

NORTH YORKSHIRE COUNTY COUNCIL

DRAFT STATEMENT OF ACCOUNTS 2012/13

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EXPLANATORY FOREWORD

INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2013 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* - 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).
 - (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 – Strategic Resources.
 - (d) **the Independent Auditor's Report**; this explains the auditor's 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 2013.
- (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 2012/13 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	70.0	65.5	(4.5)
Business and Environmental Services	80.7	76.7	(4.0)
Health and Adult Services	137.9	128.0	(9.9)
Central Services	60.5	54.8	(5.7)
Corporate Miscellaneous	37.1	17.9	(19.2)
	<u>386.2</u>	<u>342.9</u>	<u>(43.3)</u>
Financed by:			
Revenue Support Grant	2.2	2.2	0.0
Business Rates Proceeds	114.6	114.6	0.0
Precept Income (including arrears)	246.6	246.6	0.0
	<u>363.4</u>	<u>363.4</u>	<u>0.0</u>
(Deficit) or Surplus in year	<u>(22.8)</u>	<u>20.5</u>	<u>43.3</u>
General Working Balance			
Start of Year	36.1	36.1	0.0
(Deficit) or Surplus in year	<u>(22.8)</u>	<u>20.5</u>	<u>43.3</u>
End of Year	<u>13.3</u>	<u>56.6</u>	<u>43.3</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 33, which conform with Service Reporting Code of Practice (SeRCOP) 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 statutory 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)	342.9	(363.4)	(20.5)
Different treatment of some Government Funding - mainly Council Tax Freeze Grant	9.1	(9.1)	0.0
Other required accounting entries reflected in the Comprehensive Income and Expenditure Statement (£25.4m)			
- Capital Accounting	68.6	(49.3)	19.3
- Council Tax Collection Fund Accounting	0.0	(0.5)	(0.5)
- Holiday Pay Accounting	0.3	0.0	0.3
- Pensions Accounting	16.2	0.0	16.2
- Movement in Earmarked Reserves	(9.9)	0.0	(9.9)
Net expenditure / funding and deficit per Comprehensive Income and Expenditure Statement	427.2	(422.3)	4.9

3. As indicated in note 2, the “bottom line” revenue saving in 2012/13, compared to budget, was £43.3m which has been accounted for as follows:-
- a net savings of £22.7m is being carried forward to 2013/14 and subsequent years which includes £15.8m of Corporate Funds which were set up to manage one off issues across a number of financial years. The remaining £6.9m relates to the re-profiling of Directorate savings required for future years and projects and initiatives that will be completed in future years. The majority of this £22.7m saving was identified during the year and reported as part of the quarterly monitoring process; and
 - the residual saving of £20.6m is not being carried forward and therefore increases the level of the “free working balance”. This saving arose from a range of central budgets together with Service Directorate savings.
4. The County Council's Working Balance for general purposes amounted to £56.6m at 31st March 2013 which includes planned underspends and managed savings etc. of which £22.7m are carried forward to 2013/14 and subsequent years. The effective working balance is therefore £33.9m which is above the projected target sum of £23.2m at 31st March 2013. The County Council's current policy is to maintain a minimum level of Working Balance equivalent to 2% of the Net Revenue Budget although this is being reviewed in 2013/14. This current 2% minimum would equate to £7.3m at 31st March 2013.
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 2013 was £26.3m.

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 33)	893.2
Precepts Paid to Other Authorities	0.5
Interest Payable	16.6
Capital Adjustment Accounting Adjustments	(18.8)
IAS 19 Pension Adjustments *	20.5
Movement in Reserves Adjustment	2.6
Loss on Disposal of Fixed Assets	23.6
Contribution to Reserves	9.9
Accumulated Absences Adjustment	(0.3)
= Actual Spending financed from Income, Government Grants, Council Tax and other Government funding	<u>947.8</u>

* 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	443.9	47
Premises	45.3	5
Transport (including transport of school children)	36.2	4
Supplies and Services	144.9	15
Agency and Contracted Services etc.	235.5	25
Capital Financing Costs	42.0	4
	<u>947.8</u>	<u>100</u>

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

	£m	%
Central Services to the Public	3.2	0
Court Services	0.7	0
Cultural and Related Services	13.2	1
Environmental and Regulatory Services	31.4	4
Planning Services	4.5	1
Education and Childrens Services	556.5	62
Highways, Roads and Transport	71.5	8
Adult Social Care	204.4	23
Housing Services	0.2	0
Corporate and Democratic Core	5.9	1
Non-Distributed Costs	1.7	0
	<u>893.2</u>	<u>100</u>
Interest Payable	16.6	
Capital Accounting Adjustments	(18.8)	
IAS 19 Pension Adjustments	2.6	
Loss on Sale of Fixed Asset	23.6	
Other Corporate Adjustments	30.6	
	<u>947.8</u>	

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

	£m	%
Government Specific Grants		
- Dedicated Schools Grant	344.8	36
- Other Specific Grants	74.3	8
Council Tax from District Council Collection Funds	246.6	26
Fees and Charges etc.	103.6	12
Uniform Business Rates proceeds	114.6	12
Government Revenue Support Grant	2.2	0
Capital Grants	49.3	5
Other General Government Funding	9.1	1
Interest and Investment Income	2.5	0
Dividends Received	0.7	0
Corporate Trading Accounts surplus	0.1	0
	<u>947.8</u>	<u>100</u>

10. The income from District Council Collection Funds of £246.6m includes the precept charge of £246.5m for 2012/13, which is equivalent to a basic amount of Council Tax per Band D property of £1,057.48, plus a surplus of £0.1m relating to previous years. The Other Specific Grants mainly relate to Education and include the Education Funding Agency grant and Early Intervention grant. Major grants for other services include various Economic Development grants and Learning Disability Transfer grant.

11. The County Council employed 13,871 full time equivalent staff at the end of the financial year and a breakdown across Service Directorates is as follows:-

Central Services		
Strategic Resources	1,198	
Business Support Services	572	
Other	<u>108</u>	1,878
Children and Young People's Service		
Schools	8,042	
Other	<u>1,805</u>	9,847
Business and Environmental Services		469
Health and Adult Services		<u>1,677</u>
		<u>13,871</u>

CAPITAL EXPENDITURE

12. In 2012/13 the County Council spent £72m 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	88.8	67.9	66.0
- Revenue Expenditure Funded from Capital under Statute / Intangible Assets	<u>8.8</u>	<u>3.1</u>	<u>5.6</u>
	97.6	71.0	71.6
Other expenditure on fixed assets funded directly from the revenue budget	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
	<u>98.0</u>	<u>71.4</u>	<u>72.0</u>

Actual Capital spending was therefore £71.6m compared with an Original Capital Plan of £97.6m approved in February 2012 and a Revised Capital Plan of £71m approved in February 2013.

In addition, £0.4m 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	0.0	0
- from internal sources (cash balances)	(1.2)	(2)
Grants from Government Departments	53.5	74
Contributions from External Bodies	1.5	2
Capital Receipts from Sale of Assets etc.	6.3	9
Direct Revenue Funding	<u>11.5</u>	<u>16</u>
	71.6	99
Expenditure on Fixed Assets funded directly from Revenue Budgets	<u>0.4</u>	<u>1</u>
	<u>72.0</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 the North Craven Review – improvements to schools within the Settle area (£1.7m) new / replacement road lighting columns (£1.7m) and the Corporate Microsoft Project (£1.3m).
14. Total borrowing for capital purposes at 31st March 2013, was £382.7m which includes both external borrowing and borrowing from internal sources and consists of the following:-

	£m
External Borrowing	
Public Works Loans Board (PWLB)	330.0
Other Institutions	20.0
Total External Borrowing	<u>350.0</u>
Temporary Borrowing from Internal Cash Balances	33.1
Less: relating to debt administered on behalf of North Yorkshire Police Authority	<u>(0.4)</u>
	<u>382.7</u>

The Capital Financing Requirement (CFR) at 31st March 2013 was £388.7m which includes the Capital Borrowing Requirement of £382.7m reported above together with other long term Private Finance Initiative (PFI) and finance lease liabilities of £6.0m.

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 three years from 2011/12 as well 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 2013 was 59%. This was 1% higher than the 31st March 2012 funding level of 58%. Assets increased in value by 18% over the year and liabilities increased by 16% as a result of the fall in corporate bond yields, which are used to discount the value of future pension payments. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

17. The total reported pension liability of the County Council has increased over the year from £472.5m to £559.1m. This increase, (£86.6m), is due adverse changes to the assumptions used by the Actuary, most notably the fall in bond yields as described above.

The Fund's assets performed above the assumptions made by the Actuary due to the strong recovery of global financial markets after a poor 2011/12, which were out-performed by the Fund's managers. Assets increased in value by £113m which included an "actuarial gain" of £69m. The actual return of around 16.3% 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 its 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. This will be reassessed from 1st April 2014 as part of the 2013 Triennial Valuation.

Due to its nature, the liability will not 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. One change in Accounting Policy has been introduced for the 2012/13 Accounts, which has been reflected in the 2012/13 Statement of Accounting Policies. This change relates to the Carbon Reduction Scheme.

