the Comprehensive Income and Expenditure Statement.

An underspend in 2010/11 of £1,288k against the central expenditure limit has been paid into a specific, earmarked reserve. Following consultation with Schools Forum, the cumulative carried forward DSG, totalling £10,360k overall (including £9,072k from prior years) will be used exclusively in support of the Schools Budget in 2011/12 and subsequent years.

42. Trust Funds

The County Council acted as sole trustee for eight trust funds during 2010/11, details of which are given below. These funds are invested in Charity Official Investment Fund-Fixed Income Shares, Schroders Charity Investment Fund or internally with the County Council. These funds are not assets of North Yorkshire County Council and are therefore not included in the Balance Sheet.

Trust Fund and Purpose	Income 2010/11 £000	Expenditure 2010/11 £000	Assets as at 31st March 2011 £000
Sir John Horsfall To assist by means of a grant, pupils who have attended primary or voluntary schools in the South Craven Area	1	1	13
Haywra Crescent Educational Trust Fund To be used for the promotion for Higher and Further Education in such a way the trustees think fit	11	10	213
Norwood Primary School To be used for educational purposes at Felliscliffe and Darley Schools	0	0	59
Wrea Head Ellis Fund To be used for the advancement of education	5	0	806
Burniston Educational Foundation Promoting education of persons under 25 who are or have parents resident in Burniston	1	0	104
JW Driver - The Annie Driver Award For the benefit of scholars / ex scholars of Cowling School attending or about to attend University or similar establishment	0	0	15
Felliscliffe School Charity (Consolidated) For the benefit of Grantley, Hampsthwaite and Felliscliffe Schools	0	0	2
Goathland School Endowment For the benefit of Goathland School	0	0	1
	18	11	1,213

The assets of the trust funds at 31st March 2010 were £1,199k. The County Council has a policy of reviewing these trusts so that only those that are still active are retained.

43. Financial Instruments

Financial Instruments are formally defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For the County Council, this definition covers the instruments used in Treasury Management activities, including the borrowing and lending of money and the making of investments.

The County Council has adopted the CIPFA Code of Practice on Treasury Management. This Code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the County Council.

The CIPFA Code of Practice on Treasury Management requires:-

- a Treasury Management Policy Statement (TMPS) stating the County Council's policies and objectives for its treasury management activities; and
- a framework of Treasury Management Practices (TMPs) setting out the manner in which the County Council will seek to achieve the policies and objectives set out above and prescribing how it will manage and control those activities.

The twelve recommended Treasury Management Practices are reviewed and updated as and when necessary in the light of regulatory and/or local policy changes and cover the following areas:-

- risk management;
- performance measurement;
- decision-making and analysis;
- approved instruments, methods and techniques;
- organisation, clarity and segregation of responsibilities and dealing arrangements;
- reporting requirements and management information arrangements;
- budgeting, accounting and audit arrangements;
- cash and cash flow management;
- money laundering;
- training and qualifications;
- use of external service providers; and
- corporate governance.

The County Council provides treasury management services to the external bodies listed on page 94 (the external bodies listed as having temporary loans with the County Council) and the loans from them represent working balances which are invested with the County Council.

a) Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

	Long Term			Current		
	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Investments						
Loans and Receivables	3,518	3,518	3,518	115,968	55,409	79,928
Debtors	11,823	10,211	11,204	36,952	49,090	46,003
Borrowings						
PWLB Loans	(356,770)	(295,125)	(304,826)	(16,898)	(11,918)	(8,211)
Market LOBO Loans	(10,000)	(15,000)	(15,045)	(10,045)	(5,044)	(5,000)
Temporary Loans from External Bodies						
- North Yorkshire Pension Fund	0	0	0	(7,051)	(13,156)	(2,874)
- North Yorkshire Fire and Rescue Authority	0	0	0	(7,737)	(5,188)	(4,645)
- North York Moors National Park	0	0	0	(2,061)	(2,354)	(1,624)
- Yorkshire Dales National Park	0	0	0	(2,312)	(2,133)	(2,176)
- English National Parks Authorities Association	0	0	0	(85)	(147)	(116)
	<u>(366,770)</u>	<u>(310,125)</u>	<u>(319,871)</u>	<u>(46,189)</u>	<u>(39,940)</u>	<u>(24,646)</u>
Other Liabilities						
PFI and Finance Leases	<u>(6,263)</u>	<u>(6,511)</u>	<u>(6,739)</u>	<u>(247)</u>	<u>(228)</u>	<u>(323)</u>
Creditors	<u>(303)</u>	<u>0</u>	<u>0</u>	<u>94,300</u>	<u>(95,724)</u>	<u>(90,814)</u>

b) Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost		Financial Assets: Loans and receivables	
	31st March 2011 £000	31st March 2010 £000	31st March 2011 £000	31st March 2010 £000
Interest expense	18,099	15,993	456	569
Impairment of Assets held for Sale	<u>2,017</u>	<u>497</u>	<u>0</u>	<u>0</u>
	20,116	16,490	456	569
Interest and similar Income	0	0	(2,232)	(1,967)
Dividends Received	<u>0</u>	<u>0</u>	<u>(371)</u>	<u>(1,390)</u>
	0	0	(2,603)	(3,357)
Net (gain) / loss for the year	<u>20,116</u>	<u>16,490</u>	<u>(2,147)</u>	<u>(2,788)</u>

c) Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised costs. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

- for loans from the Public Works Loan Board, (PWLB), new borrowing rates available from the PWLB have been applied and for other loans payable, current market rates were obtained from the County Council's Treasury Management Advisors, Sector Treasury Services Limited
- for loans receivable, the prevailing benchmark market rates have been used to provide fair value
- no early repayment or impairment is recognised
- where an instrument, (loan / investment), will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:-

Borrowing Activities

	31st March 2011		31st March 2010		31st March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Maturity Loans	373,668	351,298	307,043	271,501	313,037	329,697
Market LOBO Loans	<u>20,045</u>	<u>21,045</u>	<u>20,044</u>	<u>62,273</u>	<u>20,045</u>	<u>19,191</u>
Financial Liabilities	<u>393,713</u>	<u>372,343</u>	<u>327,087</u>	<u>333,774</u>	<u>333,082</u>	<u>348,888</u>

The fair value is lower than the carrying amount because the County Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain arising from a commitment to pay interest below current market rates.

Investment Activities

	31st March 2011		31st March 2010		31st March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans less than 1 year	115,968	116,141	55,409	55,388	79,928	80,176
Money Market Loans more than 1 year	0	0	0	0	0	0
Loans and Receivables	<u>115,968</u>	<u>116,141</u>	<u>55,409</u>	<u>55,388</u>	<u>79,928</u>	<u>80,176</u>

The fair value is higher than the carrying amount because the County Council's portfolio of investments includes fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This results in a notional future gain attributable to the commitment to receive interest above current market rates.

The carrying amounts at 31st March 2011 in the above tables do not match the financial instruments balances at 43(a) because for the financial liabilities the "temporary loans to other bodies" have been omitted and for the financial assets the shareholding in Yorwaste Limited has been omitted.

d) Disclosure of nature and extent of risks arising from Financial Instruments

The County Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the County Council;
- Liquidity risk – the possibility that the County Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the County Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk – the possibility that financial loss might arise for the County Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The County Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the County Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the County Council to manage risk in the following ways:-

- adopt the requirements of the Code of Practice
- approve annually in advance, prudential indicator limits for the following three years
- the County Council's overall borrowing limits:
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt;

- it's maximum annual exposures to investments maturing beyond a year; and
- approve an investment strategy for the forthcoming year setting out it's criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the County Council's financial instrument exposure. It is approved at the County Council's annual council tax setting budget meeting before the beginning of the financial year.

Annual outturn reports are submitted to the Executive for Treasury Management and Prudential Indicators which set out full details of activities and performance during the preceding financial year. In addition, quarterly reports on Treasury Management matters are submitted to the Executive as part of the County Council's Quarterly Performance Monitoring report and monthly meetings are held between the Corporate Director - Finance and Central Services, the Corporate Affairs Portfolio Holder and the Deputy Leader to discuss issues arising from the day to day management of Treasury Management activities. The Audit Committee is responsible for scrutinising the County Council's Treasury Management activities and receives regular reports and updates on Treasury Management matters.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the County Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the treasury management strategy.

The County Council relies on credit ratings and "ratings watch" and "outlook" notices published by the three credit rating agencies (Fitch, Moodys and Standards & Poor) to establish the credit quality of counterparties and investment schemes. All three credit rating agencies also produce a Sovereign Rating which assesses a country's ability to support a financial institution should they get into difficulty.

No combination of ratings can be viewed as entirely fail-safe and all credit ratings, ratings watches and outlooks are monitored on a daily basis and changes made as appropriate. In addition, the County Council takes into account trends within the Credit Default Swap (CDS) Market. Since they are a traded instrument they reflect the market perception of an institution's credit quality unlike credit ratings which often focus on a longer term view. The County Council also monitors other sources of market intelligence, including the financial press, for rumours and speculation which may impact on organisations which the County Council may invest with.

Further details of the County Council's investment criteria are included in the Annual Treasury Management Strategy, a copy of which is available on the County Council's website, www.northyorks.gov.uk.

In addition, the County Council has set maximum investment limits for each organisation which also reflect that institutions credit worthiness – the higher the credit quality, the greater the investment limit. These limits also reflect UK Government involvement (i.e. Government ownership or being part of the UK Government guarantee of liquidity).

These limits can be summarised as follows:-

Maximum Investment Limit	Criteria
£50m	- UK "Nationalised" Banks / UK Banks with UK Central Government involvement,
£40m	- Selected UK "Clearing Banks" and organisations covered by the UK Government guarantee of liquidity,
£30m	- Other UK "Clearing Banks" and organisations covered by the UK Government guarantee of liquidity,
£20m	- Other UK based Banks and high quality Foreign Banks.

The County Council's maximum exposure to credit risk in relation to its investments in Banks and Building Societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of recoverability applies to all of the County Council's deposits, however, there was no evidence at the 31st March 2011 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2011, based on experience of default assessed by the credit rating agencies and experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2011 %
Deposits with banks and financial institutions for less than 1 year			
Part Nationalised Banks with Fitch Rating Long Term AA- & Short Term F1+	100,858	0.00	0.00
Other institutions with Fitch Rating Long Term AA- & Short Term F1+	15,110	0.00	0.00
	<u>115,968</u>		
Debtors	<u>36,952</u>	0.17	0.17

No breaches of the credit rating criteria occurred during 2010/11 and the County Council does not expect any losses from non-performance by any of the banks or financial institutions in relation to deposits.

The County Council's exposure to credit risk can also be analysed by the Sovereign Rating of the Country in which the financial institution is domiciled as follows:-

	Sovereign Rating as at 31st March 2011	Amount at 31st March 2011 £000
UK	AAA	115,968

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2011, which are included within the £37.0m Short Term Debtors, can be analysed by past-due and age status as follows:-

	31st March 2011 £m
Less than 1 month	6.7
1 to 3 months	0.6
3 to 6 months	0.5
6 months to 1 year	0.4
More than 1 year	0.6
	<u>8.8</u>

It is considered that £2.1m of the £8.8m debtors invoice balance is past its due date for payment. The County Council maintains a Bad Debt Provision for debts based on both the age of the debt and the likelihood of a continued dispute or future settlement. No further assessment of the fair value has therefore been made. Amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table for the County council's exposure to default.

Liquidity Risk

The County Council has ready access to borrowings from the money markets to cover day to day cash flow need, whilst the PWLB and money markets provide access to longer term funds. There is, therefore, no significant risk that it will be unable to meet its commitments under financial instruments.

The approved prudential indicators "limits for the maturity structure of debt" and the "limits placed on investments for greater than one year in duration" are the key parameters used to address liquidity risk. The maturity of debt limit is used when carefully planning new loans to be taken and (where it is economic to do so) making early loan repayments. Also the limit placed on investments is monitored when considering cash flow needs and placing funds in the longer term. The maturity analysis of financial liabilities (borrowing) is as follows:-

	31st March 2011 £000	31st March 2010 £000	31st March 2009 £000
Less than one year			
Public Works Loan Board	(16,898)	(11,918)	(8,211)
Market LOBO Loans	(10,045)	(5,044)	(5,000)
Temporary Loans from External Bodies			
- North Yorkshire Pension Fund	(7,051)	(13,156)	(2,874)
- North Yorkshire Fire and Rescue Authority	(7,737)	(5,188)	(4,645)
- North York Moors National Park	(2,061)	(2,354)	(1,624)
- Yorkshire Dales National Park	(2,312)	(2,133)	(2,176)
- English National Parks Authorities Association	(85)	(147)	(116)
	<u>(46,189)</u>	<u>(39,940)</u>	<u>(24,646)</u>
Greater than one year			
Public Works Loan Board	(356,770)	(295,125)	(304,826)
Market LOBO Loans	(10,000)	(15,000)	(15,045)
	<u>(366,770)</u>	<u>(310,125)</u>	<u>(319,871)</u>
Analysis of loans by Maturity			
Between one and two years	(26,734)	(23,355)	(13,798)
Between two and five years	(43,451)	(52,013)	(56,109)
Between five and ten years	(80,617)	(41,661)	(17,520)
Between ten and fifteen years	(37,468)	(34,596)	(19,577)
Between fifteen and twenty five years	(24,700)	(24,700)	(44,622)
Between twenty five and forty years	(47,600)	(47,600)	(78,131)
More than forty years	(106,200)	(86,200)	(90,114)
	<u>(366,770)</u>	<u>(310,125)</u>	<u>(319,871)</u>

Creditors are paid in accordance with suppliers' terms which, for liquidity risk purposes to the County Council, is less than 1 year and are not shown in the table above. Further analysis of creditors can be found in note 34.

All investment held with banks and financial institutions are due to mature within less than one year.

Market Risk - Interest rate risk

The County Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the County Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:-

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates - the fair value of the borrowing liability will fall
- investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Working Balance.

The Treasury Management strategy includes sensitivity analysis and the prudential indicators for managing interest rate risk. One of the prudential indicators provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team also monitors the market and forecasts interest rates to adjust exposures accordingly. For example, during periods of falling interest rates, and where economic circumstances are favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1.0% higher, with all other variables held constant, the financial effect would be:-

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	1,590
Increase in government grant receivable for financing costs	<u>0</u>
Impact on Comprehensive Income and Expenditure Account	<u>1,590</u>
Decrease in fair value of fixed rate investment assets	<u>293</u>
Decrease in fair value of fixed rate borrowing liabilities	<u>36,172</u>

The impact of a 1.0% fall in interest rates would be as above but with the movements being reversed.

Market Risk – Price risk

The County Council does not generally invest in equity shares but does have shareholdings to the value of £3.5m in Yorwaste Limited and a nominal value of £1 in NYnet Limited and Veritau Limited. These holdings are generally illiquid and therefore are not exposed to losses arising from movements in the prices of these shares.

The shareholdings have arisen as they have been acquired rather than originated by the County Council. These long term investments are as a result of acquisition of specific interest and are not quoted in an active market. The County Council is not exposed to price movements.

The value of the above shares are classified as loans and receivables as a reliable fair value cannot be determined.

Further information can be found in note 29 Long Term Investments

Market Risk – Foreign exchange risk

The County Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

GROUP ACCOUNTS

The Code of Practice on Local Authority Accounting recognises the wide diversity of service delivery vehicles used nationally by Local Authorities. The County Council produces a consolidated set of Group Accounts to show the totality of its operations in a transparent manner.