Since 2011/12, local authorities are required to purchase Carbon Reduction Allowances and surrender these allowances in line with their anticipated carbon emissions in relation to 2012/13. The County Council have needed to accrue for the cost of carbon emissions at each year end and account for the eventual settlement of any appropriate liability.

The Accounting Policy has been expanded to reflect recent amendments to the IFRS Code where the County Council purchases allowances in advance of the liability crystallising. The County Council now recognises an intangible asset for any allowances held, based on pre-agreed valuation or the purchase price of the asset. If the assets are held for trading, these allowances will be classed as current assets. The County Council continues to recognise a liability for the surrender of allowances to the Carbon Reduction Commitment Registry.

CHANGES TO THE STATEMENT OF ACCOUNTS

19. The changes to the format and presentation of the 2012/13 Statement of Accounts are limited and can be summarised as follows:-
- the Explanatory Foreword has been expanded in places to acknowledge some of CIPFA's recommendations suggestions regarding the contents of this section. These recommendations are in line with the requirements of the Government's Financial Reporting Manual. However CIPFA have emphasised that the lay-out of the Explanatory Foreword remains very much down to local judgment and there is no sector-specific format for the Explanatory Foreword;
 - various other minor amendments.

MATERIAL CONTINGENT LIABILITIES

20. Ordinary Residents

The number of Ordinary Residents' applications from other local authorities continues to rise. These situations arise 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 now 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. Furthermore a provision has been set aside of £759k for where a potential liability has been identified. 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.

Residential and Nursing Home fees

A challenge by judicial review was received in relation to fees. A Consent Order has been agreed and proceedings are on hold, pending work on costs models. Fees during the period 2012-13 have been paid and indebtedness during that period reflected within the Accounts.

Children's Social Care

During 2012/13, Legal Firms acting on behalf of individual foster carers across the Country have been contacting local authorities in relation to a potential issue in respect of payments made to relatives and family friends for Children's Social Care. This issue is at a preliminary stage and it is not possible at this stage to determine the outcome or magnitude.

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 2012/13. However there are further restructures planned in the next few years where the impact of employee terminations is currently unknown.

Waste PFI

The County Council entered into an agreement for the provision of a long term waste management contract on 26th 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. Whilst planning consent was granted on 14th February 2013, the consent is subject to Judicial Review. The outcome of that will not be known until later in the year. Subject to planning consent being confirmed a decision on financial close will then follow.

GROUP ACCOUNTS

21. The 2012 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 100 to 115.

THE COUNCIL PLAN

22. The Council Plan is available on the County Council's website and sets out the County Council's long-term corporate ambitions, medium-term objectives (2013-16) and priorities and actions for the next year (2013/14). The Council Plan also sets out where our funding comes from and what it is spent on.

The County Council has a vision statement which is shared with partner organisations: We want North Yorkshire to be an even better place for everyone to live, work or visit.

To achieve our vision we aim to:-

- ensure good access for all;
- help people to live in safe communities;
- help all children and young people to develop their full potential;
- promote a flourishing economy;
- maintain and enhance our environment and heritage; and
- improve health and wellbeing and give people effective support when they need it.

The County Council have agreed the following priority areas within these objectives:-

- protecting and supporting vulnerable people;
- supporting economic growth and employment;
- improving accessibility for all and supporting active communities;
- managing our environment and promoting environmental sustainability.

Examples of the progress which the County Council has made towards these priorities are included in the plan, as are the priority actions for the year to come.

The County Council needs to make another round of savings in the next 2 years of around £40m, in addition to the £52 million of savings which have already been secured to date.

www.northyorks.gov.uk/index.aspx?articleid=11682

PERFORMANCE AND BUDGET MONITORING

23. Reports are submitted on a Quarterly Basis (30th June, 30th September, 31st December and 31st March) to the County Council's Executive on Performance and Budget Monitoring issues.

The key issues covered in these Reports can be summarised as follows (alongside a very brief summary of the position to date as at 31st March 2013):-

Performance

The County Council reports on 20 Performance Indicators. As at 31st March 2013, eleven of the 20 performance targets were on target or better; seven were within 10% of the target; and two were more than 10% below target.

Human Resources Performance Data

There has been an overall decrease of 87 full time equivalent staff (FTE) for the County Council over 2012/13 (excluding schools). Sickness absence in Quarter 4 was an average of 1.64 days per FTE, which is a minor decrease on the same period last year.

Revenue Budget 2012/13

A saving of £43.3m was achieved for 2012/13 which is split between: £22.7m to fund savings and projects in future years; £13.3m of savings across the four Service Directorates which includes significant savings in advance of their original target date; £7.3m of savings in Corporate Miscellaneous which include a number of one-off savings and windfalls.

Capital Expenditure and Financing

In 2012/13 there was gross capital spending of £71.6m against a revised Capital Plan of £71.0m. There was also additional capital income of £1.9m resulting in a £1.3m net Capital under-spend which is mainly rolled forward to 2013/14.

Annual Treasury Management

Long term external debt decreased from £376.8m (as at 31st March 2012) to £350.0m as at 31st March 2013, as a result of taking no new external borrowing during 2012/13. For cash invested over 2012/13, the average rate of interest achieved was 1.37% which significantly outperformed the average 7-day market rate of 0.39% and the average bank rate during the year of 0.5%. The average daily balance loaned out was £204.6m in 2012/13.

Compliments and Complaints

An annual report on complaints and compliments is provided at Outturn.

STRATEGIC DOCUMENTS

24. The County Council produces a number of key cross-cutting strategic documents which can be accessed at www.northyorks.gov.uk and provide more strategic context to the annual Statement of Financial Accounts:-

Policy or Plan	Purpose of Policy or Plan
Constitution	Sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also details the County Council's Policy Framework.
North Yorkshire Community Plan	Sets out some key priorities for how to help make the County an even better place in which to live, work and visit.
The Council Plan	Is the cornerstone of the County Council's policy framework and it provides the basis for all that the County Council does and for the many other plans and strategies which we must produce. This plan also shapes the strategic financial policies and budgets of the County Council.
Medium Term Financial Strategy	Sets out how resources will be put in place to support the delivery of the Council Plan, and to enable priorities and service objectives to be achieved.
Children and Young People's Plan 2011-14	Sets out the priorities for how we are going to achieve the Every Child Matters outcomes for every child and young person in the County.
Corporate Equality Policy Statement	The County Council is committed to equality and to making fair treatment an important part of everything which the County Council does. This statement sets out how we will achieve these aims.

Policy or Plan

Purpose of Policy or Plan

Joint Health and Wellbeing Strategy

The Joint Health and Wellbeing Strategy, is produced by the Health and Wellbeing board. It explains what health and wellbeing priorities the board has set in order to tackle identified needs. The strategy sets priorities for joint action and making a real impact on people's lives.

Local Development Framework

The County Council, as the minerals and waste planning authority for the parts of the County outside the Yorkshire Dales and North York Moors National Parks, has a statutory duty to prepare a Minerals and Waste Development Framework, containing proposals and policies to guide minerals and waste planning decisions.

Local Transport Plan 2011-2016

The Local Transport Plan (LTP) is a set of documents that the Government requires all local transport authorities to produce. The LTP sets out the County Council's plans and strategies for maintaining and improving all aspects of the local transport system over a set period of time, usually five years. The County Council adopted its Local Transport Plan to cover the period from 2011 to 2016 in December 2010.

Lets Talk Less Rubbish Waste Strategy

This strategy sets out how waste in York and North Yorkshire will be dealt with in the next 20 years.

The County Council must also abide by the Freedom of Information Act 2000 – which intends to promote openness and accountability among public bodies by ensuring that people have rights of access to information that is held by them. Its aim is to provide a better understanding of how public authorities carry out their duties, how they make decisions and how they spend their finances.

RISKS AND UNCERTIANTIES AFFECTING THE COUNTY COUNCIL

25. This note identifies the principal risks and uncertainties that are likely to impact on the County Council together with the main trends and factors likely to affect future development, performance and the position of the County Council. Many of these are financial and relate to the ability of the County Council to be able to provide statutorily required services and meet public expectation against a background of reducing financial resources.

- expected further reductions in Government Grants and other funding sources from central government departments which are very unpredictable and are often announced at short notice;
- the levels of Business Rates collected by North Yorkshire Districts which impact directly on the County Council from April 2013 together with the impact of the localisation of Council Tax benefits, also from April 2013;
- future ability to raise Council Tax which is heavily linked to the Government's annually set criteria for having to hold local referendums for council tax increases and potential further future council tax freeze grant offers from the Government;
- demand for the County Council's services such as Adult Social Care (with an ageing population), Children's Social Care, Waste Disposal and Highways;
- inflation, pay awards, interest rates and taxation changes (such as Landfill tax and national insurance contributions) and contributions to the North Yorkshire Pension Fund following each Triennial valuation (next from 1 April 2014);

- delivery of savings programmes presents a constant challenge to the capacity and resilience of the County Council;
- cost pressures from other agencies – given the scale and pace of public sector budget reductions there is significant risk that savings made by one organisation are shunted on to the County Council given our obligations;
- new legislation can impose new responsibilities and burdens on the County Council which are not fully recognised by the Government;
- adverse weather conditions such as flooding or a severe winter, disasters and unforeseen events will remain a constant feature and uncertainty with the levels of the County Council's reserves and balances being key area of resilience here;
- the national and local political (a General Election is expected in 2015) and economic environment has significant impact on the County Council; and
- the Community Right to Challenge introduced in June 2012 by the Localism Act 2011 enables communities to challenge to take over local services that they think they can run differently and better than the County Council.

Other key risks identified in the County Council's Corporate Risk Register are:-

- inability to respond to major changes in national school funding developments;
- failure to develop the North Yorkshire economy resulting in lack of growth in employment and impact on future County Council funding;
- failure to deliver the waste strategy;
- failure to deliver the One Council Change Programme;
- failure to deliver, over the same timescale, the Superfast Broadband (i.e. BT) contract and the replacement Public Services Network (PSN) (i.e. WAN) contract;
- failure to plan, respond and recover effectively to major emergencies in the community;
- failure to effectively inform, consult, engage and involve the public, staff and Members;
- lack of focus on performing at service, team and individual level; and
- failure to be sufficiently prepared for our Health responsibilities and deliver an integrated approach with Health partners.

Gary Fielding
 Corporate Director – Strategic Resources
 Central Services
 County Hall
 Northallerton

28 June 2013

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 2012/13 (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 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.

The Code requires that a Local Authority's Statement of Accounts are prepared on a Going Concern basis. This means that the accounts are based on the assumption that the County Council will continue in operational existence for the foreseeable future.

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 de-minimus 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. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value) for assets for which there is an active market (e.g. offices) and Depreciated Replacement Cost (DRC) for assets for which there is not an active market (e.g. schools). Land and Buildings are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years;
- 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 it’s 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 it’s 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.

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 SeRCOP, 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. 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 six 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. Heritage Assets

Heritage Assets are non current assets that are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities. They are held and maintained principally for their contribution to knowledge and culture.

The County Council does not currently have any heritage assets held within the Balance Sheet.

It is anticipated that any acquisition of Heritage Assets will be made by donation. Where an item is donated and it is deemed appropriate, valuations will be sought from an independent external valuer.

Heritage Assets are measured at valuation where available and the asset is recognised within the Balance Sheet. Valuations are reviewed with sufficient frequency to ensure measurement remains current.

Where the County Council considers that obtaining full valuations for assets would involve a disproportionate cost in comparison to the benefits to the users of the financial statements the asset is not recognised in the Balance Sheet, but included in the accounts as a disclosure.

Where Heritage Assets are held within the Balance Sheet, the carrying amounts will be reviewed where there is evidence of impairment i.e. where an item has suffered physical deterioration or breakage or where doubts arise to authenticity. Any impairment is recognised in accordance with the County Council's general policies on impairment.

If it is agreed to dispose of any Heritage Assets the proceeds are accounted for in accordance with the County Council's general provisions relating to the disposal of Property, Plant and Equipment. Disposal

proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements for capital receipts.

Heritage Assets are not subject to depreciation as they are considered to have indefinite lives.

4. 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.

5. 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 25 years on a straight line basis.

6. 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 within the Capital Adjustment Account.

7. 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.

8. Long Term Investments

Shareholdings in associated companies are valued at historic cost based on the acquisition price paid. They continue to be valued based on Historic Cost because they are not available-for-sale and do not have a quoted market price in an active market because their fair value cannot be determined reliably and there are no future plans to sell these Investments in Group Companies.

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).

9. 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 2013.

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.

10. 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.

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

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

11. VAT

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

12. 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.

13. 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 SeRCOP 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.

14. 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.

15. 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 Health and Adult Services residential homes, and inventories at special schools and outdoor education centres. It is considered that exclusion of these items does not have a material effect on the values stated.

16. 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 relating to the Central Services Directorate 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 SeRCOP.

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provision has been made against relevant services within the Comprehensive Income and Expenditure 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 Core Financial Statements.

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 Core Financial Statements where it is probable that there will be an inflow of economic benefits or service potential.

18. 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 under-spends or over-spends 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.

19. 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 2012 for the 2011/12 Statement of Accounts, the Actuary assumed a discount rate of 2.4% real (4.9% 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 2012/13 Statement of Accounts, the Actuary has advised that a rate of 1.8% real (4.2% actual) is appropriate.

20. 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.

21. 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.

22. 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 Comprehensive Income and Expenditure Statement 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 2012/13, 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 2012/13.

23. 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.

24. 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.

25. 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 Core Financial Statements, depending on how significant the items are to an understanding of the County Council's financial performance.

26. 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.

27. 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.

28. 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.

29. Landfill Allowances

Landfill Allowances allocated in 2012/13 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.

30. Accounting for the Costs of the Carbon Reduction Commitment Scheme

The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014.

The County Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the County Council is recognised and reported in the costs of the County Council's services and is apportioned to services on the basis of energy consumption.

The County Council recognises an Intangible Asset for any allowances held as at 31st March 2013, based on a pre-agreed valuation. These assets are matched by a liability for the surrender of allowances to the Carbon Reduction Commitment Registry.

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 – Strategic Resources;
- (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 – Strategic Resources 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 – Strategic Resources 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 – Strategic Resources 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 – STRATEGIC RESOURCES

I certify that the Statement of Accounts 2012/13 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 2013.

Gary Fielding
Corporate Director – Strategic Resources
28 June 2013

Co signed by,
Richard Flinton
Chief Executive
28 June 2013

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

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2012/13

Year to 31st March 2012			Year to 31st March 2013			
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
As Restated (note 1)						
4,014	(1,841)	2,173	Central Services to the Public	3,259	(1,721)	1,538
756	(1)	755	Court Services	709	0	709
13,115	(1,098)	12,017	Cultural and Related Services	13,197	(777)	12,420
30,726	(3,632)	27,094	Environmental and Regulatory Services	31,378	(2,953)	28,425
4,916	(2,821)	2,095	Planning Services	4,513	(2,720)	1,793
612,017	(454,467)	157,550	Education and Childrens Services	556,534	(441,598)	114,936
70,808	(20,134)	50,674	Highways, Roads and Transport Services	71,505	(9,580)	61,925
204,124	(60,830)	143,294	Adult Social Care	204,423	(63,074)	141,349
656	0	656	Housing Services	157	(51)	106
7,204	(16)	7,188	Corporate and Democratic Core	5,908	(10)	5,898
(6,881)	(135)	(7,016)	Non Distributed Costs	1,646	(210)	1,436
941,455	(544,975)	396,480	Cost of Services	893,229	(522,694)	370,535
			Other Operating Expenditure			
		44,126	Loss on Disposal of Property, Plant and Equipment (note 21)			23,567
		818	Impairment of Assets Held for Sale (note 28)			486
		493	Precepts of Local Precepting Authorities (note 8)			528
			Financing and Investment Income and Expenditure			
		17,913	Interest payable and similar charges (note 44b)			16,600
		(3,624)	Interest receivable and similar income (note 44b)			(3,195)
		381	Investment Properties; revaluation and impairment (note 26)			15
		(31)	Surplus on trading activities (note 6)			(102)
		15,909	Pensions interest cost and expected return on pensions assets (note 10)			18,805
		472,465				427,239

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 2012/13							
Balance at 31st March 2012	(36,107)	(91,311)	0	(10,269)	(137,687)	(654,934)	(792,621)
Deficit on Provision of Services (accounting basis)	4,902	0	0	0	4,902	0	4,902
Other Comprehensive Expenditure and Income	0	0	0	0	0	73,975	73,975
Total Comprehensive Expenditure and Income	4,902	0	0	0	4,902	73,975	78,877
Adjustments between accounting basis and funding basis under regulations	(35,338)	0	0	3,462	(31,876)	31,876	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(30,436)	0	0	3,462	(26,974)	105,851	78,877
Transfers (to) / from Earmarked Reserves (note 37)	9,941	(9,941)	0	0	0	0	0
(Increase) / Decrease in Year	(20,495)	(9,941)	0	3,462	(26,974)	105,851	78,877
Balance at 31st March 2013	(56,602)	(101,252)	0	(6,807)	(164,661)	(549,083)	(713,744)

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
Movement in Reserves during 2011/12 As Restated (note 1)							
Balance at 31st March 2011	(23,949)	(81,724)	0	(13,662)	(119,335)	(722,233)	(841,568)
Deficit on Provision of Services (accounting basis)	35,552	0	0	0	35,552	0	35,552
Other Comprehensive Expenditure and Income	0	0	0	0	0	13,395	13,395
Total Comprehensive Expenditure and Income	35,552	0	0	0	35,552	13,395	48,947
Adjustments between accounting basis and funding basis under regulations	(57,297)	0	0	3,393	(53,904)	53,904	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(21,745)	0	0	3,393	(18,352)	67,299	48,947
Transfers (to) / from Earmarked Reserves (note 37)	9,587	(9,587)	0	0	0	0	0
(Increase) / Decrease in Year	(12,158)	(9,587)	0	3,393	(18,352)	67,299	48,947
Balance at 31st March 2012	(36,107)	(91,311)	0	(10,269)	(137,687)	(654,934)	(792,621)