The County Council has undertaken significant research to identify and document its relationships with all partners, companies, joint ventures and voluntary organisations. Consideration of issues such as the type of interest, ownership of share capital, membership of appropriate committees, the degree of operational and financial control, access to benefits and exposure to risks have been key elements in this analysis.

Summary of Findings

In the majority of cases the arrangements for accounting for relationships with these organisations are fully covered within the County Council's Comprehensive Income and Expenditure Statement. Similarly any assets and liabilities generated are accounted for within the County Council's Balance Sheet.

As a result there is no 'group' relationship for most of these arrangements.

After consideration of all relevant criteria, the County Council has determined that for 2010/11, it has a group relationship with five bodies:-

- Yorwaste Limited
- NYnet Limited
- Yorkshire Purchasing Organisation
- Veritau Limited
- North Yorkshire Business and Education Partnership

Yorwaste Limited

The County Council owns 78% of the issued share capital of Yorwaste Limited; a company established in 1993 whose principal activity is the provision of waste disposal facilities by the operation and management of landfill sites/recycling centres. The remaining shareholder in Yorwaste Limited is the City of York Council holding 22%.

The trading results for Yorwaste Limited for the year ended 31st March 2011 shows profit before and after taxation of £1.6m and £0.7m respectively and net assets of £11.7m.

Yorwaste Limited has been consolidated into North Yorkshire County Council's Group Accounts as a subsidiary.

The County Council has provided a loan facility for £3.7m.

NYnet Limited

NYnet Limited is a company set up by the County Council in February 2007 to provide a world class high speed communication (broadband) infrastructure across North Yorkshire.

The Company has competitively procured a 'next generation broadband network' and sells capacity on that network to public sector organisations (including the County Council) as well as private sector internet service providers (ISP's) who then sell onto the end users of businesses and consumers.

The Company is limited by shares, which are 100% owned by the County Council and is managed by a Board of Directors appointed by the County Council – the Chief Executive, the Corporate Director – Finance and Central Services and one Councillor. The Chief Executive of the company and key staff have all been recruited from the private sector and have telecommunications experience.

A working capital loan facility is being provided by the County Council with the sum taken up at 31st March 2011 being £7.7m. This loan is included in the County Council's Balance Sheet on page 34 as a Long Term Debtor.

The trading result of the company for the year ended 31st March 2011 shows a loss, before and after taxation, of £0.7m and £0.45m and total liabilities of £6.3m (including the £7.7m loan from the County Council).

The £0.45m in-year trading loss reflects the continuing operational costs associated with starting-up. NYnet had to be established as an entity, and have procured its infrastructure before it could market to customers with any credibility. It is anticipated, as marketing activity increases and awareness of NYnet's market position also increases, that the company will breakeven in 2011/12 and will trade profitably in subsequent years.

NYnet Limited has been consolidated into North Yorkshire County Council's Group Accounts as a subsidiary.

Yorkshire Purchasing Organisation (YPO)

Established as a joint committee of Local Authorities in 1974, YPO is a purchasing and supply service for office supplies, stationery and general equipment. The company supplies the constituent 13 member authorities but also schools, the voluntary sector and the general public. YPO operates on a self financing basis with no subsidies payable by any member authority. Any surpluses are used for dividend payment primarily but with some scope for re-investment.

YPO's year end is 31st December and its pre-audited financial results were an invoiced turnover of £105m resulting in an operating surplus for 2010 of £8.1m (£3.9m in 2009). A member's dividend was paid for the year 2010 totalling £6.2m. The County Council received £0.53m in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £14.6m with a general fund working balance in 2010 of £19.1m.

Due to the involvement of all member authorities in the Management Committee and its increasing use of customers outside of the local authority market, the County Council does not exert a significant level of influence over YPO's activities. Analysis of the relationship for group Account purposes concludes that it is equivalent to a simple investment. As the County Council made no original investment in 1974 and has no share capital, no consolidation adjustments are necessary.

Veritau Limited

In April 2009 North Yorkshire County Council and the City of York Council worked in partnership to develop a shared service covering all the functions of internal audit, counter fraud and information governance.

The company is wholly owned by both councils, with each council holding 50% of the shares. Veritau Limited has responsibility for carrying out all internal audit, information governance and counter fraud services for the two councils. The financial results of Veritau Limited have been included in the 2010/11 Group Statement of Final Accounts.

In 2010/11 Veritau Limited made a profit before and after tax of £179k and £141k, and has net assets worth £55k.

Veritau Limited has been consolidated into North Yorkshire County Council's Group Accounts as a Joint Venture.

North Yorkshire Business and Education Partnership (NYBEP)

NYBEP is the lead body for education business links in the York and North Yorkshire area. It supports education and local businesses by managing high quality programmes for students in readiness for their working life. It is a company, limited by guarantee, and is managed by a board of Directors from local LEAs, schools and colleges and the business sector. The County Council has 30% representation on the board as does the City of York Council.

NYBEP's year end is to 31st July, to reflect school-year Accounts. NYBEP's Accounts for the 12 months to 31st July 2010 show income and expenditure of £1.8m and £1.8m respectively with total net assets of £705k. Any surpluses are available for re-investment by the company.

The County Council has a significant influence over NYBEP and has classified the company in group terms as an associate member. Following the provisions of IAS 28, the County Council should consolidate 30% of the net assets and accumulated profit on NYBEP activities. As this only amounts to £212k as at 31st March 2011, no consolidation adjustments have been made in the group financial statements.

Financial Statements and Results

The Group Accounts for the County Council are presented on pages 106 to 116 and are based upon the consolidation of the County Council, Yorwaste Limited, NYnet Limited and Veritau Limited. It should be noted that although adjustments have been made to facilitate comparability between the sets of Accounts, there is a fundamental difference between the objectives of the organisations with the County Council being a non-profit making body. The figures included for one subsidiary (Nynet Limited) are based on Draft Accounts. The figures for the joint venture (Veritau Limited) and remaining subsidiary (Yorwaste Limited) are based on their audited Accounts. These companies do not report under IFRS, rather as small unlisted companies, and their accounts are produced under UK GAAP. Adjustments have therefore been made to the respective accounts to ensure consistency of accounting policy. The material adjustment made within the subsidiaries to comply with IFRS policies is the release of deferred government grant within NYnet Limited.

A summary of the main financial results is as follows:-

- Group Comprehensive Income and Expenditure Statement

The consolidation results in the Net Cost of Services for the County Council being reduced by £1,280k. This relates to:-

- the incorporation of Yorwaste Limited's trading surplus of £2,119k
- the incorporation of NYnet Limited's trading deficit of £441k
- Veritau Limited's pre-tax trading surplus of £138k less a minority interest adjustment of £69k
- consolidation adjustments of £467k relating to an adjustment for IFRS purposes reverse grant income released to the Profit and Loss Account of NYnet Limited.

Overall however, the deficit on the Provision of Services of the County Council increases by £95k from £69,998k to £70,093k as a result of:-

- consolidation impact on Group Comprehensive Income and Expenditure Statement listed above of £1,280k
- net interest paid and received by the three companies of £771k
- taxation adjustments of £604k relating to Yorwaste Limited of £838k less NYnet Limited of £253k and plus Veritau Limited of £19k.

- Group Balance Sheet

The County Council's total assets have increased by £31.5m and liabilities have increased by £25.9m. The increase in net assets of £5.6m represents the County Council's holding of Yorwaste Limited's share capital and Profit and Loss Account, the County Council's holding of Veritau Limited's share capital and Profit and Loss Account, less the County Council's investment in Yorwaste Limited and the consolidation of net liabilities of NYnet Limited of £2.6m.

As a parent company of the above subsidiaries and Joint Venture, and in defining the nature of the Group relationships, the County Council recognises a commitment to meet its share of any accumulated deficits or losses of the three companies mentioned above. The County Council is also committed to provide a loan facility to NYnet Limited and Yorwaste Limited for the foreseeable future.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated to 31 March 2010			to 31 March 2011			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
2,977	(1,238)	1,739	Central Services to the Public	3,407	(1,565)	1,842
785	0	785	Court Services	764	(1)	763
65,135	(18,896)	46,239	Cultural, Environmental, Regulatory and Planning Services	69,143	(27,261)	41,882
596,594	(455,604)	140,990	Education and Childrens Services	757,205	(494,508)	262,697
65,402	(3,488)	61,914	Highways, Roads and Transport Services	63,962	(7,958)	56,004
222,439	(78,596)	143,843	Adult Social Care	216,899	(57,205)	159,694
201	0	201	Housing Services	1,696	(2)	1,694
8,293	(114)	8,179	Corporate and Democratic Core	8,026	(96)	7,930
211	(47)	164	Non Distributed Costs	<u>(62,907)</u>	<u>(150)</u>	<u>(63,057)</u>
<u>962,037</u>	<u>(557,983)</u>	<u>404,054</u>	Cost of Services	<u>1,058,195</u>	<u>(588,746)</u>	<u>469,449</u>
			Other Operating Expenditure			
		23	Loss on Disposal of Property, Plant and Equipment			26,546
		497	Impairment of Assets Held for Sale			2,017
		381	Precepts of Local Precepting Authorities			438
			Financing and Investment Income and Expenditure			
		16,326	Interest payable and similar charges			18,578
		(1,235)	Interest receivable and similar			(1,484)
		(7)	Dividend Income			(371)
		(16,298)	Investment Properties; revaluation and impairment			(1,473)
		(709)	(Surplus) / Deficit on trading activities			25
		<u>31,147</u>	Pensions interest cost and expected return on pensions assets			<u>22,929</u>
		29,224				38,204
		(443,016)	Taxation and Non-Specific Grant Income			(458,969)
		<u>(8,837)</u>	(Surplus) or Deficit on Provision of Services			<u>77,685</u>
		(115)	Tax Expenses			604
		<u>(8,952)</u>	Group (Surplus) or Deficit			<u>78,289</u>
		(4,210)	(Surplus) or Deficit on Revaluation of Fixed Assets			13,749
		<u>64,997</u>	Actuarial (gains) / losses on pension assets / liabilities			<u>(47,495)</u>
		<u>60,787</u>	Other Comprehensive Income and Expenditure			<u>(33,746)</u>
		<u>51,835</u>	Total Comprehensive Income and Expenditure			<u>44,543</u>

GROUP MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Unusable Reserves £000	Total County Council Reserves £000	County Council's share of subsidiaries & associates £000	Minority Interest share of Reserves £000	Total Group Reserves £000
Movement in Reserves during 2010/11						
Balance at 31st March 2010	(97,369)	(837,567)	(934,936)	(3,457)	(2,432)	(940,825)
(Surplus) / deficit on provision of services (accounting basis)	78,194	0	78,194	261	(166)	78,289
Other Comprehensive Expenditure and Income	<u>0</u>	<u>(33,982)</u>	<u>(33,982)</u>	<u>236</u>	<u>0</u>	<u>(33,746)</u>
Total Comprehensive Expenditure and Income	78,194	(33,982)	44,212	497	(166)	44,543
Adjustments between Group Accounts and Authority Accounts	0	0	0	0	0	0
Net Increase / Decrease before Transfers	78,194	(33,982)	44,212	497	(166)	44,543
Adjustments between accounting basis and funding basis under regulations	<u>(100,160)</u>	<u>100,160</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase / Decrease before Transfers to Earmarked Reserves	(21,966)	66,178	44,212	497	(166)	44,543
Balance at 31st March 2011	<u>(119,335)</u>	<u>(771,389)</u>	<u>(890,724)</u>	<u>(2,960)</u>	<u>(2,598)</u>	<u>(896,282)</u>
Balance at 31st March 2009	<u>(85,075)</u>	<u>(900,480)</u>	<u>(985,555)</u>	<u>(4,708)</u>	<u>(2,397)</u>	<u>(992,660)</u>
(Surplus) / deficit on provision of services (accounting basis)	(10,221)	0	(10,221)	1,304	(35)	(8,952)
Other Comprehensive Expenditure and Income	<u>0</u>	<u>60,840</u>	<u>60,840</u>	<u>(53)</u>	<u>0</u>	<u>60,787</u>
Total Comprehensive Expenditure and Income	(10,221)	60,840	50,619	1,251	(35)	51,835
Adjustments between Group Accounts and Authority Accounts	0	0	0	0	0	0
Net Increase / Decrease before Transfers	(10,221)	60,840	50,619	1,251	(35)	51,835
Adjustments between accounting basis and funding basis under regulations	<u>(2,073)</u>	<u>2,073</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / Decrease in Year	<u>(12,294)</u>	<u>62,913</u>	<u>50,619</u>	<u>1,251</u>	<u>(35)</u>	<u>51,835</u>
Balance at 31st March 2010	<u>(97,369)</u>	<u>(837,567)</u>	<u>(934,936)</u>	<u>(3,457)</u>	<u>(2,432)</u>	<u>(940,825)</u>

GROUP BALANCE SHEET AS AT 31ST MARCH 2011

Restated			
31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
1,681,623	1,702,315	Property, Plant and Equipment (note 13)	1,566,770
12,959	26,724	Investment Property	28,235
6,964	6,290	Intangible Assets	9,683
1,381	1,147	Long Term Investments	0
1,719	1,669	Long Term Debtors	494
0	0	Deferred Tax Asset	0
1,704,646	1,738,145	Long Term Assets	1,605,182
80,434	57,920	Short Term Investments	117,987
1,415	1,115	Inventories	1,262
55,998	58,122	Short Term Debtors (note 15)	52,001
71,709	92,165	Cash and Cash Equivalents (note 14)	98,253
0	0	Landfill Allowances Trading Scheme	1,906
1,748	2,119	Assets held for sale	2,139
343	0	Current Tax Assets	15
211,647	211,441	Current Assets	273,563
0	0	Bank Overdraft	0
(24,646)	(39,940)	Short Term Borrowing	(46,189)
(98,730)	(104,572)	Short Term Creditors (note 16)	(109,096)
(67)	(178)	PFI Liability repayable within 12 months	(194)
(256)	(50)	Finance Lease repayable within 12 months	(53)
(33,803)	(21,950)	Capital Grant Receipt in Advance	(16,724)
0	(340)	Current Tax Liability	0
(157,502)	(167,030)	Current Liabilities	(172,256)
0	0	Long Term Creditors	(303)
(5,504)	(5,326)	PFI Liability repayable in excess of 12 months	(5,132)
(1,235)	(1,185)	Finance Lease repayable in excess of 12 months	(1,131)
(24,007)	(26,594)	Provisions (note 17)	(27,977)
(410,604)	(492,268)	Pensions Liability	(402,291)
(321,342)	(311,274)	Long Term Borrowing	(369,183)
(3,439)	(5,083)	Capital Grant Receipt in Advance	(4,190)
0	(1)	Deferred Tax Liability	0
(766,131)	(841,731)	Long Term Liabilities	(810,207)
992,660	940,825	Net Assets	896,282
85,075	97,369	Usable Reserves	119,335
900,480	837,567	Unusable Reserves	771,389
7,105	5,889	Reserves - Group Entities	5,558
992,660	940,825	Total Reserves	896,282

GROUP CASH FLOW STATEMENT

Restated 31 March 2010 £000		31 March 2011 £000
8,837	Net surplus or deficit on the provision of services	(77,685)
	Adjust net surplus or deficit on the provision of services for non cash movements	
62,778	Depreciation / Amortisation	64,705
16,541	Impairment and revaluations charged to the provision of services	148,134
(4,328)	Movement in Creditors	(4,849)
1,561	Movement in Debtors	9,878
300	Movement in Inventories	(147)
2,954	Movement in provisions	1,576
16,639	Pension Liability	(42,475)
4,227	Carrying amount of non-current assets sold	27,871
0	Other non-cash items charged to the provision of services	(755)
100,672		203,938
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(73,366)	Grants received for investment purposes	(64,370)
(4,300)	Proceeds from the sale of property and other assets	(1,383)
(77,666)		(65,753)
31,843	Net cash flows from Operating Activities	60,500
	Investing Activities	
(115,451)	Purchase of Fixed and Intangible assets	(120,110)
(2,005)	Purchase of short term and long term investments	(62,457)
(717)	Other payments for investing activities	0
4,353	Proceeds from the sale of property and other assets	1,592
24,521	Proceeds from short term and long term investments	491
74,148	Other receipts for investing activities	62,227
(15,151)		(118,257)
	Financing Activities	
79,276	Cash receipts of short and long term borrowing	76,684
1,307	Other receipts from financing activities	0
(389)	Repayment of the outstanding liability of finance lease and similar arrangements	(228)
(76,161)	Repayment of short and long term borrowing	(13,030)
(269)	Other payments for financing activities	419
3,764		63,845
20,456	Net increase or decrease in cash and cash equivalents	6,088
71,709	Cash and cash equivalents at the beginning of the reporting period	92,165
92,165	Cash and cash equivalents at the end of the reporting period	98,253
20,456		6,088

NOTES TO THE GROUP STATEMENTS

1. Yorwaste Limited achieved a pre-tax surplus of £1,584k which relates to the total profit generated by the Company before tax. The minority interest of £160k represents City of York Council's share in the company and has been adjusted in the Group Movement in Reserves Statement.
2. The total assets and liabilities of Yorwaste Limited have been incorporated into the Group position.
3. The total issued share capital of Yorwaste Limited is £4,526k (a total of 4,526,000 ordinary shares issued at £1 each). The County Council's holding at 77.73% of the issued share capital is £3,518k. Appropriate adjustments have been made for this holding, in the County Council's long term investment figure and Yorwaste Limited Share capital figure.
4. A long term debtor figure for £25k in Yorwaste Limited Group Accounts represents the contribution due from the County Council toward the restoration of previously filled areas at two landfill sites. Appropriate consolidation adjustments have been made to the net assets position between both organisations.
5. A minority interest in the Reserves Statement, representing the share holding of the City of York Council in Yorwaste Limited, is represented by issued share capital of £1,008k, plus the City of York Council's share of Profit and Loss Account surpluses of £1,590k – totalling £2,598k.
6. The policies of Yorwaste Limited in relation to fixed assets are different to that operated by the County Council. All the company's fixed assets are valued at historic cost less depreciation. The useful economic life of each asset is calculated individually with depreciation calculated on a straight line basis taking into account both commercial and technical obsolescence. Fixed assets are not revalued at any point during their useful life. The County Council does not direct Yorwaste Limited to re-value its fixed assets on an on-going basis. As part of the preparation of its Statement of Final Accounts, the County Council instructs its Valuers, Bruton Knowles to perform a desk-top review to revalue Yorwaste's Fixed Assets. In the current year, no consolidation adjustment has been made as the difference in value is not considered to be material.
7. In 2010/11, Yorwaste Limited made a further exceptional impairment charge of £1,151k (£428k in 2009/10) in their Profit and Loss Account, in relation to a loan made to an associated company, Scarborough Power Limited, in which Yorwaste Limited has a 24.9% interest. The company also has a 10% in GEM Operations. During the year the Company acquired 100% of the issued share capital of SJB Recycling Limited for a total consideration of £3,378k. In calculating the goodwill arising on acquisition, the provisional fair value has been assessed and adjustments have been made where necessary. This goodwill is to be amortised over a 20 year period. This treatment represents a difference in accounting policies between the County Council and Yorwaste Limited.
8. NYnet Limited made a deficit of £445k in 2010/11 which has been fully consolidated into the Group Comprehensive Income and Expenditure Statement. Its prior year deficit was reported in the 2009/10 Group Accounts as £1.9 m. Following external audit certification in December, this deficit was reduced to £1.0 m. The 2009/10 Group Balance Sheet and Comprehensive Income and Expenditure Account has been adjusted accordingly.
9. The total assets and liabilities of NYnet Limited have been fully incorporated into the Group Accounts. Of most significance, £4.8m of Fixed Assets have been incorporated into the Group Accounts as Infrastructure Assets which represent ownership of a Broadband Network which is being depreciated, from November 2007, over 10 years because of the nature of the asset.

This accounting treatment differs from the treatment of the County Council's infrastructure assets, which consist mainly of roads, and are included in the Balance Sheet at historical cost and are depreciated over 40 years. The capital expenditure for this procurement has been funded by a combination of capital grants from Yorkshire Forward and Government Office (Yorkshire and the Humber) and a loan facility from the County Council. The accounting treatment for these capital loans differ between the 2 organisations and an appropriate adjustment to the Group Accounts has been made to reflect the fact that the terms and conditions of the grant income has been met.

10. Veritau Limited achieved a pre-tax surplus of £179k which relates to the total profit generated by the company before tax. The financial results of Veritau have been consolidated into the County Council's accounts as a Joint-Venture, and therefore a 50% adjustment has been made to Veritau's pre-tax Surplus, and it's associated assets and liabilities.
11. Receipts and payments between Yorwaste Limited, NYnet Limited, Veritau Limited and the County Council are cancelled out on consolidation.

12. The Individual Group Companies together with consolidating adjustment are identified within the following schedules for the Comprehensive Income and Expenditure Statement and the respective Balance Sheets.

Summarised Income and Expenditure Statements for the period to 31st March 2011

	NYCC £000	Yorwaste Limited £000	NYnet Limited £000	Veritau Limited £000	Consolidation Adjustments £000	Group £000
Cost of Services	470,729	(2,119)	908	(69)	0	469,449
Loss on the disposal of Property, Plant and Equipment	26,546	0	0	0	0	26,546
Impairment of Assets Held for Sale	2,017	0	0	0	0	2,017
Precepts of Local Precepting Authorities	438	0	0	0	0	438
Financing and Investment Income and Expenditure						
Interest payable and similar charges	18,099	534	258	0	(313)	18,578
Interest receivable and investment income	(1,776)	0	0	(21)	313	(1,484)
Dividend Income	(371)	0	0	0	0	(371)
Investment Properties; revaluation and impairment	(1,473)	0	0	0	0	(1,473)
Deficit on trading activities	25	0	0	0	0	25
Pensions interest cost and expected return on pensions assets	22,929	0	0	0	0	22,929
	<u>37,433</u>	<u>534</u>	<u>258</u>	<u>(21)</u>	<u>0</u>	<u>38,204</u>
Taxation and Non-Specific Grant Income	(458,969)	0	0	0	0	(458,969)
(Surplus) or Deficit on Provision of Services	<u>78,194</u>	<u>(1,585)</u>	<u>1,166</u>	<u>(90)</u>	<u>0</u>	<u>77,685</u>
Tax expenses	0	838	(253)	19	0	604
Group (Surplus) or Deficit	<u>78,194</u>	<u>(747)</u>	<u>913</u>	<u>(71)</u>	<u>0</u>	<u>78,289</u>
Surplus or Deficit on revaluation of fixed assets	13,749	0	0	0	0	13,749
Actuarial gains / losses on pensions assets / liabilities	(47,731)	0	0	236	0	(47,495)
Other Comprehensive Income and Expenditure	(33,982)	0	0	236	0	(33,746)
Total Comprehensive Income and Expenditure	<u>44,212</u>	<u>(747)</u>	<u>913</u>	<u>165</u>	<u>0</u>	<u>44,543</u>

Balance Sheet as at 31st March 2011

	NYCC £000	Yorwaste Limited £000	NYnet Limited £000	Veritau Limited £000	Consol. Adj £000	Group £000
Property, Plant and Equipment	1,546,348	15,641	4,777	4		1,566,770
Investment Property	28,235	0	0	0	0	28,235
Intangible Assets	6,786	2,897	0	0	0	9,683
Long Term Investments	3,518	0	0	0	(3,518)	0
Long Term Debtors	11,823	25	0	0	(11,354)	494
Long Term Assets	1,596,710	18,563	4,777	4	(14,872)	1,605,182
Short Term Investments	115,968	2,019	0	0	0	117,987
Inventories	1,262	0	0	0	0	1,262
Short Term Debtors	36,952	13,029	3,694	12	(1,686)	52,001
Cash and Cash Equivalents	92,327	5,751	42	133	0	98,253
Landfill Allowances	1,906	0	0	0	0	1,906
Assets held for sale	2,139	0	0	0	0	2,139
Current Tax Asset	0	15	0	0	0	15
Current Assets	250,554	20,814	3,736	145	(1,686)	273,563
Short Term Borrowing	(46,189)	0	0	0	0	(46,189)
Short Term Creditors	(94,300)	(12,982)	(3,409)	(91)	1,686	(109,096)
PFI Liability repayable within 12 months	(194)	0	0	0	0	(194)
Finance Lease repayable within 12 months	(53)	0	0	0	0	(53)
Capital Grants released in Advance	(16,724)	0	0	0	0	(16,724)
Current Liabilities	(157,460)	(12,982)	(3,409)	(91)	1,686	(172,256)
Long Term Creditors	(303)	0	0	0	0	(303)
PFI Liability repayable in excess of 12 months	(5,132)	0	0	0	0	(5,132)
Finance Lease repayable in excess of 12 months	(1,131)	0	0	0	0	(1,131)
Provisions	(19,294)	(8,612)	(95)	(1)	25	(27,977)
Pension Liability	(402,260)	0	0	(31)	0	(402,291)
Long Term Borrowing	(366,770)	(6,113)	(7,629)	0	11,329	(369,183)
Capital Grant Receipt in Advance	(4,190)	0	0	0	0	(4,190)
Long Term Liabilities	(799,080)	(14,725)	(7,724)	(32)	11,354	(810,207)
Net Assets	890,724	11,670	(2,620)	26	(3,518)	896,282
Usable reserves	119,335	0	0	0	0	119,335
Unusable Reserves	771,389	0	0	0	0	771,389
Reserves - Group Entities	0	11,670	(2,620)	26	(3,518)	5,558
Total Reserves	890,724	11,670	(2,620)	26	(3,518)	896,282

13. Movement in Property, Plant and Equipment

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill site development & restoration costs £000	Total £000
Cost or Valuation					
As at 1st April 2010	1,380,847	88,371	475,769	26,306	1,971,293
Additions	28,676	18,222	40,071	1,418	88,387
Disposals	(28,156)	(689)	0	0	(28,845)
Transferred to Assets Held for Sale	(3,007)	0	0	0	(3,007)
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	(30,670)	0	0	0	(30,670)
Recognised in Provision of Services	(149,366)	0	0	0	(149,366)
As at 31st March 2011	<u>1,198,324</u>	<u>105,904</u>	<u>515,840</u>	<u>27,724</u>	<u>1,847,792</u>
Depreciation and Impairments					
As at 1st April 2010	(105,201)	(52,522)	(92,386)	(18,869)	(268,978)
Charge for the year					0
Disposals	(34,967)	(13,198)	(12,896)	(2,404)	(63,465)
Reclassifications	740	480	0	0	1,220
Transferred to Assets Held for Sale	663	0	0	0	663
Revalue / (Impairments)					0
Recognised in the Revaluation Reserve	16,923	0	0	0	16,923
Recognised in Provision of Services	32,615	0	0	0	32,615
As at 31st March 2011	<u>(89,227)</u>	<u>(65,240)</u>	<u>(105,282)</u>	<u>(21,273)</u>	<u>(281,022)</u>
Balance Sheet Net Amount at 31st March 2011	<u>1,109,097</u>	<u>40,664</u>	<u>410,558</u>	<u>6,451</u>	<u>1,566,770</u>
Balance Sheet Net Amount at 31st March 2010	<u>1,275,646</u>	<u>35,849</u>	<u>383,383</u>	<u>7,437</u>	<u>1,702,315</u>
Balance Sheet Net Amount at 31st March 2009	<u>1,281,776</u>	<u>30,354</u>	<u>361,250</u>	<u>8,243</u>	<u>1,681,623</u>

14. Cash and Cash Equivalents

	2010/11 £000	2009/10 £000	2008/09 £000
Bank current accounts and cash held by the County Council	37,115	40,154	29,074
Short-term / call deposits	<u>61,138</u>	<u>52,011</u>	<u>42,635</u>
Total Cash and Cash Equivalents	<u>98,253</u>	<u>92,165</u>	<u>71,709</u>

15. Short Term Debtors

	31st March 2011 £000 £000		31st March 2010 £000 £000		31st March 2009 £000 £000	
Government Entities						
Central Government Bodies	9,873		15,780		17,211	
Other Local Authorities	3,762		422		3,287	
NHS Bodies	<u>378</u>	14,013	<u>3,053</u>	19,255	<u>3,628</u>	24,126
General Debtors		32,660		28,622		27,633
Payments in Advance		<u>9,548</u>		<u>15,362</u>		<u>9,431</u>
		56,221		63,239		61,190
Less: Bad Debts Provision		<u>(4,220)</u>		<u>(5,117)</u>		<u>(5,192)</u>
Total Short Term Debtors		<u>52,001</u>		<u>58,122</u>		<u>55,998</u>

16. Short Term Creditors

	31st March 2011 £000 £000		31st March 2010 £000 £000		31st March 2009 £000 £000	
Government Entities						
Central Government Bodies	18,348		17,264		13,695	
Other Local Authorities	3,317		2,673		9,483	
NHS Bodies	<u>694</u>	22,359	<u>1,133</u>	21,070	<u>786</u>	23,964
General Creditors		60,365		57,300		59,568
Income in Advance		<u>26,372</u>		<u>26,202</u>		<u>15,198</u>
Total Short Term Creditors		<u>109,096</u>		<u>104,572</u>		<u>98,730</u>

17. Provisions

	Balance as at 31st March 2010 £000	Provision made during year £000	Provision used during year £000	Balance as at 31st March 2011 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	11,378	10,072	(11,378)	10,072	10,072	0	10,072
County Care Scheduling System	81	0	0	81	81	0	81
Social Services s.117 Income	450	0	0	450	100	350	450
Minerals and Waste	76	0	(76)	0	0	0	0
Highways Advance Payments	1,977	0	(978)	999	812	187	999
Waste Management	213	0	(68)	145	36	109	145
Landfill Allowances	0	1,584	0	1,584	1,584	0	1,584
Insurance	3,543	1,667	(707)	4,503	845	3,658	4,503
Restructure Costs	0	1,460	0	1,460	1,408	52	1,460
NYCC Total	17,718	14,783	(13,207)	19,294	14,938	4,356	19,294
Yorwaste - Restoration	5,391	761	(928)	5,224	0	5,224	5,224
Yorwaste - Aftercare	3,390	150	(176)	3,364	0	3,364	3,364
NYnet and Veritau Deferred Tax	95	0	0	95	95	0	95
	26,594	15,694	(14,311)	27,977	15,033	12,944	27,977