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 2013

31st March 2011 £000	31st March 2012 £000		31st March 2013 £000
As Restated (note 1)	As Restated (note 1)		
1,497,192	1,490,595	Property, Plant and Equipment (note 19)	1,457,181
28,235	27,782	Investment Property (note 26)	27,027
6,786	8,593	Intangible Assets (note 25)	9,696
3,518	3,518	Long Term Investments (note 30)	3,518
11,823	11,523	Long Term Debtors (note 31)	8,815
1,547,554	1,542,011	Long Term Assets	1,506,237
115,968	138,212	Short Term Investments (note 44d)	135,947
1,262	1,187	Inventories (note 33)	921
36,952	32,489	Short Term Debtors (note 34)	38,048
92,327	65,375	Cash and Cash Equivalents (note 29)	89,818
1,906	494	Landfill Allowances Trading Scheme (note 32)	0
0	0	Carbon Allowances Trading Scheme (note 24)	64
2,139	1,136	Assets held for sale (note 28)	462
250,554	238,893	Current Assets	265,260
(46,189)	(47,571)	Short Term Borrowing (note 44a)	(28,933)
(94,300)	(72,786)	Short Term Creditors (note 35)	(76,368)
(194)	(211)	PFI Liability repayable within 12 months (note 13)	(230)
(53)	(25)	Finance Lease repayable within 12 months (note 14)	(6)
(16,724)	(10,812)	Capital Grant Receipts in Advance (note 9)	(13,077)
(157,460)	(131,405)	Current Liabilities	(118,614)
(303)	(440)	Long Term Creditors	(86)
(5,132)	(4,921)	PFI Liability repayable in excess of 12 months (note 13)	(4,692)
(1,131)	(1,106)	Finance Lease repayable in excess of 12 months (note 14)	(1,099)
(19,294)	(18,124)	Provisions (note 36)	(20,927)
(402,260)	(472,462)	Pensions Liability (note 38e)	(559,095)
(366,770)	(350,036)	Long Term Borrowing (note 44a and 44d)	(344,581)
(4,190)	(9,789)	Capital Grant Receipts in Advance (note 9)	(8,659)
(799,080)	(856,878)	Long Term Liabilities	(939,139)
841,568	792,621	Net Assets	713,744

BALANCE SHEET AS AT 31ST MARCH 2013 (continued)

31st March 2011 £000 As Restated (note 1)	31st March 2012 £000 As Restated (note 1)		31st March 2013 £000
		Usable Reserves	
23,949	36,107	General Working Balance (note 37a)	56,602
81,724	91,311	Earmarked Reserves (note 37b)	101,252
0	0	Capital Receipts Reserve (note 37c)	0
<u>13,662</u>	<u>10,269</u>	Capital Grant Unapplied Reserve (note 37d)	<u>6,807</u>
<u>119,335</u>	<u>137,687</u>	Total Usable Reserves	<u>164,661</u>
		Unusable Reserves	
110,575	157,313	Revaluation Reserve (note 38a)	149,014
461	248	Council Tax Adjustment Account (note 38b)	763
0	0	Financial Instruments Adjustment Account (note 38c)	0
(10,072)	(9,745)	Accumulated Absences Account (note 38d)	(10,088)
(402,260)	(472,462)	Pension Reserve (note 38e)	(559,095)
<u>1,023,529</u>	<u>979,580</u>	Capital Adjustment Account (note 38f)	<u>968,489</u>
<u>722,233</u>	<u>654,934</u>	Total Unusable Reserves	<u>549,083</u>
<u>841,568</u>	<u>792,621</u>	Total Reserves	<u>713,744</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 County Council; 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 County Council 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 statutory accounting requirements and are not available to be used for service provision.

The restatement of the 2010/11 and 2011/12 Balance Sheet reflects the change to the basis of revaluation of secondary schools with further information being provided in note 1.

I confirm that these Accounts were approved by the Audit Committee on 26th September 2013 following completion of the External Audit.

.....
Chair of the Audit Committee

Date

(to be signed at the 26th September 2013 Audit Committee Meeting)

CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2013

31st March 2012 £000 As Restated (note 1)		31st March 2013 £000
(35,552)	Net Deficit on the Provision of Services	(4,902)
	Adjust net deficit on the provision of services for non cash movements	
57,269	Depreciation / Amortisation	54,038
49,826	Impairment and revaluations charged to the provision of services	17,154
(21,690)	Movement in Creditors	4,363
4,463	Movement in Debtors	(5,559)
75	Movement in Inventories	266
(1,170)	Movement in Provisions	2,803
2,761	Pensions Liability	16,248
47,827	Carrying Amount of Non-current Assets sold	29,863
1,412	Other non-cash items charged to the provision of services	630
<u>140,773</u>		<u>119,806</u>
	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	
(59,918)	Grants received for investment purposes	(49,316)
(3,855)	Proceeds from the sale of property and other assets	(6,296)
<u>(63,773)</u>		<u>(55,612)</u>
<u>41,448</u>	Net cash flows from Operating Activities	<u>59,292</u>

CASH FLOW STATEMENT (continued)

31st March 2012 £000 As Restated (note 1)		31st March 2013 £000
41,448	Net cash flows from Operating Activities	59,292
	Investing Activities	
(94,068)	Purchase of Property, Plant and Equipment and Intangible Assets	(71,105)
(22,244)	Purchase of Short Term and Long Term investments	2,265
3,293	Proceeds from the Sale of Property (and other Assets)	6,296
0	Proceeds from Short Term and Long Term Investments	0
60,218	Other receipts for investing activities	52,024
(52,801)	Net cash flows from Investing Activities	(10,520)
	Financing Activities	
0	Cash receipts of Short and Long Term Borrowing	0
0	Other receipts from Financing Activities	0
(54)	Repayment of the outstanding liability of Finance Lease and similar arrangements	(236)
(15,210)	Repayment of Short and Long Term Borrowing	(23,723)
(335)	Other payments for Financing Activities	(370)
(15,599)	Net cash flows for Financing Activities	(24,329)
(26,952)	Net Increase / (decrease) in Cash and Cash Equivalents	24,443
92,327	Cash and Cash Equivalents at the beginning of the reporting period	65,375
65,375	Cash and Cash Equivalents at the end of the reporting period	89,818
26,952		(24,443)

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. Prior Period Adjustments

Following the adoption of International Reporting Standards (IFRS) the Code requires that where properties are valued using a Depreciated Replacement Cost (DRC) methodology the "Instant Build" approach should be used to ensure consistency with the approach adopted in other parts of the public services. The Instant Build approach requires finance and certain consultancy costs are excluded from the valuation.

As this approach was not adopted as part of the 2010/11 valuation of Secondary Schools, to ensure comparatives were properly presented in the 2011/12 accounts, the 2010/11 accounts were restated to revised valuations undertaken in 2010/11 in line with the "Instant Build" approach.

A further detailed valuation of Secondary Schools and Primary Schools, originally undertaken in 2010/11 and 2011/12 respectively, was undertaken in 2012/13 to fully consider the impact of the "Instant Build" method of valuation on the accounts. As a result the 2010/11 and 2011/12 accounts have been restated to reflect the revised "Instant Build" valuations.

The 2010/11 and 2011/12 figures have been restated in the Balance Sheet, Comprehensive Income and Expenditure Account, Cash flow Statement and the Movement in Reserves Statement as well as the following notes :-

- note 5 Segmental Reporting;
- note 19 Movement in Property, Plant and Equipment;
- note 20 Valuation of Non Current Assets;
- note 37(a) Usable Reserves – General Working Balances,
- note 38(a) Unusable Reserves – Revaluation Reserve; and
- note 38(f) Unusable Reserves – Capital Adjustment Account.

No other notes have been impacted and have therefore, not been restated.

The following extracts from the 2010/11 and 2011/12 financial statements summarise the effect on the 2010/11 and 2011/12 values as previously presented arising from the review of the Instant Build valuation method. The adjustments highlight certain lines that have changed with the presented 2010/11 and 2011/12 accounts, together with relevant totals; the extracts below do not therefore necessarily total in themselves.

a) Extracts from the Comprehensive Income and Expenditure Statement

	Net Expenditure £000	Adjustments £000	Restated Position £000
Education and Childrens Services	154,577	2,973	157,550
Cost of Services	393,507	2,973	396,480
Loss on Disposal of Property, Plant and Equipment	48,935	(4,809)	44,126
Deficit on Provision of Services	37,388	(1,836)	35,552
(Surplus) / Deficit on revaluation of non current assets	(50,941)	(3,105)	(54,046)
Other Comprehensive Income and Expenditure	16,500	(3,105)	13,395
Total Comprehensive Income and Expenditure	53,888	(4,941)	48,947

b) Extracts from Movement in Reserves Statement

	2011/12 Presented £000	Adjustments £000	Restated Position £000
Balance as at 31st March 2011	(857,263)	15,695	(841,568)
Deficit on provision of services (accounting basis)	37,388	(1,836)	35,552
Other Comprehensive Expenditure and Income	16,500	(3,105)	13,395
Total Comprehensive Expenditure and Income	53,888	(4,941)	48,947
Net Increase / Decrease before Transfers to Earmarked Reserves	53,888	(4,941)	48,947
Increase / Decrease in the Year	53,888	(4,941)	48,947
Balance as at 31st March 2012	(803,375)	10,754	(792,621)

c) Extracts from the Balance Sheet

	2011/12 Presented £000	Adjustments £000	Restated Position £000
Property, Plant and Equipment	1,501,349	(10,754)	1,490,595
Long Term Assets	1,552,765	(10,754)	1,542,011
Net Assets	803,375	(10,754)	792,621
Revaluation Reserve	143,590	13,723	157,313
Capital Adjustment Account	1,004,057	(24,477)	979,580
Total Unusable Reserves	665,688	(10,754)	654,934
Total Reserves	803,375	(10,754)	792,621

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

For 2012/13, the following accounting standards had been published but which have not been adopted by the IFRS Code relating to:

- IAS 19 Employee Benefits (June 2011 Amendments);
- IAS 1 Presentation of Financial Statements – Other Comprehensive Income (June 2011 Amendments);
- IFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Liabilities (December 2011 Amendments);
- IAS 12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments).