Comparative Movements in 2009/10

	Balance as at 31st March 2009 £000	Provision made during year £000	Provision used during year £000	Balance as at 31st March 2010 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,395	11,378	(9,395)	11,378	11,378	0	11,378
County Care Scheduling System	81	0	0	81	81	0	81
Social Services s.117 Income	450	0	0	450	0	450	450
Minerals and Waste	100	0	(24)	76	0	76	76
Highways Advance Payments	1,599	632	(254)	1,977	0	1,977	1,977
Waste Management	31	182	0	213	181	32	213
Insurance	2,955	1,319	(731)	3,543	717	2,826	3,543
NYCC Total	14,611	13,511	(10,404)	17,718	12,357	5,361	17,718
Yorwaste - Restoration	6,184	26	(820)	5,390	0	5,390	5,390
Yorwaste - Aftercare	3,212	379	(201)	3,390	0	3,390	3,390
NYnet and Veritau Deferred Tax	0	96	0	96	96	0	96
	24,007	14,012	(11,425)	26,594	12,453	14,141	26,594

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

2009/10 £000		2010/11 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions		
76,276	Employers - Normal	77,388	
512	- Special	548	
2,102	- Early Retirement Costs Recharged	3,284	
25,689	Employees - Normal	25,802	
557	- Additional Voluntary	550	
<u>105,136</u>	Total Contributions (note 11)	<u>77,388</u>	107,572
16,215	Transfers in - Individual Transfers		10,957
	Less		
	Benefits		
(49,672)	Pensions	(51,972)	
(14,467)	Commutation of Pensions and Lump Sum Retirement Benefits	(19,783)	
(1,129)	Lump Sums Death Benefits	(2,072)	
<u>(65,268)</u>	Total Benefits (note 11)	<u>(73,827)</u>	(73,827)
	Leavers		
(181)	Refunds of contributions	(40)	
7	State Scheme Premiums	(1)	
<u>(9,502)</u>	Transfers out - Individual Transfers	<u>(10,213)</u>	
(9,676)	Total Leavers		(10,254)
(1,224)	Administrative and Expenses (note 13)		(1,425)
<u>45,183</u>	Net additions from dealings with members		<u>33,023</u>
	RETURNS ON INVESTMENTS		
21,116	Investment income (note 15)		14,311
453,318	Change in market value of investments (note 16)		111,685
(370)	Taxation (Irrecoverable Withholding Taxes) (note 15)		(375)
<u>(3,446)</u>	Investment management expenses (note 14)		<u>(5,285)</u>
470,618	Net returns on investments		<u>120,336</u>
515,801	Net Increase in the Fund during the year		153,359
828,821	Opening Net Assets of the Scheme		1,344,622
<u>1,344,622</u>	Closing Net Assets of the Scheme		<u>1,497,981</u>

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

31 March 2010 £000		31 March 2011 £000	£000
	INVESTMENT ASSETS (note 16)		
	Fixed Interest Securities		
0	Government	0	
<u>109,805</u>	Corporate	<u>115,959</u>	
109,805	Total Fixed Interest Securities		115,959
616,351	Equities		672,043
	Pooled Investment Vehicles		
361,976	Unitised Insurance Funds	414,640	
<u>231,385</u>	Other Managed Funds	<u>273,592</u>	
593,361	Total Pooled Investment Vehicles		688,232
	Derivative Contracts (note 16c)		
10	Forward Foreign Exchange Contracts (Receivable)		0
	Cash Deposits		
5,665	Cash and Cash Funds		10,811
	Other Investment Balances		
8,822	Investment Debtors		<u>4,428</u>
<u>1,334,014</u>	Total Investment Assets		<u>1,491,473</u>
	INVESTMENT LIABILITIES (note 16)		
	Derivative Contracts (note 16c)		
(3,920)	Forward Foreign Exchange Contracts (Payable)		(3,185)
	Other Investment Balances		
(5,555)	Investment Creditors		<u>(2,477)</u>
<u>(9,475)</u>	Total Investment Liabilities		<u>(5,662)</u>
<u>1,324,539</u>	NET INVESTMENT ASSETS		<u>1,485,811</u>
	CURRENT ASSETS		
7,914	Contributions due from employers		8,780
137	Other Non-Investment Debtors		467
	Cash		
13,144	Invested with North Yorkshire County Council		<u>7,005</u>
<u>21,195</u>	Total Current Assets		<u>16,252</u>
	CURRENT LIABILITIES		
(1,112)	Non-investment creditors		<u>(4,082)</u>
<u>(1,112)</u>	Total Current Liabilities		<u>(4,082)</u>
<u>1,344,622</u>	Total Net Assets (note 8)		<u>1,497,981</u>

The accounts summarise the transactions of the Fund and deal with the net assets. They do not take account of the obligations to pay pensions and benefits which fall after the end of the Fund year.

NOTES TO THE PENSION FUND CORE STATEMENTS

1. General Description of the Fund

The North Yorkshire Pension Fund (NYPF) is a local government pension fund operated under the Local Government Pension Scheme (LGPS) Regulations 1997 (as Amended), providing pensions to employees of the principal local authorities and other admitted bodies in North Yorkshire. The Fund does not cover teachers, police and fire fighters for whom separate statutory pension arrangements exist.

The NYPF is financed by contributions from both employees and employers together with income earned from investments. The benefits payable under the 1997 Regulations (as Amended) are largely mandatory although there are some discretions available to the employing bodies. Any monies which are not immediately required to pay pensions and other benefits are invested in accordance with a predetermined investment policy.

The contributions payable by employees are prescribed by the Regulations. A banded system of rates is now in place, based on the pay levels of individual members. The employer contributions are determined every three years by an independent assessment of NYPF carried out by the appointed Actuary.

Pensions paid to retired employees are subject to mandatory increases (usually annual), arising out of Pension Increase Acts. The cost effect of these increases is incorporated into the overall assessment of employers' contributions.

Membership of the LGPS is not compulsory. Employees have the option of being part of an occupational pension scheme, such as the NYPF, or alternatively purchasing a personal plan managed by a private sector company, or participating in the State Second Pension or a Stakeholder Pension. Employees over 16 years old, however, are automatically admitted to the NYPF unless they elect otherwise.

2. Membership

The following summarises the membership of the NYPF at 31st March 2011:-

	31st March 2010	in year variation +/-	31st March 2011
Category of Members			
Contributors	28,623	+672	29,295
Deferred Pensioners	22,079	+1,721	23,800
Pensioners	14,119	+769	14,888
Contributing Employer Organisations	64	+5	69

3. Administration and Management of the Fund

The County Council is the administering authority for the NYPF. The County Council's responsibilities are fulfilled by the Pension Fund Committee, which has powers delegated to it by the County Council. The majority of the assets of the NYPF are allocated to five principal investment managers, which as at 31st March 2011 were as follows:-

- Baillie Gifford & Co
- Fidelity International Pensions Management
- Standard Life Investments
- Amundi Asset Management
- European Credit Management.

The Fund also has a small portfolio of assets (£2.3m) held by RC Brown Investment Management PLC. This equity mandate is based around ethical criteria and has been invested at the request of one particular employing body.

In addition, the Fund has made direct investments in the following:-

- Yorkshire and Humber Equity Fund (£3m committed, £1.5m drawn down by March 2011)
- A separate currency hedging account with the Fund's global custodian (see Note 7).

The investment managers are given wide discretion in the selection of securities in which investment can be made, limited only by the Regulations and any specific instructions given by the Committee. Further details of the investment policy of the Fund are included in Note 7.

During the year the Committee formally met on five occasions, plus an additional four meetings to consider performance reports of the investment managers. The Committee receives professional advice from the following:-

- an independent Investment Adviser, Ms C Dobson of Investment Trustee and Adviser Services, (replaced Mr P Williams of Allenbridge Epic in June 2010)
- a firm of Investment Consultants, Aon Hewitt (replaced Mercer in April 2010)
- the Treasurer (who is the Corporate Director – Finance and Central Services of North Yorkshire County Council).

Committee meetings provide a forum for discussion about economic and market trends, monitoring the performance of the investment managers and considering their investment strategies. Finance and Central Services staff of North Yorkshire County Council (NYCC) liaise with the investment managers, the Investment Consultant, and the Investment Adviser on day to day matters and are responsible for associated administrative and accounting functions relating to the Fund.

4. Scheduled and Admitted Bodies contributing to the Fund

The following are the 69 Scheduled and Admitted Bodies which contributed to the NYPF during 2010/11

45 Scheduled Bodies:

North Yorkshire County Council	Norton on Derwent Town Council
City of York Council	Knaresborough Town Council
Craven District Council	Glusburn Parish Council
Hambleton District Council	Skipton Town Council
Harrogate Borough Council	Richmond Town Council
Richmondshire District Council	Northallerton and Romanby Joint Burial Ctte
Ryedale District Council	Northallerton Town Council
Scarborough Borough Council	Malton Town Council
Selby District Council	Pickering Town Council
North Yorkshire Police Authority	Hunmanby Parish Council
North Yorkshire Fire and Rescue Authority	Haxby Town Council
North Yorkshire Probation Service	Ripon City Council
Yorkshire Dales National Park	Easingwold Town Council
North York Moors National Park	Kirkbymoorside Parish Council
Foss Internal Drainage Board	Filey Town Council
Marston Moor Internal Drainage Board	University of Hull, Scarborough Campus
Thornton Internal Drainage Board	Askham Bryan College
Great Ayton Parish Council	Selby College
Whitby Town Council	Craven College
Fulford Parish Council	Scarborough Sixth Form College
Sutton-in-Craven Parish Council	Harrogate Grammar School
Selby Town Council	York College
Riccall Parish Council	

24 Admitted Bodies:

York St John University	York Archaeological Trust
Yorkshire Housing	Joseph Rowntree Charitable Trust
Welcome to Yorkshire	Community Leisure Ltd
North Yorks Business Enterprise Partnership	Balfour Beatty Infrastructure Services Ltd
York Museum and Galleries Trust	Yorkshire Coast Homes
Craven Housing	Jacobs Engineering UK
Richmondshire Leisure Trust	Superclean Services
Inspace	Veritau Limited
Scarborough Museums Trust	Wigan Leisure and Culture Trust
North Yorkshire LMS Pool	Enterprise
- Mellors Catering Services	York LMS Pool
- Grosvenor Facilities Management	- Chartwells compass
- Elite	- ISS Mediclean Ltd

5. Accounting Policies

The Accounts have been prepared in accordance with the provisions of Section 2, Statement of Recommended Accounting Practice of the Pension SORP 2007 and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010 which has adopted International Financial Reporting Standards (IFRS) for financial statements produced from 2010/11.

Basis of Preparation

Except where otherwise stated below, the Accounts have been prepared on an accruals basis.

(a) Fund Account Transactions

- i) Benefits payable and withdrawal of contributions have been brought into the Accounts on the basis of all valid payments due in the year. Transfer values are those sums payable by, or receivable from, other pension schemes for individuals only and relate to periods of previous pensionable employment. Transfer values receivable are brought into the Accounts in the year in which they were received. The same basis is used for transfer values paid.
- ii) Dividends and interest on Government Stocks, Corporate Bonds, loans and deposits have been credited to the Fund in the year in which they are declared. Foreign income has been translated into sterling at the date of the transactions, when received during the year, or at the exchange rate applicable at 31st March 2011 where amounts were still outstanding at the year end.
- iii) a proportion of relevant NYCC officers' salaries have been charged to the Pension Fund on the basis of actual time spent on investment and related matters and pensions administration. Certain specific expenses have been charged direct to the Fund and other office expenses and related overheads have been charged to the Fund in proportion to the salaries charged.
- iv) the investment managers are paid quarterly fees, in arrears, on a sliding scale based on the market value of the investments managed at the end of each quarter. In addition performance related fees are payable to Baillie Gifford & Co and Standard Life Investments. A performance related fee was paid to Baillie Gifford & Co during 2010/11.

(b) Current Assets and Liabilities

- i) Debtors and creditors are raised for all investment transactions made up to and including 31st March 2011 but not settled until later.
- ii) Dividend income accrued at 31st March 2011 but not received until 1st April or afterwards has been brought into the Fund's Accounts as a debtor on the accruals basis.
- iii) Debtors are raised for known contributions due at 31st March 2011. No provision has been made for employees' and employers' contributions related to sums due on pay awards for 2010/11 not paid until 2011/12.
- iv) Retirement allowances and death grants where the date of leaving/death was up to and including 31st March 2011 are shown on a cash basis.

(c) Valuation of Investments

Investments are shown in the Accounts at their market value which have been determined as follows:-

- i) Securities quoted in the UK are valued at the last traded price quotations at close of business on 31st March 2011. In order to comply with the latest Statement of Recommended Practice (see above) bid prices are used for the valuation of securities wherever possible, otherwise mid prices are used
- ii) Securities quoted overseas are valued at the last traded price quotations of their local stock exchange as at 31st March 2011, and again bid prices are used for the valuation
- iii) Unit trusts and managed fund investments are stated at the bid prices quoted by their respective managers as at 31st March 2011

- iv) Other unlisted securities are valued having regard to latest dealings, professional valuations, asset values and other appropriate financial information.
- v) All overseas securities and cash are translated into sterling at the rate ruling at the Net Assets Statement date.
- vi) Derivative contracts used to hedge against foreign currency movements are valued using exchange rates as at 31st March 2011.

No allowance has been made for liabilities to pay pensions and other benefits after the 31st March 2011. The actuarial position of the Scheme is dealt with in the Certificate of the Actuary included in the Annual Report.

6. Actuarial position of the Fund

In common with other Local Government Pension Schemes an actuarial valuation is carried out every three years. The Valuation of the Fund on which employer contributions for 2010/11 were based was conducted as at 31st March 2007. This Valuation was effective for a period of three years beginning 1st April 2008.

The Common Rate of employers' contributions, required from all employers, for the three years is 12.3% of pensionable pay (10.4% in the 2004 Valuation). This Common Rate was calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date.

The Common Rate was then adjusted having regard to the individual circumstances of each employer, particularly to reflect the numbers of starters/leavers/early retirements since the last Valuation date and relative to the size of the ongoing payroll base from which future contributions were derived.

The value of the Fund's assets at 31st March 2007 represented 68.8% of the Fund's liabilities. Based on the actuarial value of the Fund's assets at Valuation date of £1,266m, the deficit to be funded amounted to £602m.

In order to address this deficit whilst managing the costs of the Scheme to the taxpayer, the Fund continued to follow Communities and Local Government guidance and stabilise contribution rates by adopting a deficit recovery period of 27 years from 1st April 2008, (30 years at the 2004 Valuation). Therefore, an average additional contribution rate of 6.5% (over 27 years) was required to fund the deficit, implying an average employer contribution rate of 18.8% (12.3% + 6.5%) of pensionable pay, compared to 17.5% at the 2004 Valuation.

The Valuation process was repeated as at 31st March 2010. A number of material developments affecting the Fund since 2007 led to changes in actuarial assumptions used in this Valuation which decreased the Common Contribution Rate (CCR) to 12.2%, effective from 1st April 2011. The most significant changes were:

- changes in demographic assumptions
- changes in membership profile
- changes in average member contributions.

In order to assist with keeping the CCR down, some changes were made to the actuarial assumptions used in the 2007 Valuation, the major ones being :-

- giving an opportunity to some employers to allow for improved investment returns in the calculation of their individual contribution rate
- assuming that on average, 50% of retiring members will take the standard 3/80ths cash sum only, based on accrued service up to 31st March 2008 and 50% will take the maximum tax-free cash available at retirement.

The 2010 Valuation was concluded in February 2011. The maximum deficit recovery period was revised to 30 years from April 2011 substantially due to poor investment returns resulting from the global economic crisis during 2008 and early 2009. This approach contributed to the reduction in the additional contribution rate required to fund the deficit of 6.4%, implying an average employer contribution rate of 18.6% (12.2% + 6.4%) of pensionable pay.

The contribution rates were calculated using the projected unit actuarial method.

At 31st March 2011, the Fund's assets were valued at £1,498m, with the deficit being estimated at £643m, giving a solvency position of 70%. This improvement in solvency was due to a combination of good investment returns and the relative slow growth in the value of liabilities resulting from changes in actuarial assumptions following the 2010 Triennial Valuation as well as a small but significant increase in the discount rate during the year.

The actuarial assumptions for the 2010 Valuation in respect of Future Service were as follows:

	For future service liabilities
Investment Return	6.75% per annum
RPI Price Inflation	3.00% per annum
Salary Increases *	4.75% per annum
Pensions Increases	3.00% per annum

* plus salary scale for officers to allow for incremental increases

Some employing bodies took advantage of the “controlled flexibility” policy that was permitted by the Pension Fund Committee and chose either a shorter deficit recovery period than 30 years, or a bespoke investment strategy specifically assigned to a particular employer.

Attached as an Appendix to these financial statements is a statement by the Fund's Actuary, Mercer, showing the actuarial present value of promised retirement benefits.

7. Investment Policy

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, require the County Council, as administering authority, to invest any NYPF monies which are not immediately required to pay pensions and other benefits. The Regulations set the limits for classes of investments and require the Fund to have a suitably diversified portfolio of investments. Apart from these legal constraints and prohibitions on trading in speculative derivatives and on stock lending and, from time to time, requiring a certain minimum level of investment held in cash, bonds and other similar securities, the Pension Fund Committee places no restrictions on the investment managers regarding the investment they can, in their judgement, make relevant to the benchmark and performance mandate they have been given.

NYPF has two global fixed income managers, both of which were appointed on 1 July 2005, being Amundi Asset Management and European Credit Management (ECM). Amundi has as their benchmark the “least risk portfolio” as agreed with the Actuary. This is 85% UK index linked gilts and 15% UK fixed income gilts, with maturities exceeding 15 years in both cases. Amundi's out-performance target is 2.5%. ECM's benchmark is 1 month LIBOR with an out performance target of 3% per annum. Both investments are held in pooled funds by both managers.

The Fund employs three equity managers each investing in a particular market with a bespoke benchmark and performance target. Baillie Gifford & Co manages two global (i.e. including UK) equity portfolios, namely Global Alpha and an unconstrained portfolio, the Long Term Global Growth (LTGG). Each of these portfolios is in the form of a pooled vehicle, rather than made up of separate direct holdings (i.e. ‘segregated’ holdings). The former has been set a target of +2% relative to the FTSE All World index, and the latter a target of +3% relative to the same benchmark.

Fidelity manages a segregated overseas equities (ex UK) portfolio with a target of +2% relative to a composite MSCI index, weighted 35% North America, 35% Europe excluding UK, 15% Pacific and 15% Emerging Markets.

Standard Life manages a UK equity portfolio with a target of +3% relative to the FTSE 350 Equally Weighted index excluding investment trusts. This portfolio comprises segregated holdings in UK companies.

The Fund hedges against 25% of the exposure to the major currencies as a result of overseas equity investments using forward foreign exchange contracts. This hedge was reduced from 50% following an Investment Strategy Review completed in late 2009. This is managed by NYCC staff working directly with the NYPF's global custodian (see below).

The market values as at 31st March 2011 of the separate portfolios, together with their proportions of the Fund, are shown in Note 8.

The global custodian is BNY Mellon Asset Servicing. The main services provided are custodianship of the Fund's assets, including settlement of trades and collection of income, investment accounting and performance measurement (of the fund managers).

8. Analysis of Net Assets

The following table shows the total of investments and cash held by each Manager and the County Council as at 31st March:-

Investment Manager	31st March 2011		31st March 2010	
	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	251,129	16.8	222,402	16.5
Baillie Gifford & Co. - LTGG	163,511	10.9	139,574	10.4
Fidelity International	365,879	24.4	326,603	24.3
Standard Life Investments	367,407	24.5	345,748	25.7
European Credit Management	115,959	7.7	109,818	8.2
Amundi Asset Management	219,348	14.6	180,820	13.4
RC Brown Investment Management	2,312	0.2	1,919	0.1
Hermes Focus Asset Management-Europe	0	0.0	1	0.0
Currency Hedging	(1,073)	(0.1)	(3,857)	(0.3)
Yorks & Humber Equity Fund	1,339	0.1	1,509	0.1
Transition Accounts	0	0.0	2	0.0
Internally Managed (cash and net debtors)	12,170	0.9	20,083	1.6
	<u>1,497,981</u>	<u>100.0</u>	<u>1,344,622</u>	<u>100.0</u>

The following table shows the total of investments analysed by type as at 31st March. All investments are in quoted securities other than £1,304k included in UK Assets.

	31st March 2011 £000	31st March 2010 £000
UK Assets - including pooled investments	780,146	706,553
Foreign Assets - including pooled investments	<u>696,088</u>	<u>609,053</u>
Total Invested	1,476,234	1,315,606
Cash and other Short Term Assets	<u>21,747</u>	<u>29,016</u>
	<u>1,497,981</u>	<u>1,344,622</u>

9. Details of the ten largest segregated equity holdings as at 31st March 2011

	Market Value £000	Percentage of Value of Fund %
GKN	18,250	1.2
Rio Tinto	14,485	1.0
Xstrata	13,090	0.9
Vedanta Resources	11,241	0.8
BP	11,227	0.7
Lloyds Banking Group	9,825	0.7
Balfour Beatty	8,040	0.5
Cookson Group	7,908	0.5
Nestle	7,058	0.5
Spectris	6,912	0.5
	<u>108,036</u>	<u>7.3</u>

10. Analysis of Debtors and Creditors

	2010/11 £000	2009/10 £000
Debtors		
Investment Assets		
Investment Transactions (excl Forward Foreign Currency)	2,439	6,344
Accrued Dividends	1,632	2,196
Withholding Taxes Recoverable	357	282
	<u>4,428</u>	<u>8,822</u>
Other Assets		
Contributions due from Employing Authorities	8,780	7,914
Pensions Rechargeable	36	49
Interest on Deposits	6	12
Other	425	76
	<u>9,247</u>	<u>8,051</u>
Total Debtors	<u>13,675</u>	<u>16,873</u>
	2010/11 £000	2009/10 £000
Creditors		
Investment Assets		
Investment Transactions (excl Forward Foreign Currency)	5,662	5,555
	<u>5,662</u>	<u>5,555</u>
Other Assets		
Management Fees	911	1,018
Other	3,171	94
	<u>4,082</u>	<u>1,112</u>
Total Creditors	<u>9,744</u>	<u>6,667</u>

11. Contributions and Benefits

Contributions represent the total amounts receivable from the various employing authorities in respect of their own contributions and those of their pensionable employees. The employers' contributions are paid at a rate determined by the Fund's actuary. Benefits represent the amounts paid in pensions and lump sums (including retirement and death grants).

	2010/11 £000	2009/10 £000
Contributions Receivable		
North Yorkshire County Council	46,525	45,661
Other scheduled bodies	54,862	54,353
Admitted bodies	6,185	5,122
	<u>107,572</u>	<u>105,136</u>

Members of the Fund can also make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with the Prudential Assurance Company Limited on behalf of the individual members concerned. A statement of the value of these investments is given in Note 21.

	2010/11 £000	2009/10 £000
Benefits Payable		
North Yorkshire County Council	31,504	28,393
Other scheduled bodies	38,965	33,720
Admitted bodies	3,358	3,155
	<u>73,827</u>	<u>65,268</u>

12. Group Transfers

There were no group transfers in or out of the Fund in 2010/11.

13. Administration Expenses

	2010/11 £000	2009/10 £000
Administration and Processing	1,243	1,114
Actuarial Fees	120	58
Legal and Audit Fees	62	52
	<u>1,425</u>	<u>1,224</u>

14. Investment Management Expenses

	2010/11 £000	2009/10 £000
Administration, Management and Custody	4,996	3,206
Performance Measurement Services	28	30
Other Advisory Fees	261	210
	<u>5,285</u>	<u>3,446</u>

15. Investment Income

	2010/11 £000	2009/10 £000
Interest from Fixed Interest and Index Linked Securities	5	834
Dividends from Equities	14,105	13,602
Interest on Cash Deposits	101	306
Interest on Interest Rate Swaps	0	6,324
Underwriting Commission Received	100	50
	<u>14,311</u>	<u>21,116</u>
Irrecoverable withholding tax	(375)	(370)
Total Investment Income	<u>13,936</u>	<u>20,746</u>

The irrecoverable tax relates to the element of the withholding tax deducted from overseas dividends not reclaimable. For 2010/11 the figure consisted of:-

	£000
Irrecoverable withholding tax on dividends receivable in 2010/11	376
Less withholding tax received	<u>(1)</u>
Net Irrecoverable Tax 2010/11	<u>375</u>

16. Investments

(a) Market Value Reconciliation

	Value at 31st March 2011 £000	Change in market value at 31st March 2011 £000	Sales proceeds and derivative receipts £000	Purchases at cost and derivative payments £000	Value at 1st April 2010 (as restated) £000
Fixed Interest Securities	115,959	6,154	0	0	109,805
Equities	672,043	4,477	(318,431)	369,646	616,351
Pooled investment vehicles	688,232	66,583	(1,688)	29,976	593,361
Derivative Contracts	(3,185)	735	(626,149)	626,139	(3,910)
Total Invested	<u>1,473,049</u>	<u>77,949</u>	<u>(946,268)</u>	<u>1,025,761</u>	<u>1,315,607</u>
Cash Deposits	10,811				5,665
Net Investment Debtors	1,951				3,267
Net Investment Assets	<u>1,485,811</u>				<u>1,324,539</u>

Transaction costs are included in the cost of purchases and sale proceeds and include costs charged directly to the Pension Fund, such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £1,200k (2009/10 £1,743k). In addition indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These investment vehicles are managed by Investment Managers registered in the UK. The amount of indirect costs is not separately provided to the Pension Fund. Pooled investment vehicles includes a fund managed by Fidelity, also disclosed under other managed funds in the Net Asset Statement. This was shown against equities in the 2009/10 accounts. Comparative year figures have been restated.

(b) Analysis of Realised and Unrealised Profits / Losses

	2010/11 £000	2009/10 £000
Net Realised Profit on sales	31,508	651
Net Realised Profit on Currencies	2,228	10,419
Unrealised Profit as at 31st March 2011	<u>77,949</u>	<u>442,248</u>
	<u>111,685</u>	<u>453,318</u>

(c) Derivative Contracts

All positions in derivative contracts shown on the accounts as at 31st March 2011 are Forward Foreign Exchange Contracts and are classed as Over the Counter contracts. Expiration dates are up to three months following 31st March. The total nominal value is £179m and the market value £176m. The Fund objective in using derivatives is to reduce risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio, without disturbing the underlying assets and to mitigate the effect of currency risk on overseas investments.

17. Taxation

(a) United Kingdom Tax

The Fund is an exempt approved Fund under the Finance Act 1970 and is therefore not liable to UK income tax on interest, dividends and property income or to capital gains tax. Since the Budget changes of 1997, however, the Fund has not been able to recover UK Advance Corporation Tax on dividends.

(b) Value Added Tax

As North Yorkshire County Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses.

(c) Withholding Taxes

Investment income from overseas suffers a withholding tax in the country of origin, except for income from the United States of America and certain European countries, where reciprocal agreements are in force and partial exemption exists.

18. Material Transactions with related parties

During the year no material transactions arose with related parties, other than those disclosed elsewhere in the Statement of Accounts. No material related party transactions occurred in respect of members of the Pension Fund Committee during 2010/11 (£nil in 2009/10).

19. Stock Lending Arrangements

The Fund has not released stock to a third party under a stock lending arrangement within a regulated market at this period end or any previous years.

20. Material Contingent Liabilities

The Fund had no material contingent liabilities at the period end (£nil in 2009/10).

21. Additional Voluntary Contributions (AVCs)

As stated in note 11, members may make Additional Voluntary Contributions (AVCs) which are invested in insurance policies with the Prudential Assurance Company Limited on behalf of the individual members concerned.

The AVCs are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

The value of the Additional Voluntary Contributions Fund increased in the year by £1,015k, (£989k in 2009/10). As at 31st March 2011 there were 1,634 active members in the AVC Fund (1,877 as at 31st March 2010), and there were 160 withdrawals from the AVC Fund during 2010/11 (133 during 2009/10). The total value of the AVC Fund serviced by these contributions as at 31st March was:

	31st March 2011 £000	31st March 2010 £000
With Profits Retirement Benefits	14,723	14,699
Unit Linked Retirement Benefits	1,463	1,037
Deposit Fund Benefits	1,354	789
	<u>17,540</u>	<u>16,525</u>
Death in Service Benefits in Force	<u>5,210</u>	<u>6,459</u>

The change in value of the AVC Fund during the year was:-

	31st March 2011 £000	31st March 2010 £000
Opening Balance	16,525	15,536
Income		
Contributions received	2,284	1,997
Interest and Bonuses / Change in Market Value	786	904
Transfers In	14	44
Expenditure		
Life Assurance Premiums	(14)	(15)
Retirement Benefits	(1,952)	(1,892)
Transfers Out and Withdrawals	(67)	(27)
Death - Return of Funds	(36)	(22)
Closing Balance	<u>17,540</u>	<u>16,525</u>

22. Statement of Investment Principles (SIP)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare, and review from time to time, a written statement recording the investment policy of NYPF.

The Pension Fund Committee approved the latest version of the SIP for the NYPF on 23rd June 2011. The SIP is reviewed as and when necessary with the latest version being available on the NYPF website at www.nypf.org.uk together with other key documents, such as previous years' Annual Reports, the current Funding Strategy Statement, the Triennial Actuarial Valuation Report (see note 6), Interim Actuarial Reviews and Policy Statements in relation to Governance Compliance and Communications.

23. Annual Report

The Annual Report 2010/11 of the NYPF, which gives further details on the management of the Fund and on investment performance, will be available from October 2011 from Finance and Central Services, County Hall, Northallerton, DL7 8AL, or at www.nypf.org.uk.



North

Yorkshire County Council

Annual Governance Statement

2010/11

Approved by Audit Committee 30 June 2011

Contents

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4. Role of the Chief Financial Officer
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1.0 SCOPE OF RESPONSIBILITY

- 1.1 North Yorkshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall duty the County Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and establishing a sound system of internal control and arrangements for the management of risk.
- 1.3 The **Local Code of Corporate Governance**, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* is reviewed annually. The current version was agreed by the Audit Committee in June 2011 and approved by the County Council in July 2011. A copy of the Code is available on the County Council's website ([_www.northyorks.gov.uk_](http://www.northyorks.gov.uk)) or can be obtained from the office of the Corporate Director – Finance and Central Services (telephone 01609 532114 or email john.moore@northyorks.gov.uk).
- 1.4 This Statement explains how the County Council has complied with its Local Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an **Annual Governance Statement**.
- 1.5 This Statement also confirms that the financial management arrangements within the County Council comply with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government(2010)*. (See **Section 4** for details).