Regarding the amendments to IAS 19 – an assessment of the impact of this change has been made and is not determined to be material, nor does the accounting change have an impact on the overall Pension Fund Deficit or Liability.

No other determination has been made of the impact of the other three accounting changes outlined above.

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 an ongoing 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 2012/13. As a result of this impairment review, it has been concluded no material impairment has occurred;
- one school transferred to Academy Status in 2012/13. 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. Further schools may transfer to Academy Status in 2013/14. At 31st March 2013, 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 (except where title of the land and buildings is held by the County Council) located on the Balance Sheet. It has been determined that this property is held by the Trustees of the relevant schools;
- 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 carries 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;
- 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;
- the County Council continues to 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;
- judgement is required to determine whether the County Council can be reasonably assured that the conditions of grant and contribution income received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this has happened. Equally where conditions specify that a grant or contribution must be re-paid in the event of non-expenditure, the income is not recognised until the conditions of the grant have been met; and

- the IFRS-Code requires the County Council to consider the classification of leases between the categories of finance and operating on an annual basis. The distinction between the two categories is not clearly defined by the IFRS Code and an element of judgement is required to make the assessment in line with best practice.

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 £559m 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 £21.7m;
- a +0.1%pa change in salary inflation would increase the deficit by £22m;
- an additional 1 year increase in life expectancy would increase the deficit by £25.3m.

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 dependent 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 2012/13

	Children and Young People's Service		Business and Environmental	Health and Adult Services	Other Central Services	Total
	Schools	Local Authority Block	Services	Adult Services	Services	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and Contributions	(11,970)	(19,461)	(12,094)	(53,283)	(18,489)	(115,297)
Government Grants	<u>(375,237)</u>	<u>(30,047)</u>	<u>(3,530)</u>	<u>(9,389)</u>	<u>(7,448)</u>	<u>(425,651)</u>
Total Income	<u>(387,207)</u>	<u>(49,508)</u>	<u>(15,624)</u>	<u>(62,672)</u>	<u>(25,937)</u>	<u>(540,948)</u>
Employee Expenses	284,515	55,964	15,079	47,247	47,014	449,819
Other	<u>102,692</u>	<u>59,046</u>	<u>77,230</u>	<u>143,437</u>	<u>51,651</u>	<u>434,056</u>
Total Expenditure	<u>387,207</u>	<u>115,010</u>	<u>92,309</u>	<u>190,684</u>	<u>98,665</u>	<u>883,875</u>
Net Expenditure	<u>0</u>	<u>65,502</u>	<u>76,685</u>	<u>128,012</u>	<u>72,728</u>	<u>342,927</u>

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement 2012/13

	£000
Cost of Services in Service Analysis	342,927
Add amounts required to comply with Statutory Accounting Requirements	105,163
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(62,852)
Amounts reported below the Net Cost of Service	<u>(14,703)</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>370,535</u>

Reconciliation of segment report to total income and expenditure 2012/13

	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	(110,884)	(144)	5,387	379	(105,262)	(379)	(105,641)
Interest and Investment Income	(4,065)	0	0	4,065	0	(4,065)	(4,065)
Income from Council Tax	0	0	0	0	0	(247,149)	(247,149)
Government Grants	(425,651)	(2,211)	1,346	9,084	(417,432)	(175,188)	(592,620)
Investment Properties	(348)	0	0	348	0	(348)	(348)
Total Income	(540,948)	(2,355)	6,733	13,876	(522,694)	(427,129)	(949,823)
Employee Expenses	449,819	32,953	(35,167)	0	447,605	18,805	466,410
Other service expenses	400,268	144	(18,628)	(10,581)	371,203	640	371,843
Depreciation, Amortisation and Impairment	0	74,421	0	0	74,421	486	74,907
MRP	15,790	0	(15,790)	0	0	0	0
Interest Payments	17,470	0	0	(17,470)	0	17,470	17,470
Precepts and Levies	528	0	0	(528)	0	528	528
Loss on Disposal of Fixed Assets	0	0	0	0	0	23,567	23,567
Total Operating Expenses	883,875	107,518	(69,585)	(28,579)	893,229	61,496	954,725
(Surplus) / Deficit on the Provision of Services	342,927	105,163	(62,852)	(14,703)	370,535	(365,633)	4,902

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 People's Service; Business and Environmental Services; Health and Adult Services and then other central services.

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

The above statements reconcile the County Council's Management Accounts Outturn in 2012/13 (£342,927k) to the lines for Net Cost of Services (£370,535k) and the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (£4,902k).

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 SeRCOP. 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 (Council Tax Freeze Grant, New Homes Bonus and Local Services Support 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 2011/12

	Children and Young People's Service Schools £000	Local Authority Block £000	Business and Environmental Services £000	Health and Adult Services £000	Other Central Services £000	Total £000
Fees, Charges and Contributions	(15,570)	(18,534)	(16,381)	(50,373)	(11,546)	(112,404)
Government Grants	<u>(385,885)</u>	<u>(31,565)</u>	<u>(11,010)</u>	<u>(11,447)</u>	<u>(7,957)</u>	<u>(447,864)</u>
Total Income	<u>(401,455)</u>	<u>(50,099)</u>	<u>(27,391)</u>	<u>(61,820)</u>	<u>(19,503)</u>	<u>(560,268)</u>
Employee Expenses	295,265	63,986	17,357	53,465	39,163	469,236
Other	<u>106,190</u>	<u>61,972</u>	<u>85,149</u>	<u>150,949</u>	<u>43,284</u>	<u>447,544</u>
Total Expenditure	<u>401,455</u>	<u>125,958</u>	<u>102,506</u>	<u>204,414</u>	<u>82,447</u>	<u>916,780</u>
Net Expenditure	<u>0</u>	<u>75,859</u>	<u>75,115</u>	<u>142,594</u>	<u>62,944</u>	<u>356,512</u>

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement 2011/12 As Restated

	£000
Cost of Services in Service Analysis	356,512
Add amounts required to comply with Statutory Accounting Requirements	131,088
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(75,199)
Amounts reported below the Net Cost of Service	<u>(15,921)</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>396,480</u>

Reconciliation of segment report to total income and expenditure 2011/12 – As Restated

	Service Analysis	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	(108,105)	(2,931)	4,672	352	(106,012)	(352)	(106,364)
Interest and Investment Income	(4,299)	0	0	4,299	0	(4,299)	(4,299)
Income from Council Tax	0	0	0	0	0	(246,205)	(246,205)
Government Grants	(447,864)	0	0	8,538	(439,326)	(190,708)	(630,034)
Investment Properties	0	0	0	363	363	381	744
Total Income	(560,268)	(2,931)	4,672	13,552	(544,975)	(441,183)	(986,158)
Employee Expenses	469,236	22,515	(35,990)	0	455,761	15,909	471,670
Other service expenses	412,317	508	(27,735)	(10,392)	374,698	321	375,019
Depreciation, Amortisation and Impairment	0	110,996	0	0	110,996	818	111,814
MRP	16,146	0	(16,146)	0	0	0	0
Interest Payments	18,588	0	0	(18,588)	0	18,588	18,588
Precepts and Levies	493	0	0	(493)	0	493	493
Loss on Disposal of Fixed Assets	0	0	0	0	0	44,126	44,126
Total Operating Expenses	916,780	134,019	(79,871)	(29,473)	941,455	80,255	1,021,710
(Surplus) / Deficit on the Provision of Services	356,512	131,088	(75,199)	(15,921)	396,480	(360,928)	35,552

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 County Council, or other organisations. Details of those units with a turnover of greater than £2m are as follows:-

Name and Nature	Trading Objective	2012/13			2011/12		
		Turnover £000	Expenditure £000	Surplus/ (Deficit) £000	Turnover £000	Expenditure £000	Surplus/ (Deficit) £000
Catering							
- Provision of School and Welfare Catering Services	Breakeven	14,570	14,150	420	14,254	13,912	342
Building Cleaning Services							
- Provision of Building Cleaning Services to schools and other NYCC establishments	Breakeven	8,500	8,331	169	8,733	8,891	(158)
Schools ICT Services							
- ICT Services to schools	Breakeven	4,105	4,025	80	4,727	4,617	110
Education Supply Teachers Insurance Scheme							
- In house insurance scheme for schools	Breakeven	3,736	4,390	(654)	3,924	3,725	199
Education Maintenance and Servicing Scheme (MASS)							
- Provision of a regular servicing, breakdown and day to day maintenance	Breakeven	3,484	3,650	(166)	3,401	3,295	106
Consolidation results of all other Trading Units		8,639	8,045	594	8,489	7,638	851
Total Results for Trading Units		<u>43,034</u>	<u>42,591</u>	<u>443</u>	<u>43,528</u>	<u>42,078</u>	<u>1,450</u>

Although the annual trading objective for many of the trading operations is to achieve a breakeven position, a surplus or deficit is shown in the table above. This gives rise to accumulated surpluses or deficits 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 increasing 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 2013 £000	31st March 2012 £000
Net surplus included within Cost of Services	341	1,419
Net Surplus credited to Financing and Investment Income and Expenditure	102	31
Net surplus on trading operations	<u>443</u>	<u>1,450</u>

7. Demand of District Council Collection Funds for Council Tax

Precept Income totalled £247.1m (£246.2m in 2011/12) consisting of:-

	2012/13 £000	2011/12 £000
Precept Income for year	246,556	245,954
Precept surplus from previous years	78	464
Council Tax Adjustments (note 38b)	515	(213)
	<u>247,149</u>	<u>246,205</u>

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

8. Precepts of Local Precepting Authorities

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

	2012/13 £000	2011/12 £000
Environment Agency for Flood Levy	275	240
North Eastern Inshore Fisheries and Conservation Authority	253	253
	<u>528</u>	<u>493</u>

In 2012/13 a grant of £55k (£55k in 2011/12) was received from the Department for Environment, Food and Rural Affairs to offset the increase in the North Eastern Inshore Sea Fisheries and Conservation Authority levy.

9. Grant Income

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

Credited to Taxation and Non specific Grant Income

	31st March 2013		31st March 2012	
	£000	£000	£000	£000
Government Revenue Support Grant		2,221		28,866
Other Government Funding				
- Local Services Support Grant	1,366		1,303	
- Council Tax Freeze Grant	6,164		6,149	
- New Homes Bonus Grant	850		382	
- Private Finance Initiative	<u>704</u>	9,084	<u>704</u>	8,538
Capital Grants				
Children and Young People's Service				
- Capital Maintenance Grant	10,430		13,229	
- Schools Devolved Capital Grant	5,256		2,741	
- Basic Needs Grant	2,116		3,324	
- Other Capital Grants and Contributions	1,151		1,451	
- Building Schools for the Future	0		4,368	
- Primary Capital Programme	0		2,111	
Business and Environmental Services				
- Local Transport Plan Grant	26,884		29,702	
- Other Capital Grants and Contributions	1,511		608	
Health and Adult Services				
- Capital Grants and Contributions	1,940		1,315	
Other Corporate Grants and Contributions	<u>28</u>	49,316	<u>1,069</u>	59,918
Total		<u>60,621</u>		<u>97,322</u>

Revenue Grants Credited to Services

	31st March 2013		31st March 2012	
	£000	£000	£000	£000
Children and Young People's Service				
- Dedicated Schools Grant (note 42)	344,786		353,468	
- Education Funding Agency	21,551		25,340	
- Early Intervention Grant	20,671		18,816	
- Pupil Premium Grant	8,228		3,942	
- Learning and Skills Council Funding	3,772		3,905	
- Education Services Support Grant	3,589		0	
- Youth Justice Board Grant Income	1,036		1,097	
- Developing Stronger Families	849		0	
- Music Service Grant	780		867	
- Training and Development Agency	199		240	
- Substance Misuse Grant	89		93	
- Standards Fund	0		4,509	
- Other Grants	842	406,392	3,509	415,786
Business and Environmental Services				
- Economic Development Grants	2,030		1,533	
- E Crime	552		294	
- Natural England Grants	204		243	
- Road Damage Grant	0		6,632	
- Community Transport Grant	0		832	
- Managing Flood Risk	0		168	
- Road Safety Grant	0		149	
- Other Grants	318	3,104	936	10,787
Health and Adult Services				
- Learning Disabilities Transfer Grant	9,124		8,899	
- Social Care Reform Grant	0		1,521	
- Supporting People Initiative	0		808	
- Other Grants	265	9,389	220	11,448
Other Corporate Grants		194		953
Total		<u>419,079</u>		<u>438,974</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:-

Capital Grants and Contributions Received in Advance

	31st March 2013		31st March 2012	
	£000	£000	£000	£000
To be used within 1 year				
Children and Young People's Service				
- Schools Devolved Capital Grant	3,042		2,662	
- Aiming High Grant	1,265		0	
- Basic Needs Grant	65		0	
- Other	<u>1,728</u>	6,100	<u>269</u>	2,931
Business and Environmental Services				
- Growing Places Fund	4,898		6,331	
- Local Transport Grant	<u>1,993</u>	6,891	<u>719</u>	7,050
Health and Adult Services				
- Information Technology Grants		0		674
Corporate				
- Refurbishment of Travellers sites	44		44	
- Other	<u>42</u>	86	<u>113</u>	157
Total		<u>13,077</u>		<u>10,812</u>
To be used in excess of 1 year				
Children and Young People's Service				
- Schools Devolved Capital Grant	2,627		6,346	
- Basic Needs Grant	2,256			
- Other	<u>(116)</u>	4,767	<u>984</u>	7,330
Business and Environmental Services				
- Growing Places Fund		3,892		2,459
Total		<u>8,659</u>		<u>9,789</u>

10. 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 2012/13:-

	Local Government Pension Scheme		Teachers Pension Scheme	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Comprehensive Income and Expenditure Statement				
Net Cost of Service				
Current Service Cost	31,222	30,082	0	0
Past Service Cost	0	(7,240)	0	0
Past Service Gain	1,388	0	0	0
Financing and Investment Income and Expenditure				
Interest Cost	54,031 *	55,321	511 *	597
Expected return on Assets	(35,737) *	(40,009)	0 *	0
Net Charge to the Surplus / Deficit on Provision of Services	50,904	38,154	511	597
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains / (losses)	(68,888)	(67,055)	(1,497)	(386)
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	(17,984)	(28,901)	(986)	211
Movement in Reserves Statement				
Reversal of Net Charge to the Surplus / Deficit on Provision of Services	(50,904)	(38,154)	(511)	(597)
Actual amount charged against the General Fund Balance in the Year				
Employers' contributions payable to scheme	34,241	35,039		
Retirement benefits payable to pensioners			926	951

The total net charge to the Comprehensive Income and Expenditure Statement, under the headings "interest cost" and "expected return on assets" is £18,805k (£15,909k in 2011/12) 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 £5,333k lower as a result of:-

- (i) the County Council's contributions of £34,241k to the Local Government Pension Scheme being replaced with a current service cost of £32,222k. This £3,109k adjustment equates to a 3.3% 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 (£926k) is removed from the net cost of services as it relates to periods of service prior to 2012/13;
- (iii) a past service cost of £1,388k relating to settlement liabilities arising under the IAS 19 valuation which relate to decisions taken on pensions in previous financial years and liabilities transferring to newly created Academies;

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		Discretionary Benefits	
	2012/13	2011/12	2012/13	2011/12
	£m	£m	£m	£m
Opening balance at 1st April				
Current Service Cost	(1,100.0)	(1,004.5)	(11.5)	(11.5)
Interest Cost	(31.2)	(30.1)	0.0	0.0
Contributions by scheme participants	(54.0)	(55.3)	(0.5)	(0.6)
Actuarial gains / (losses)	(10.5)	(10.6)	0.0	0.0
Benefits Paid	(137.9)	(36.4)	(1.5)	(0.4)
Past Service Costs	36.4	29.7	0.9	1.0
Closing Balance at 31st March	(1.4)	7.2	0.0	0.0
	<u>(1,298.6)</u>	<u>(1,100.0)</u>	<u>(12.6)</u>	<u>(11.5)</u>

Reconciliation of the fair value of the scheme assets

	Local Government Pension		Unfunded Assets	
	Local Government Pension		Discretionary Benefits	
	2012/13	2011/12	2012/13	2011/12
	£m	£m	£m	£m
Opening balance at 1st April				
Expected rate of Return	639.1	613.8	0.0	0.0
Actuarial gains / (losses)	35.8	40.0	0.0	0.0
Employer Contributions	69.0	(30.6)	0.0	0.0
Contributions by scheme participants	34.2	35.0	0.9	1.0
Benefits Paid	10.8	10.6	0.0	0.0
Closing Balance at 31st March	(36.4)	(29.7)	(0.9)	(1.0)
	<u>752.5</u>	<u>639.1</u>	<u>0.0</u>	<u>0.0</u>

The actual return on the scheme assets in the year was £104.8m (2011/12 £9.4m).