North Yorkshire Pension Fund

- 1.6 The governance arrangements and Final Accounts of the North Yorkshire Pension Fund (NYPF) are now audited separately from the County Council. However, because the NYPF is administered by the County Council, the governance arrangements of the County Council also apply to the NYPF. This Statement therefore also forms part of the governance framework for the NYPF. However, there are also a number of additional documents that relate purely to the governance arrangements of the NYPF – these are **NOT** referred to further in this Statement as they relate solely to the governance of the NYPF. For further details of the specific governance arrangements of the NYPF please refer to the NYPF website (www.nypf.org.uk).

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The Governance Framework as detailed in the Local Code comprises the systems and processes, the culture and values, by which the County Council is directed and

controlled and the activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 2.2 The **system of internal control** is a significant part of that Framework and is designed to manage risk to a reasonable level rather than try to eliminate all risk of failure to achieve policies, aims and objectives. Because it is not possible to eliminate all risks, the system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks that threaten the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and then to manage them efficiently, effectively and economically.
- 2.3 The overall Governance Framework, and in particular the system of internal control, has been in place at the County Council for the year ended 31 March 2011 and up to the date of approval of this Statement alongside the Statement of Final Accounts.

3.0 THE GOVERNANCE FRAMEWORK

- 3.1 The requirement to have a robust and resilient governance framework and sound system of internal control covers all aspects of the County Council's activities. For the purposes of this Statement, the policies, procedures and operations that taken together create the overall governance framework are grouped under the following headings -
- (a) for establishing and monitoring the achievement of the County Council's objectives
 - (b) to identify, assess and manage the risks to achieving the County Council's objectives
 - (c) to facilitate policy and decision making
 - (d) to ensure the economical, effective and efficient use of the County Council's resources and assets
 - (e) to ensure compliance with established policies, procedures, laws and regulations
 - (f) for the financial management of the County Council and its financial reporting
 - (g) to extend the governance principles to subsidiary companies and partnerships
 - (h) performance management and the reporting thereof
 - (i) consulting and communicating with stakeholders

- 3.2 The main features of each of these contributory components are as follows -

(a) arrangements for establishing and monitoring the achievement of the County Council's objectives

the **Council Plan** sets out the long term objectives of the County Council. It is the overarching policy statement within which the County Council will

- deliver its ambitions, improvements, services and functions over the medium term. It is reviewed annually in a process that is linked to the updating of the Medium Term Financial Strategy. The 2010/13 Council Plan identified the priorities for improvement and was linked to the **North Yorkshire Sustainable Community Strategy**. An updated Plan for 2011/14 has recently been approved by the County Council
- the **Medium Term Financial Strategy** (MTFS) sets out how the County Council will finance the Council Plan over the medium term. The latest Strategy was approved by the County Council in February 2011 and covers the period 2011/14 – it also incorporates the annual Revenue Budget for 2011/12. This latest Budget process was challenging due to the significant reduction in grant funding available. Achievement of the necessary savings will be a priority for the County Council over the 2011/14 period
- there is an **integrated Service Planning and Budget Process** under which each Service Unit in each Directorate prepares a Service Performance Plan which sets out its detailed objectives, performance targets, available resources and risk assessment. These feed into both the Council Plan and the annual Budget/MTFS process
- the **Performance Management framework** has been developed since the Comprehensive Performance Assessment (CPA) in 2002 to improve how the County Council monitors its performance. There is quarterly reporting of key performance indicators to Management Board and a joint meeting of Executive and the Scrutiny Committee Chairs. Performance monitoring is fully integrated with routine personnel, budgetary and efficiency/savings plan monitoring so that the Executive can rely on robust monitoring and the provision of correct and current information for decision making
- **Corporate Governance** (C-Gov) encompasses, defines and quality assures the various systems by which the County Council directs and controls its functions and relates to the North Yorkshire community. It is therefore the totality of the policies, management systems, procedures and structures that together determine and control the way in which the County Council manages its business, formulates its strategies and objectives and sets about delivering its services to meet those objectives, for the greater good of the community of North Yorkshire. The County Council aims to incorporate the principles of C-Gov into every dimension of its business to ensure that all stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Elected Members, officers and agents in delivering services. The **Local Code of Corporate Governance** defines these values and expresses the approach adopted by the County Council. Adherence to this Code is overseen and monitored by the Audit Committee. The C-Gov Officer Group meets quarterly to update its C-Gov self-assessment checklist and monitor progress, especially in addressing areas identified to be in need of improvement

- additionally, the **Standards Committee** works on those areas of governance which fall within its remit. It is primarily concerned with standards of conduct for elected Members, the promotion of the principles in the Member Code of Conduct and the promotion of high ethical standards throughout the authority

(b) arrangements to identify, assess and manage the risks to achieving the County Council's objectives

- the County Council's comprehensive, well established and award winning approach to **risk management** is laid out in the Corporate Risk Management Policy and its associated Strategy. These documents were approved during 2009/10 and will be reviewed in 2011/12. Implementation of the Action Plan is overseen by the Corporate Risk Management Group chaired by the Corporate Director – Finance and Central Services. Risk Registers are prepared and maintained at Corporate, Directorate and Service Unit levels; the generic risk assessment methodology is also applied to specific projects or areas of policy development (e.g. Highways Maintenance Contract 2012)
- the Corporate **Health and Safety** Policy was comprehensively rewritten in 2010 taking into account recent HSE guidance relating to local authorities, and a fresh Action Plan established. Corporate and Directorate Action Plans have been recast in line with the updated Policy. New procedures in relation to performance monitoring and workplace inspections are being developed linked to web based assessment tools and learning materials
- **Internal Audit** arrangements operate to best practice professional standards. The annual work programme is set out in an Audit Plan following the production of an Audit Risk Assessment and consultation with individual Directorates and the External Auditor. The Audit Committee approves the Audit Plan and receives, thereafter, regular reports on its progress. The Head of Internal Audit expresses an opinion on the controls in place for each Directorate on an annual basis; he also submits an Annual Report to the Audit Committee which includes his overall opinion for the County Council as a whole. During 2010/11, the Audit Plan included a greater number of corporate audits; such audits are key to providing the appropriate assurance to the County Council that its overall governance arrangements remain effective. A number of corporate audits have already been reported on briefly to Audit Committee but the outcome of all corporate audits undertaken during 2010/11 will be reported in more detail at its meeting in June 2011.

Note – a company, Veritau, was established in April 2009 to provide internal audit and a range of related services to both the City of York Council and the County Council. Both authorities own a 50% share of the company with existing staff and facilities transferring to the company on that date. For governance purposes, Veritau reports to the Audit Committee in the same way as its in-house predecessor.

- a risk-based **Service Continuity Planning** process is being developed to enable the County Council to fully comply with the requirements of the Civil Contingencies Act 2004. Roll-out at Service Unit continued in 2010/11 linked to specific work that is being done in generic risk areas. Generic areas that have been targeted include IT resilience and office premises, both of which link into wider strategies (ie Information Governance Framework and Bright Office Strategy)
- to ensure full compliance with the *Good Governance Standard for Public Services* and the CIPFA SOLACE *Delivering Good Governance in Local Government Framework*), the C-Gov Officer Group continues to maintain and regularly update, a **Self Assessment Check List** covering the whole internal control agenda. As part of this process, a central record of key internal control weaknesses identified within the internal control environment is prepared which inputs to this Annual Governance Statement.
- the **Performance Management** framework developed since the CPA in 2002 continues to be refined. Risks to the achievement of key objectives are highlighted via the quarterly 'traffic lights' report to enable Management Board and the Executive to take action to manage those risks

(c) arrangements to facilitate policy and decision making in the County Council

- the **Constitution** sets out how the County Council operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also embraces the detailed Contract, Financial and Property Procedure Rules, Scheme of Delegation, Codes of Conduct, etc. These are reviewed and updated on a regular basis to ensure they are consistent with the contemporary operating requirements of the County Council
- all 72 Councillors meet together as the **Council**. Meetings are open to the general public. At its annual meeting in May each year the Council appoints its Chairman. The Leader and the Executive are appointed at the annual meeting in an election year. The Council is responsible for setting the budget and policy framework of the County Council
- the **Executive** is responsible for taking the decisions that implement the policies of the County Council. If the Executive wishes to make a decision outside the policy framework (including the Budget) set by the Council, this must be referred to the Council as a whole to decide. Each Member of the Executive has a portfolio responsibility that relates to a specific area(s) of the County Council's services and responsibilities. The Executive meets formally at least once a month but will hold informal meetings on a more regular basis as required to progress the business of the authority

- the **Management Board** (which comprises the Chief Executive and all Corporate Directors plus Assistant Chief Executives) is responsible for implementing all County Council policies and decisions, providing advice to Members, for co-ordinating the use of resources and the work of the Directorates. Circumstances permitting, the Management Board meets weekly
 - there are four **Overview and Scrutiny Committees** that support the work of the Council and the Executive, together with a Scrutiny of Health Committee. Their roles and responsibilities are detailed in Article 6 of the Constitution
 - a separate Audit Committee has been in operation since April 2006. (**See Section 6 below**). A role of the Audit Committee is to act as the responsible body charged with ensuring that a sound system of internal control operates throughout the County Council. In doing so, it provides independent assurance to the Council on the adequacy of the risk management framework and the associated control environment and independent scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. It also oversees the Procedure Rules that relate to Contracts, Finance and Property matters as well as the Information Governance and Counter Fraud arrangements. Since 2009/10 it has also become involved in satisfying itself that the Treasury Management activities of the County Council are fit for purpose
 - **Statutory Officers / Codes and Protocol** – the County Council employs officers to give advice, implement decisions and manage the day-to-day delivery of its services. Certain officers have a designated specific duty to ensure that the County Council acts within the law and uses its resources wisely (**see (e) and (f) below**). The Protocol on Member / Officer relations, is part of the Constitution and, amongst other documents, governs the relationships between Officers and Members of the Council. In addition a statement regarding the Management Board Role and Protocol is under consideration for formal adoption in 2011/12
 - **Registers of interests, gifts and hospitality** are also maintained for Members and officers. Details of **Related Party Transactions** are sought from all Members and senior officers (and if required will be submitted to the National Fraud Initiative)
 - pursuant to its powers under Section 101 of the Local Government Act 1972 the Council arranges for certain of its functions to be discharged by officers of the Council as set out in the **Officers Delegation Scheme**
- (d) **arrangements for ensuring the economical, effective and efficient use of its resources and assets by the County Council**
- **comprehensive budgeting systems** are applied consistently across all Directorates

- **regular reviews of periodic financial reports** by Portfolio Members and the Executive, covering all service and corporate budgets, income/expenditure trends against forecasts and possible impacts on balances, reserves and provisions
- **quarterly (and annual) corporate Performance and Improvement reporting** to the Executive (to which meetings the Chairs of the Overview and Scrutiny Committees are invited) and Management Board, including Key Performance Indicators, Revenue Budget, Capital Plan, Personnel and Efficiency/Savings Plan targets. This is supported by more frequent reporting and monitoring within Directorates
- the County Council outperformed the Government's **Annual Efficiency (Gershon)** targets. A three year Value for Money Plan (targeting 3% pa) covering the period 2008/11 was in place with targets substantially achieved in all years. Ongoing savings targets (which include efficiency items) are now incorporated in the overall MTFS
- independent statistics continue to show that the County Council is a low spending but high performing authority. The annual budget process includes a specific exercise to relate performance data with that regarding unit costs.
- a number of **corporate work streams** (the One Council change programme) are in place to develop and implement a single operating model and consistent processes for a range of infrastructure and support arrangements including ICT applications, domestic arrangements, key administrative and business processes/structures, use of flexible/mobile working, an aggressive accommodation review, and consideration of employee costs in order to identify budget savings
- **risk prioritisation processes** designed to identify key risks to the achievement of objectives, evaluate risk controls and ensure risk reductions are embedded within Service Performance Plans
- clearly defined **Contract, Financial, and Property Procedure Rules** which set out arrangements for incurring actual expenditure, collecting income, making claims for grants, buying/selling property, etc
- **independent monitoring** of all the above by the Monitoring Officer, Section 151 Officer and Internal Audit Service on a regular basis
- developing the skills of Members is being targeted through a **Member Development Programme**, a dedicated online learning site and a suite of resources and training events.
- a corporate **Workforce Plan** supported by Directorate specific Workforce Plans, ensure that the County Council is able to maintain and manage its workforce to meet current and future service needs. The Plans address a wide range of issues such as recruitment, induction, career progression, flexible working and are set within the context of budget reductions and the wider economic climate. A robust approach to Job Evaluation and Pay and reward remains in place in order to minimise legal risk in this area

- an **Asset Management Strategy** has been in place since 2006. In addition to the redefinition of key corporate processes (eg purchasing and disposal of property) the adoption of a corporate approach to repairs/maintenance combined with up to date condition data,etc, has provided a foundation for a systematic approach to property improvement based upon the needs of the services (both users and providers). A new Capital Project Management system (Gateway) has been implemented to improve the delivery of larger projects. The system is integrated with the job management system (PMCS) used by the County Council's property adviser, Jacobs UK; this integration means there is now a single source of data relating to projects, shared by the County Council and its principal adviser on property matters. The Executive also receives an **Annual Property Performance report** that details the progress made on key indicators relating to property and asset management

(e) arrangements to ensure compliance with established policies, procedures, laws and regulations by the County Council

- the Assistant Chief Executive (Legal and Democratic Services) is currently the officer designated by the County Council as the **Monitoring Officer** and is responsible for performing the duties imposed by **Section 5** of the **Local Government and Housing Act 1989** which relate to ensuring the legality of the Council's operations and the duties in the Local Government Act 2000 relating to the promotion of ethical standards. The Monitoring Officer is a member of the Management Board and attends and monitors decision making at the County Council, Executive and all Committees.
- the County Council has a **complaints procedure** that is advertised by leaflets and on its website. The procedure includes targets for acknowledging and responding to complaints in full.
- **Elected members** have a significant role to play in ensuring compliance and propriety, either collectively (eg through the work of the Overview and Scrutiny Committees), and individually as local representatives, providing feedback from their constituents.
- Elected members have to agree to follow a **Code of Conduct** to ensure high standards in the way they undertake their duties. Members must complete a **Register of Interests** which is publicly available. The County Council has established a **Standards Committee**, which trains and advises councillors on the Code of Conduct and monitors its operation. Members have also undergone voluntary CRB checks. Finally, the Committee has in place procedures for the assessment, investigation and determination of complaints against Members and a procedure for granting dispensations.