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 £559.1m has a sustained impact on the net worth of the County Council as recorded in the Balance Sheet, resulting in an overall balance of £713.7m.

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.

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 2013 %	31st March 2012 %
Rate of CPI inflation	2.4	2.5
Rate of increase in salaries	4.2	4.3
Rate of increase in pensions	2.4	2.5
Rate for discounting schemes liabilities	4.2	4.9
Proportion of employees opting to take a commuted lump sum (not Teachers Scheme)	50.0	50.0
	Years	Years
Post retirement mortality assumptions		
- Male future pensioner aged 65 in 20 years' time	24.4	23.6
- Female future pensioner aged 65 in 20 years' time	27.2	26.4
- Male current Pensioner aged 65	22.6	22.2
- Female current Pensioner aged 65	25.3	24.8

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 £752.2m at 31st March 2013 (£639.1m at 31st March 2012). 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 %	31st March 2013 %	31st March 2012 %
Equity investments	7.0	64.0	70.8
Government Bonds	2.8	13.1	20.2
Corporate Bonds / Other Bonds	3.9	10.1	8.2
Property	5.7	3.7	0.0
Other	7.0	8.7	0.0
Cash / Liquidity Assets	0.5	0.4	0.8
		<u>100.0</u>	<u>100.0</u>

Surplus / (Deficit) in the Scheme

	IFRS		UK GAAP		
	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m	2008/09 £m
Present Value of defined benefit obligations	(1,311.3)	(1,111.5)	(1,016.0)	(1,034.2)	(741.0)
Fair Value of Scheme Assets	752.2	639.1	613.8	541.8	330.4
Deficit in the Scheme	<u>(559.1)</u>	<u>(472.4)</u>	<u>(402.2)</u>	<u>(492.4)</u>	<u>(410.6)</u>

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2013:-

	2012/13		2011/12		2010/11		2009/10		2008/09	
	£m	%	£m	%	£m	%	£m	%	£m	%
Experience adjustments on scheme assets	69.0	9.2	(30.6)	4.8	18.0	1.4	170.0	31.4	(210.5)	63.7
Experience adjustments on scheme liabilities	(139.4)	10.6	(36.8)	3.3	29.7	2.9	(235.1)	22.7	181.0	24.4
	<u>(70.4)</u>		<u>(67.4)</u>		<u>47.7</u>		<u>(65.1)</u>		<u>(29.5)</u>	

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

The estimated amount of contributions expected to be paid to the Scheme during the 2013/14 financial year is £45m.

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 2012/13 the County Council paid £23.1m 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 2011/12 were £24.1m 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 unable to identify the deficit of the Teachers Pension Scheme as Central Government suspended all actuarial valuations whilst the scheme was re-designed as part of public sector pensions reform. The primary purpose of these valuations is to set the contribution rate.

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.

11. Audit Fees

In 2012/13 the County Council incurred the following fees relating to external audit and inspection:-

	2012/13 £000	2011/12 £000
Fees payable to the External Auditor with regard to:-		
- external audit service carried out by appointed auditor	126	210
- certification of grant claims and returns	6	13
- other services	<u>2</u>	<u>2</u>
	<u>134</u>	<u>225</u>

12. Members Allowances

The total amount of members allowances, (including travel); paid during the year was £969k, (£964k in 2011/12).

13. 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

	2012/13 £000	2011/12 £000
Opening Balance	3,815	4,139
Depreciation	(171)	(189)
Additions	0	0
Revaluations	0	401
Restatement Adjustments	<u>0</u>	<u>(536)</u>
Closing Balance	<u>3,644</u>	<u>3,815</u>

Forming part of the above balance are the two voluntary controlled schools which have a carrying net book value of £1,547k, (£1,643k 2012). 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

	2012/13 £000	2011/12 £000
Opening Balance	5,133	5,327
Repayments	(211)	(194)
Additions	0	0
Closing Balance	<u>4,922</u>	<u>5,133</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>230</u>	<u>445</u>	<u>0</u>	<u>469</u>	<u>1,144</u>
more than 1 year					
within 2 - 5 years	704	1,629	390	1,851	4,574
within 6 - 10 years	1,884	1,492	0	2,344	5,720
within 11 - 15 years	2,104	492	111	1,869	4,576
within 16 - 20 years	0	0	0	0	0
Total	<u>4,692</u>	<u>3,613</u>	<u>501</u>	<u>6,064</u>	<u>14,870</u>
Prior Year 2011/12					
within 1 year	211	464	0	469	1,144
more than 1 year	<u>4,922</u>	<u>4,056</u>	<u>501</u>	<u>6,532</u>	<u>16,011</u>
	<u>5,133</u>	<u>4,520</u>	<u>501</u>	<u>7,001</u>	<u>17,155</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.

14. 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 £155k (£222k in 2011/12).

The County Council had commitments at the 31st March 2013 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.

	Finance Lease Liabilities	
	31st March 2013 £000	31st March 2012 £000
Within 1 year	6	25
Between 2 - 5 years	31	29
Later than 5 years	1,068	1,077
	<u>1,105</u>	<u>1,131</u>

If the County Council made the minimum lease payments instead of the payments set out in the agreements entered in to by the County Council then it would incur a further £2,974k (£3,073k) of finance costs over the remaining life of the lease that would fall due in the following years:

	Minimum Lease Payments	
	31st March 2013 £000	31st March 2012 £000
Within 1 year	105	125
Between 2 - 5 years	420	420
Later than 5 years	3,554	3,659
	<u>4,079</u>	<u>4,204</u>

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

	31st March 2013 £000	31st March 2012 £000
Property	<u>981</u>	<u>981</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 £1,619k (£1,262k in 2011/12) in respect of Land and Building leases and £1,710k for Vehicles, Plant and Equipment (£1,973k in 2011/12).

The County Council had commitments at the 31st March 2013 to make payments under operating leases in future financial years, comprising the following elements:-

	31st March 2013 £000	31st March 2012 £000
Within 1 year	3,188	3,434
Between 2 - 5 years	5,530	6,729
Later than 5 years	5,660	5,914
	<u>14,378</u>	<u>16,077</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 Ringway Infrastructure Service Limited. Rental receipts for Land and Buildings received during the year amount to £951k (£858k in 2011/12).

15. 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. The following Material Related Party Transactions took place with Members during 2012/13.

- the Upper Wensleydale Community Partnership (UWCP) received funding of £40,551 from the County Council in 2012/13 towards the cost of running a community transport service in the area and £16,250 towards the cost of running Hawes Library. County Councillor John Blackie is chairman of UWCP;
- Harrogate Families Housing Association bought a property (34 Belmont Road, Harrogate) from the County Council in 2012/13 for £224,814 and County Councillor Keith Barnes is Honorary Treasurer of the Association.

Officers have day to day control of the running of the County Council's affairs. No material related party transactions occurred with Officers in 2012/13. However, it should be noted that the Corporate Director – Strategic Resources is Treasurer to the North Yorkshire Pension Fund and the Assistance Director – Corporate Accountancy is Treasurer to the North York Moors National Park Authority.

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 eliminated in the Group Accounts financial statements on pages 100 to 115.

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 2012/13 was £10,828k (£10,850k in 2011/12), and as at 31st March 2013 the trading creditor balance was £1,652k (£911k in 2011/12).

The County Council provided services to Yorwaste Limited totalling £271k (£464k in 2011/12) of which £146k (£41k in 2011/12) was outstanding as at 31st March 2013.

At 31st March 2013, the County Council provided a loan to Yorwaste Limited of £3,700k of which interest was received by the County Council of £151k in 2012/13. The loan balance has remained the same since 31st March 2011.

Yorwaste Limited did not pay the County Council a dividend in 2012/13 (£855k in 2011/12).

NYnet Limited:

The total value of services provided by NYnet Limited in 2012/13 to the County Council was £6,232k (£7,312k in 2011/12), and at 31st March 2013 the trading creditor balance was £98k (£34k in 2011/12).

The County Council provided services to NYnet Limited totalling £172k (£85k in 2011/12), of which £22k was outstanding as at 31st March 2013.

At 31st March 2013, the County Council provided a loan-facility to NYnet Limited of £4,626k of which interest was received by the County Council of £246k in 2012/13. The loan balance has decreased by £2,440k during 2012/13.

Veritau Limited:

The total value of services provided by Veritau Limited in 2012/13 to the County Council was £591k (£620k in 2011/12), and at 31st March 2013 the trading creditor balance was £3k.

The County Council provided services to Veritau Limited totalling £19k (£30k in 2011/12), and at 31st March 2013, £nil was outstanding.

North Yorkshire Business Enterprise Partnership (NYBEP):

The County Council made payments to NYBEP in 2012/13 totalling £5k (£261k in 2011/12).

Yorkshire Purchasing Organisation (YPO):

The County Council made estimated payments to YPO in 2012/13 totalling £17.4m (£12.3m in 2011/12).

A dividend of £665k (£498k in 2011/12) in relation to YPO's 2012 trading activities is reflected in the County Council's 2012/13 Accounts. This excludes a loyalty bonus of £113k which will ultimately be paid directly to individual County Council establishments.