- there is a **Local Code of Corporate Governance** in place that is fully consistent with the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. The Local Code defines -
 - ➔ the fundamental values and principles of corporate governance
 - ➔ the corporate governance framework and arrangements to deliver it within the County Council
 - ➔ arrangements for annual review and reporting of the framework
- the County Council has approved and implemented a formal **Whistleblowing Policy** and **Counter Fraud Strategy**; these are reviewed annually by the Audit Committee
- the requirements of the **Data Protection** and **Freedom of Information** legislation are co-ordinated by an Information Governance Team (part of Veritau*) which is working in conjunction with the Records Management Officer to develop a comprehensive Information Governance Framework
- the County Council now operates an Information Security Management System which complies with the requirements of ISO/IEC 27001 (Information Security) Official Certification was received on 31 January 2011. Work to maintain this standard is coordinated by the Information Security Officer working in conjunction with the Information Governance Team.
- the County Council has an approved **Equality Statement**. The three Equality schemes have been harmonised and combined into a single Equality scheme. The County Council has achieved the 'Achieving' level of the Equality Standard for Local Government and is progressing to the 'Excellent' level

(f) arrangements for the financial management of the County Council and its financial reporting

- as part of its Constitution, the Council has approved **Budget and Policy Framework Procedure Rules, Contract Procedure Rules, Financial Procedure Rules, and Property Procedure Rules**

The purpose of these rules is to set out a framework within which the County Council conducts its financial affairs. These rules are applied and monitored by the Corporate Director – Finance and Central Services and are designed to ensure that proper financial arrangements are in place and operational at all times across the County Council. They are reviewed by the Audit Committee on an annual basis

*see note in paragraph 3.2(b) above

- The **statutory duties of the Corporate Director – Finance and Central Services** in relation to financial management derive from five principal sources:
 - ➔ Section 151 of the Local Government Act 1972
 - ➔ Section 114 of the Local Government Financial Act 1988
 - ➔ Local Government Act 2000 (particular decisions contrary to policy or budget)
 - ➔ Local Government Act 2003 (prudential limits for borrowing and investment)
 - ➔ Accounts and Audit Regulations 2011

The Corporate Director – Finance and Central Services (CD-F&CS) drafts a **Medium Term Financial Strategy** and presents it annually to the Executive and the Council; linked to this Strategy are the detailed **Revenue Budget, Capital Plan, Treasury Management** arrangements and **Prudential Indicators**

The CD-F&CS is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the County Council. The CD-F&CS also ensures that proper accounting arrangements are established in all Directorates. Individual Corporate Directors are responsible for the satisfactory operation of financial and accounting systems, and associated controls, within their Directorates.

To support this process, there is an Assistant Director (qualified as an Accountant) allocated to each Directorate with specific responsibility for financial matters. The postholder sits on the Management Teams of both the Service Directorate and of Finance and Central Services.

It is the duty of all Service Managers within Directorates to plan and manage their budgets to meet the agreed bottom line budget figure for their Service Unit. This includes ensuring that adequate arrangements exist for monitoring budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The CD-F&CS is responsible for submitting a quarterly report to Executive on the overall revenue budget position; this report is part of the Quarterly Performance and Improvement reporting arrangements referred to **under (d) above**

The CD-F&CS prepares and publishes an annual **Statement of Final Accounts** that conforms to all statutory and professional requirements, codes of practice and timetables

- the CD-F&CS is the Chief Financial Officer (CFO) for the purposes of compliance with the CIPFA Statement referred to in **paragraph 1.5** above

- the **external auditor** for 2010/11 appointed by the Audit Commission is Deloitte: they will publish an Annual Audit Letter on the completion of their audit that follows the end of each financial year
- under the Accounts and Audit Regulations 2011, the County Council has a legal responsibility to provide an adequate and effective **internal audit** of its records and control systems. The Council has delegated this responsibility to the CD-F&CS who provides the service through Veritau*

Using a risk assessment methodology, the Head of Internal Audit produces an **Annual Audit Plan** for approval by the CD-F&CS. It is also endorsed by the Audit Committee; progress against this Plan is reported quarterly to the CD-F&CS and to the Audit Committee.

In addition to carrying out the work specified in the Annual Audit Plan, Veritau* also provides –

- ➔ advice and assistance to service managers in the design and implementation of internal controls
- ➔ support to managers in the prevention and detection of fraud, corruption and other irregularities
- ➔ development of the Information Governance Framework and the provision of advice and guidance on information governance related matters.

The Head of Internal Audit provides an **audit opinion**, based on the level of assurance gained by the work carried out, for each audit undertaken.

At the end of the financial year, a summary of the audit work carried out is reported to each Corporate Director and an audit opinion, based on the overall level of assurance, is given for each Directorate. In each case these reports are cross referenced to the Directorate Risk Register and an **annual Statement of Assurance provided by the Corporate Director**. The **Head of Internal Audit also submits an Annual Report** to the Audit Committee that includes his overall opinion on the adequacy of the internal control environment for the County Council as a whole.

(g) arrangements to extend the governance principles to subsidiary companies and partnerships

- where the County Council is a substantial **equity holder in a company** (eg NYnet, Veritau, Yorwaste) it will ensure appropriate governance arrangements are in place both within the company and as between the company and the County Council, that are based on the Local Code but also take into account the operational circumstances of the company
- for **partnerships**, the County Council has implemented a self assessment template that identifies if all the necessary governance procedures are in place relative to the level of risk that any failure or underperformance by the Partnership represents to the County Council
- a process to review, and report annually to the Executive, on the work and performance of partnerships was introduced in 2010/11

*see note in **paragraph 3.2(b)** above. The Head of Internal Audit is the CEO of Veritau

(h) arrangements for the performance management of the County Council and the reporting thereof

- the County Council identified its corporate priorities for improvement in its **Council Plan 2010/13** and these are linked to the **North Yorkshire Sustainable Community Strategy** priorities and the **Medium Term Financial Strategy**. The improvement actions and benefits linked to the priorities are set out in the Council Plan together with the performance indicators and the principal targets that are used to track performance. Progress on these is reported to the public in the Council Plan. The Council Plan is approved by the Council each year
- the Council's improvement priorities, as set out in the Council Plan and in its service performance plans and strategies, are **reviewed regularly** throughout the year. This is achieved through -
 - ➔ quarterly reporting on key performance indicators including personnel, finance and VFM to Management Board, the Executive and Chairs of the Overview and Scrutiny Committees
 - ➔ regular reports to Corporate Directors and Executive Portfolio Holders
 - ➔ publication of an **Annual Report on Overview and Scrutiny** by the Scrutiny Board

(i) arrangements for consulting and communicating with stakeholders

- the County Council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the Council's stakeholders is undertaken and relevant and effective channels of communication are developed. Key mechanisms include –
 - ➔ publishing a Council Plan and annual Statement of Final Accounts to inform stakeholders and services users of the previous year's achievements and outcomes
 - ➔ engagement with strategic partners through the publication of the Sustainable Community Strategy and delivery of priority outcomes.
 - ➔ opportunities for the public to engage effectively with the County Council including attending meetings
 - ➔ a Citizens' Panel of 2000 residents who are consulted on a wide range of issues throughout the year
 - ➔ consultation toolkit that provides advice to all staff about how to consult effectively
 - ➔ maintaining a County Council website that provides access to information and services and opportunities for public engagement

- ➔ publication of the NY Times – 11 editions were published in 2010/11 and were circulated to all householders in the County. Certain editions were scheduled to address key issues (eg annual budget). (Note – publication of the NY Times has now ceased although alternative and lower cost options continue to be pursued).

4.0 **ROLE OF THE CHIEF FINANCIAL OFFICER**

- 4.1 In the County Council the Corporate Director – Finance and Central Services fulfills the role of the CFO as defined in the CIPFA Statement referred to in **paragraph 1.5** above.
- 4.2 Based on a review of the full assessment of the criteria in the Statement undertaken for the 2009/10 AGS, and taking into account developments in 2010/11, the opinion of the Corporate Director – Finance and Central Services is that the County Council fully complies with the Statement. The Audit Committee has concurred with the professional opinion of the CFO on the *Role of the Chief Financial Officer in Local Government* (2010) as it applies to the financial year 2010/11.

5.0 **REVIEW OF EFFECTIVENESS**

- 5.1 Under the Accounts and Audit Regulations 2011, the County Council has responsibility for formally conducting, at least annually, a review of the effectiveness of the system of internal control.
- 5.2 On behalf of the Audit Committee, and in conjunction with Corporate Directors and senior officers, the C-Gov Officer Group, (which includes the Monitoring Officer, Section 151 Officer and the Head of Internal Audit) reviews matters relating to the internal control environment of the organisation on a regular and ongoing basis by referring, amongst others, to the work of
 - ➔ the Executive
 - ➔ the Management Board
 - ➔ the Corporate Directors and their Service Unit Heads in the individual Directorates
 - ➔ the Internal Audit function (as carried out by Veritau) and the Insurance & Risk Management Section
 - ➔ the Standards Committee
 - ➔ the Audit Committee
 - ➔ the External Auditor (Deloitte LLP) and other external inspectorates
- 5.3 In relation to the Management Board and all of the Corporate Directors have prepared and signed individual **Statements of Assurance** for 2010/11 relating to the internal control procedures, and the review thereof, in their service areas. In addition for 2010/11 the Chief Executive has prepared and signed a further Statement of Assurance on behalf of himself and the Management Board as a whole.

- 5.4 This ongoing review of the effectiveness of internal control systems is also informed by the work of Veritau* who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.5 The Audit Committee takes responsibility for the annual review of the effectiveness of internal audit. **(See Section 6 below.)**

*see note in paragraph 3.2(b) above.

6.0 **ACTIVITIES OF THE AUDIT COMMITTEE**

6.1 During 2010/11 the Audit Committee met five times and -

- ➔ approved the Internal Audit work plan
- ➔ considered the annual fraud and risk loss assessment
- ➔ considered all the work done by Veritau* throughout the year. Where appropriate reassurance was requested from Corporate Directors that issues identified by this work were being corrected as a priority
- ➔ ensured that the ongoing work in relation to issues on Corporate Governance, Information Governance and Risk Management, was progressing
- ➔ considered the proposed Audit Plan of the External Auditor and reviewed any reports they have produced concerning the financial statements of the County Council
- ➔ held separate one to one meetings with the External Auditor and the Head of Internal Audit
- ➔ reviewed the Contract , Finance, and Property Procedure Rules of the County Council
- ➔ considered the Treasury Management arrangements of the County Council and made recommendations for improvement to the Executive
- ➔ reviewed the counter fraud, whistleblowing and anti-money laundering policies of the County Council
- ➔ reviewed an Annual Report from the Head of Internal Audit expressing his opinion on the overall controls operating within the County Council. This report also highlighted the significant breaches of Procedure Rules found by Veritau* during the year and the steps taken by management to address them
- ➔ agreed the Statement of Final Accounts submitted by the Corporate Director – Finance and Central Services following robust challenge of the accountancy principles adopted

6.2 In addition the Audit Committee has

- ➔ undertaken a reassessment of the operation of the Audit Committee itself to ensure it complies to the best practice recommended by CIPFA
- ➔ undertaken a review of the effectiveness of the County Council's internal audit arrangements as required by the Accounts and Audit Regulations 2011

- ➔ reviewed the Terms of Reference of the Internal Audit Service (as provided by Veritau*)
- ➔ driven progress towards developing an Information Governance Framework for the County Council and considered performance in dealing with Freedom of Information requests within the statutory deadline
- ➔ reviewed the assessment of compliance with the CIPFA Statement on the **Role of the Chief Financial Officer in Local Government (2010)**

6.3 All this work has been used in supporting the preparation of the County Council's Annual Governance Statement for 2010/11.

7.0 SIGNIFICANT GOVERNANCE ISSUES

- 7.1 The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the County Council's objectives have been mitigated.
- 7.2 On the basis of the review work carried out it was considered that the majority of the internal control arrangements were operating adequately in the financial year 2010/11. **There were, however, some areas identified which require attention to address weaknesses and ensure continuous improvement of the system of internal control; included, within this definition are issues related to service delivery, the satisfactory achievement of which will depend in some measure on changes to / improvements in internal control systems.** Having regard to the published guidance on internal control matters, these are disclosed in the table below; for the sake of completeness, the latest position on issues identified in the Annual Governance Statement for 2009/10 that were not fully resolved in 2010/11 or represent ongoing risks are also included.
- 7.3 Issues identified in the Annual Governance Statement for 2009/10 that are still ongoing.

Ref	Issue requiring improvement	Action taken to date / planned 2011/12
A1	Demand outstrips budget provision for adult social care	<p>The Directorate has developed a resource predictive model based on nationally approved population, demographic trend analysis – (Poppi & Pansi). These have been used to forecast the pattern of services which could typically occur and be experienced within the County. Based on this model it is estimated that the incremental demand cost could be in the order of £3m per year for the foreseeable future (an additional 500 clients).</p> <p>In response to this recognised pressure the County Council has provided, within the Medium Term Financial Strategy, budgetary provision of £3mpa. This will be regularly monitored to ensure it is responsive to fluctuations of price and number of people being supported and this will in turn feed into the revised budget projections.</p> <p>There is also an emerging financial challenge relating to other authorities exercising ordinary residence rights of clients living within the North Yorkshire boundary which results in NYCC becoming responsible for the person’s care and financial liability. This is a significant risk because of the 2 large community villages within the County which provide accommodation for in excess of 150 people.</p>
A2	Personalisation and Putting People First Agenda	<p>The Directorate has a made significant progress in this area in relation to the milestones required by the DOH and laid out in Putting People First. Concentrated effort has been brought to achieve the national milestones.</p> <p>Arrangements for personal budgets continue to develop in light of experience and the use of the needs assessment questionnaire and indicative resource allocation model tied into the further advances of an IT solution.</p> <p>Implementation of the Fairer Charging regime from May 2011 will bring a greater level of complaints as some charges increase. Conversely this could result in reduction in service take up. Monitoring of the impact arising from this policy change is taking place on a monthly basis and will be reported to Care and Independence Overview and Scrutiny in October 2011.</p>

Ref	Issue requiring improvement	Action taken to date / planned 2011/12
A3	Safeguarding	<p>Since the crisis in Haringey over the death of Baby Peter, all authorities and other agencies working with children, including North Yorkshire, have needed to respond to the challenges of -</p> <ul style="list-style-type: none"> • increased expectations on all aspects of safeguarding • an increase in the number of assessments which Social Care staff have to undertake • an increase in the number of children placed into care <p>The increase in child placements and the necessity of enhancing social work provision for assessment and safeguarding have created very significant budgetary requirements.</p> <p>The need to make progress in these areas was also reflected in the recommendations from two Inspections, during 2010, even though NYCC's inspection judgements were better than the majority for other authorities whose inspections were carried out in the same period. Inspection outcomes during 2010 and 2011 show that the required improvements have been made</p> <p>The financial actions taken have included -</p> <ul style="list-style-type: none"> • additional provision for child placement in 2010/11 of at least £1.25m; despite the increase in demand there has been no increase in the proportion of placements using much more expensive external sources rather than, for example, in-house foster care • provision in 2009/10 for 9 additional Social Workers with further provision for 12 extra Social Workers in 2010/11 (in aggregate an additional budget provision of £800k); <p>Further work will continue to improve the efficiency and effectiveness of this placements strategy during 2011/12 and the expected outcomes of this are factored into efficiency savings – with no impact on service quality – in the later years of the MTFS.</p>

Ref	Issue requiring improvement	Action taken to date / planned 2011/12
<p>A4</p>	<p>Waste Management Procurement</p> <p>The Waste PFI procurement continues to make good progress and it is anticipated commercial close will be achieved in July 2011.</p> <p>Thereafter the project will be moving into the planning/consultation phase.</p> <p>However, given the scale and complexity of the procurement, there remain many challenges to ensure that an effective contract is secured and waste treatment infrastructure is delivered.</p>	<ol style="list-style-type: none"> 1. Regular liaison with DEFRA/WIDP and related government PFI advisers. 2. Delivery of procurement in line with project plan. 3. On-going review of project resources required to deliver the project. 4. Regular progression of issues with preferred bidder, liaison with Communications Unit.
<p>A5</p>	<p>Highways Maintenance</p> <p>The County Council road network has suffered significant damage as a result of recent severe winter weather.</p> <p>It is intended to prioritise this area of work to ensure the standard is brought back to an acceptable standard as soon as possible, and utilise the additional one-off government funding to support this work.</p>	<ol style="list-style-type: none"> 1. Utilise the additional one-off funding to address prioritised emergency repairs. 2. Re-prioritise the allocation of all Highway funding relative to risk in order to best address the sudden deterioration in carriageway condition. 3. Ensure the information on spending of one-off funding complies with grant conditions including publishing the schemes on the County Council website.
<p>A6</p>	<p>Service Continuity Planning</p> <ul style="list-style-type: none"> • a Corporate Policy/Strategy needs to be in place supported by the development, and testing, of a comprehensive suite of service based Continuity Plans 	<p>The Civil Contingency Act 2004 places a requirement on the County Council to have in place a set of internal SCP arrangements.</p> <p>Following a review of progress to date, a revised approach will be proposed based on “bottom-up” principles with greater attention paid to the need for corporate inputs (eg property, ICT) and streamlined “command” structures.</p>

Ref	Issue requiring improvement	Action taken to date / planned 2011/12
A7	<p>Information Governance</p> <ul style="list-style-type: none"> need to maintain roll-out of Information Governance Framework Action Plan 	<p>The Corporate Information Governance Group (CIGG2) has developed a comprehensive set of policies within a single coherent Framework.</p> <p>The Action Plan focuses on roll-out issues (eg training of staff) that need to be progressed.</p> <p>There is also a need to develop a rigorous process for reporting and investigating breaches.</p>

7.4 New issues arising from the internal control review process during 2010/11 are as follows -

Ref	Issue requiring improvement or of potential concern	Actions planned 2011/12
B1	<p>Creating the cultural environment and organisational structures in order to:-</p> <ul style="list-style-type: none"> - achieve a stronger One Council identity - encourage a culture of improvement and innovation - ensure that the County Council is fit for purpose for the future, and - deliver savings to contribute towards the MTFs by reducing organisational duplication. 	<ol style="list-style-type: none"> Restructure of County Council including:- <ul style="list-style-type: none"> creation of Health and Adult Services to lead on joint working with Health Libraries, Archives, Registrars and Coroners Service transferred to the Chief Executive's Group responsibility for general administration across the County Council to be held within the Chief Executive's Group Implementation of a range of activities / workstreams within the One Council Change Programme. These include:- <ul style="list-style-type: none"> 9 specific workstreams where a consolidated County Council approach is being pursued comprehensive programme of communications with staff led by the Chief Executive to promote the cultural and organisational changes establishing a coherent Programme with clear governance including that of elected Members reviewing and implementing performance management arrangements across the County Council to focus on the individual and team encouraging a culture where staff and customer views are actively sought and

Ref	Issue requiring improvement or of potential concern	Actions planned 2011/12
		<p>drive a culture of improvement and innovation</p> <ul style="list-style-type: none"> • detailed financial savings are assessed at workstream level and make a contribution towards the MTFS savings requirement
B2	Improve engagement with Health	Change in structure to create Health and Adult Services Directorate with greater focus on health issues and joint working with health.
B3	<p>Medium Term Financial Strategy</p> <ul style="list-style-type: none"> • need to validate funding assumptions and achieve targeted savings through the 4-year period 2011/15 	<p>The MTFS for the period 2011/15 reflects the need for substantial savings in order to “balance the books”.</p> <p>There is an approved and detailed savings matrix for 2011/12 and 2012/13. The projected shortfall in 2013/14 and 2014/15 is expected to be funded by savings generated from the One Council change programme. This prospect will need to be thoroughly assessed in the period to the start of 2013/14.</p>
B4	<p>ICT Strategy</p> <ul style="list-style-type: none"> • a revised Corporate ICT Strategy needs to be in place that reflects the IT priorities of the County Council but is reconciled to the likely level of resources that will be available in the future • within that Strategy the key item is the migration from Novell to Microsoft 	A revised ICT Strategy (and resourced Action Plan) will be presented to the Management Board. The Strategy must address key issues such as the Microsoft transition, Disaster Recovery / IT resilience as well as be compatible with the requirements of the One Council change programme.

8.0 SUMMARY

8.1 The internal control framework operating during 2010/11 is considered to have provided reasonable and objective assurance that significant risks impacting on the achievement of the County Council’s principal objectives would be identified and actions taken to avoid or mitigate their impact.

- 8.2 Some issues have, however, been identified and these are set out in **Section 7** above.
- 8.3 There is a need to continually review and improve control systems, and further improvements have been identified for the coming year.

9.0 **SIGNATURES**

9.1 We, the undersigned, accept primary responsibility for the content of this Annual Governance Statement and will over the coming year, take steps to address the matters identified in Section 7 of this Statement to further enhance the governance arrangements of the County Council. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed:

.....
Cllr John Weighell
Leader of the County Council

.....
Richard Flinton
Chief Executive

Date:

Date:

.....
Carole Dunn
Assistant Chief Executive
(Legal and Democratic Services)
(Monitoring Officer)

.....
John Moore
Corporate Director – Finance and
Central Services (Section 151 Officer)

Date:

Date:

9.2 I confirm that the Audit Committee (meeting on the 30 June 2011) was satisfied, on the basis of the information available to it, that the Annual Governance Statement 2010/11 which is required, under the Regulations governing the audit of local government accounts, to accompany the Statement of Final Accounts, has been prepared and approved after due and careful enquiry.

.....
Cllr Roger Harrison-Topham
Chairman of the Audit Committee

Date: 30 June 2011

GLOSSARY OF TERMS

ABG

Area Based Grant. A general grant from Central Government to provide additional revenue funding to areas according to specific policy criteria. Replaces former LAA funding and certain other specific grants.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuary

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary determines the rate of employer contributions due to the Pension Fund every three years.

Amortised

Written off over a suitable period of time (usually in line with the useful life of a fixed asset). This is a proxy for depreciation for intangible assets.

Appropriations

Amounts transferred from the Comprehensive Income and Expenditure Statement through the Movement in General Fund Balance to revenue or capital reserves.

Asset Rental Charges

The County Council charges Asset Rentals to Services in order to reflect the economic costs of the assets they use in service provision. These charges do not impact on Council Tax.

Assets

Anything which has a monetary value e.g. property, investments or cash.

Assets Held for Sale

Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

Associate

An entity is an associate of a reporting authority if it has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

AVC

Additional Voluntary Contributions.

Benchmark

A measure against which investment performance is assessed. The benchmark may take the form of a "market index" where performance is measured by comparison with a particular market or where measurement is against an average established by reference to the performance of a peer group or league table.

Bid Price

In the context of stock trading on a stock exchange, the bid price is the highest price a buyer of a stock is willing to pay for a share of that given stock.

Bond

A type of investment where cash is exchanged for a certificate of debt issued by the government or company, promising regular payment on a specified date, or range of dates, usually involving a final lump sum capital payment at the time the bond is given up by the investor.

Budget

A statement of the County Council's expected level of service and spending over a set period, usually one year.

BVACOP

Best Value Accounting Code of Practice.

Callable Deposit

Deposit with a bank or building society for an agreed term but where the bank has the option of repaying the full amount at set intervals. For example, a three year deposit with six monthly calls.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to, or enhances, the life or value of an existing fixed asset.

Capital Financing

Funds used to pay for capital expenditure. These funds can come from both external and internal sources.

Capital Plan

The proposed budget for capital expenditure and funding for the County Council.

Capital Receipts

Proceeds from the sale of fixed assets. These are used to finance new capital expenditure.

Carrying Amount

The amount at which an asset is recognised in the Balance Sheet.

Cash and Cash Equivalents

A Balance Sheet heading to identify both cash (or overdraft) and other highly liquid resources, these liquid resources are deemed to be short term investments that are held with maturity periods of three months or less and are for the purposes of cash management.

The Code

In relation to the financial statements The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts are prepared.

CFR

Capital Financing Requirement.

CIPFA

The Chartered Institute of Public Finance and Accountancy is the lead accountancy body for the Public Sector on accounting practice and the preparation of local authority Accounts.

Consolidation

The process of adjusting and combining financial information from the individual financial statements of a reporting authority and its subsidiaries. The overall aim is to prepare consolidated financial statements that present financial information for the group as a single entity.

Contingencies

Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budget (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate Governance

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Council Tax

The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Credit Rating

A published ranking, based on detailed financial analysis by a credit bureau, of an organisation's financial history, specifically relating to an organisation's ability to meet its debt obligations.

Creditors

Amounts owed by the County Council for goods or services that it has received but for which payment had not been made by 31st March 2010.

Current Assets and Liabilities

Current assets are items that are owed to County Council and can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

Current Service Cost IAS 19

Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the scheme in the year of account.

DCLG

Department of Communities and Local Government.

Debtors

Amounts owed to the County Council at 31st March 2011 where services have been delivered but payment has not been received.

Delegated Budgets

Budgets for which schools and other services have complete autonomy in spending decisions.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, age or obsolescence through technological or other changes.

DfE

Department for Education.

DSG

Dedicated Schools Grant. A ring-fenced grant which can only be applied to expenditure properly included in the Schools budget.

Earmarked Reserves

These reserves represent monies set aside that can only be used for a specific purpose.

Expected Return on Assets

The average rate of return expected on the actual assets held by the Local Government Pension Fund.

Fair Value

A rational and unbiased estimate of the potential market price of a good, service or asset.

Finance Leases

Under a finance lease agreement, most of the risks and rewards associated with ownership are transferred to the lessee. The accounting policy is to recognise these assets.

GAAP

Generally Accepted Accounting Practice.

Government Grants

Revenue grants and contributions are credited to the appropriate service Revenue Account where they relate to a specific service; general grants including capital grants are credited to non-specific grant income within

the Comprehensive Income and Expenditure Statement to the extent that the conditions of the grant have been met.

IAS

International Accounting Standard

ICT

Information and Communications Technology.

IFRIC

Interpretations originated from the International Financial Reporting Interpretations Committee.

IFRS

International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

Impairment

The worsening of an asset, through damage, dilapidation etc, which affects the value of that asset.

Income

Amounts which the County Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rate.

Income in Advance

Amounts received by the County Council during 2010/11 relating to services to be delivered in 2011/12.

Intangible Assets

Assets that do not have physical substance but are identified and are controlled by the County Council through custody or legal rights.

Interest Cost

A financing charge reflecting the increases in the present value of Pension Fund scheme liabilities.

Investments

Short term investments comprise of deposits of funds with banks or similar institutions.

Investment Properties

Properties that are held for income or capital appreciation only, rather than used for any service delivery purposes.

ISAB

International Accounting Standards Board

ISB

Individual School Budgets.

ISP

Internet Service Provider.

Joint Venture

An entity in which the reporting authority has an interest on a long term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding arrangement.

LAA

Local Area Agreement. A partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

LAAP

Local Authority Accounting Panel. Bulletins issued by CIPFA to provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

LAA-PRG

Local Area Agreement Performance Reward Grant.

LABGI

Local Authority Business Growth Incentive.

LASAAC

Local Authorities (Scotland) Accounts Advisory Committee.

LATS

Landfill Allowances Trading Scheme.

LGPS

Local Government Pension Scheme.

LIBOR

The London Interbank Offered Rate. A daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money.

LOBO

Lender Option Borrower Option. Financial instrument used to borrow from the money market such loans feature on initial fixed interest period followed by a specified series of calls where the lender has the option to request an interest rate increase. The borrower has the option of repaying the loan (at no penalty) or accepting the higher rate.

LPSA

Local Public Service Agreement.

LSP

Local Strategic Partnership. A non-statutory, multi-agency partnership, which matches a local authority boundary, and includes representatives from the public, private, community and voluntary sector.

LMS

Local Management of Schools.

Long Term Borrowing

Long term borrowing is loans that have been raised to finance capital expenditure.

Market Value

The monetary value of an asset as determined by current market conditions.

Mid-market price

The mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges.

Minimum Revenue Provision

The statutory minimum amount that must be charged to a Revenue Account in each financial year to repay external debt.

Minority Interest

The interest in a subsidiary entity that is attributable to the share held by, or on behalf of persons other than the reporting authority.

National Non-Domestic Rate

The Government levies a standard rate on all properties used for commercial purposes. The rates are collected on behalf of the government by District Councils, and then redistributed nationally on the basis of resident population.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in it's existing condition and in it's existing use, i.e. the cost of it's replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

This comprises cash in hand, cash overdrawn, short term investments and long term borrowing.

Net Realisable Value

The open market value of the asset in it's existing use (or open market value in the case of non operational assets) less the expenses to be incurred in realising the asset.

NHS

National Health Service.

NJC

National Joint Council.

Non Current Assets

Assets that yield benefits to the authority and the services it provides for a period of more than one year.

NYBEP

North Yorkshire Business and Education Partnership.

NYnet Limited

A company providing broadband connectivity within North Yorkshire.

Past Service Cost

The increase in Pension Fund liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PCT

Primary Care Trust.

PFI

Private Finance Initiative. A means of securing new assets and associated services in partnership with the private sector.

Portfolio

A block of assets managed by a fund manager, to an agreed performance specification, on behalf of an investor.

Precept

The amount of money the County Council has to levy on Council Tax payers (via district collection funds) to pay for County Council services.

Prepayments

Amounts paid by the County Council in 2010/11 that relates to goods and services not received until 2011/12.

Provisions

Provisions represent sums set aside for any liabilities of uncertain amount or timing that have been incurred.

PWLB

Public Works Loan Board. The Government agency set up to provide loans to Local Authorities to finance capital expenditure.

REFCUS (Revenue Expenditure funded from Capital under Statute)

Expenditure which may be properly capitalised, but which does not result in the creation of any fixed asset.

REOTAS

Reintegration in Education other than in Schools.

Reserves

There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements.

Revenue Expenditure

Revenue expenditure is spending on the day to day running costs of the County Council. It includes expenditure on employees, premises, transport and supplies and services.

RICS

Royal Institution of Chartered Surveyors.

RSG

Revenue Support Grant. Central Government grant support towards local government expenditure.

Section 151 Officer

The Officer designated to assume overall responsibility for the administration of the financial affairs of the County Council and for the preparation of the Council's Statement of Accounts.

Settlements and Curtailments

Settlements and liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Simple Investment

The reporting authority's interest does not qualify the entity as a subsidiary, associate or a joint venture because the reporting authority has limited influence or it's interest is not long term.

SIF

Special Investment Fund.

SIP

Statement of Investment Principles.

Subsidiary

An entity is a subsidiary of a reporting authority if the authority is able to exercise control over the operating and financial policies of the entity and is able to gain benefits / be exposed to risk of potential losses from this control.

Surplus Properties

Those properties that are not used in service delivery but neither do they meet the classification of investment properties or assets held for sale.

Term Deposit

A deposit held in a financial institution for a fixed term at a fixed rate.

TMP

Treasury Management Practices.

TMPS

Treasury Management Policy Statement.

VAT

Value Added Tax.

Veritau Limited

A company providing Internal Audit, Counter fraud and Information Governance Services.

Work in Progress

The value of rechargeable work which has not been recharged at the end of the financial year.

YDHTP

Yorkshire Dales and Harrogate Tourism Partnership.

Yorwaste Limited

A subsidiary waste disposal company.

YPO

Yorkshire Purchasing Organisation.