Other Related Party Transactions

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 (£11.6m in 2011/12) and made payments totalling £1.6m (£1.3m in 2011/12).

The County Council provided the North Yorkshire Pension Fund administrative and support services totalling £1.1m in 2012/13.

16. 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). South Tees NHS Trust is the host organisation for Hambleton / Richmondshire.

	NYCC as host £000	PCT's as host £000	Total 2012/13 £000	Total 2011/12 £000
Expenditure				
Gross Expenditure	118	707	825	834
(Over) / Underspend 2011/12	(133)	0	(133)	(100)
(Over) / Underspend 2012/13	245	(3)	242	133
Total Pooled Fund	230	704	934	867
Contribution to Pooled Fund				
North Yorkshire and York PCT	127	435	562	568
NYCC	103	269	372	299
Total Contributions	230	704	934	867

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 was previously only agreed for 3 of the 4 localities, from 1st April 2012 the Selby area has been included in the pooled budget. Therefore all the county community equipment purchases are now covered by the Pooled Budget Agreement.

	Hambleton Richmondshire	Scarborough Whitby Ryedale	Harrogate Craven £000	Selby £000	Total 2012/13 £000	Total 2011/12 £000
Gross Expenditure	175	414.0	276	227	1,092	813
(Over) / Underspend 2011/12	(23)	0.0	(52)	0	(75)	(35)
(Over) / Underspend 2012/13	6	(1)	87	(54)	38	75
Total Pooled Fund	158	413	311	173	1,055	853
Contribution to Pooled Fund						
North Yorkshire and York PCT	120	320	215	78	733	626
NYCC	38	93	96	95	322	227
Total Contributions	158	413	311	173	1,055	853

17. 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. Please note that these figures include (i) teachers employed directly by a school's governing body rather than by the local authority (ii) the senior employees as identified at the end of this note:-

Band	2012/13			2011/12		
	Teachers	Other	Total	Teachers	Other	Total
£50,000 - £54,999	145	26	171	168	36	204
£55,000 - £59,999	108	34	142	105	36	141
£60,000 - £64,999	49	8	57	44	11	55
£65,000 - £69,999	24	7	31	22	4	26
£70,000 - £74,999	12	6	18	12	8	20
£75,000 - £79,999	8	7	15	7	8	15
£80,000 - £84,999	3	0	3	3	3	6
£85,000 - £89,999	4	2	6	3	0	3
£90,000 - £94,999	2	0	2	4	0	4
£95,000 - £99,999	4	0	4	3	0	3
£100,000 - £104,999	1	3	4	1	4	5
£105,000 - £109,999	2	3	5	2	0	2
£110,000 - £114,999	1	0	1	0	1	1
£115,000 - £119,999	0	2	2	0	1	1
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	1	2	3
£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	0	0	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	1	1
£165,000 - £169,999	0	1	1	0	0	0
	<u>363</u>	<u>99</u>	<u>462</u>	<u>375</u>	<u>115</u>	<u>490</u>

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

- salary, fees and allowances;
- bonuses;
- expenses allowance;
- compensation for loss of employment;
- employer's pension contribution;
- any other emoluments.

The regulations also require that persons whose salary is in excess of £150k per annum must be identified by name and that certain senior employees whose salary is £50k or more per year but less than £150k, 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 2012/13 or 2011/12.

	2012/13 £000	2011/12 £000
Chief Executive		
<i>Richard Flinton</i>		
Salary, Fees and Allowances	165,000	160,000
Expense Allowances	0	0
Pension Contributions	<u>31,680</u>	<u>30,720</u>
Total Remuneration including Pension Contributions	<u>196,680</u>	<u>190,720</u>
Corporate Director of Children and Young People's Services		
<i>NB: The post holder left on 25th January 2013 and the new director did not come into post until 1st April 2013</i>		
Salary, Fees and Allowances	105,399	128,975
Expense Allowances	0	0
Pension Contributions	<u>20,237</u>	<u>24,763</u>
Total Remuneration including Pension Contributions	<u>125,636</u>	<u>153,738</u>
Corporate Director of Health and Adult Services		
<i>The 2011/12 figures are from 10th October 2011 when the new director was appointed to this post</i>		
Salary, Fees and Allowances	118,739	56,497
Expense Allowances	0	0
Pension Contributions	<u>22,798</u>	<u>10,847</u>
Total Remuneration including Pension Contributions	<u>141,537</u>	<u>67,344</u>
Corporate Director of Business and Environmental Services		
Salary, Fees and Allowances	114,952	111,267
Expense Allowances	1,003	645
Pension Contributions	<u>22,071</u>	<u>21,363</u>
Total Remuneration including Pension Contributions	<u>138,026</u>	<u>133,275</u>
Corporate Director of Finance and Central Services		
<i>This post was deleted from 30th September 2012</i>		
Salary, Fees and Allowances	59,370	118,739
Expense Allowances	0	0
Pension Contributions	<u>11,399</u>	<u>22,798</u>
Total Remuneration including Pension Contributions	<u>70,769</u>	<u>141,537</u>
Corporate Director (Projects)		
<i>This new post was created on 1st October 2012. The annualised salary for the post is £99,250</i>		
Salary, Fees and Allowances	49,770	0
Expense Allowances	0	0
Pension Contributions	<u>9,556</u>	<u>0</u>
Total Remuneration including Pension Contributions	<u>59,326</u>	<u>0</u>

	2012/13 £000	2011/12 £000
Assistant Chief Executive (Policy, Performance and Partnerships)		
<i>This post was deleted from 30th September 2012</i>		
<i>Salary, Fees and Allowances (NB Both figures include pay arrears.</i>	50,797	101,103
<i>The annualised salary for the post is £99,540)</i>		
Expense Allowances	0	0
Pension Contributions	9,753	19,412
Total Remuneration including Pension Contributions	<u>60,550</u>	<u>120,515</u>
Corporate Director (Strategic Resources)		
<i>This new post was created on 1st October 2012. The annualised salary for the post is £107,479</i>		
Salary, Fees and Allowances	53,739	0
Expense Allowances	0	0
Pension Contributions	10,318	0
Total Remuneration including Pension Contributions	<u>64,057</u>	<u>0</u>
Assistant Chief Executive (Business Support)		
<i>As from 1st October 2012 the post title was changed from Assistant Chief Executive for Human Resources and Organisational Development</i>		
<i>Salary, Fees and Allowances (NB Both figures include pay arrears.</i>	100,687	101,216
<i>The annualised salary for the post is £99,540)</i>		
Expense Allowances	556	416
Pension Contributions	19,331	19,433
Total Remuneration including Pension Contributions	<u>120,574</u>	<u>121,065</u>
Assistant Chief Executive (Legal and Democratic Services)		
<i>Salary, Fees and Allowances (NB Both figures include pay arrears.</i>	100,666	101,178
<i>The annualised salary for the post is £99,540)</i>		
Expense Allowances	0	19
Pension Contributions	19,328	19,426
Total Remuneration including Pension Contributions	<u>119,994</u>	<u>120,623</u>

18. Exit Packages / Termination Benefits

Details of the Exit Packages / Termination Benefits paid out to employees who were made redundant during the year are set out in the table below.

The table shows the total number of compulsory and other voluntary redundancies / departures and their total cost, broken down into incremental bands of £20k. The total costs shown include payments made to the employees plus payments made to the relevant pension funds to compensate for "strain on the fund" costs resulting from the employees exit and resulting pension entitlement.

The table covers all employees of the County Council, including school teachers employed directly by the school's governing body rather than by the Local Authority.

Exit Package Cost Band	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £000	2011/12 £000
£0 - £19,999	112	142	99	81	211	223	1,302	1,220
£20,000 - £39,999	15	18	16	23	31	41	850	1,123
£40,000 - £59,999	4	6	2	2	6	8	297	381
£60,000 - £79,999	1	2	1	3	2	5	126	347
£80,000 - £99,999	2 *	1	0	0	2 *	1	186 *	90
£100,000 - £119,000	0	0	0	0	0	0	0	0
£120,000 - £139,000	0	0	0	0	0	0	0	0
£140,000 - £159,000	0	0	0	0	0	0	0	0
£160,000 - £179,000	0	0	0	0	0	0	0	0
£180,000 - £199,000	1 *	0	0	0	1 *	0	183 *	0
	<u>135</u>	<u>169</u>	<u>118</u>	<u>109</u>	<u>253</u>	<u>278</u>	<u>2,944</u>	<u>3,161</u>

* Two exit packages included in these bands for 2012/13 relate to employees who transferred to the County Council from the Civil Service during their careers and retained Civil Service terms and conditions including those relating to termination benefits.

In addition, the County Council's Core Financial Statements include a Provision for £308k at 31st March 2013 relating to seventeen members of staff which are not included in the table above.

19. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2012/13.

	Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
As at 1st April 2012 As Restated	1,077,743	89,330	560,583	12,636	4,026	1,744,318
Additions	12,220	4,329	35,001	0	466	52,016
Disposals	(28,347)	(506)	0	(1,216)	0	(30,069)
Transferred to Assets Held of Sale	(10,019)	0	0	8,768	0	(1,251)
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	(5,119)	0	0	3,204	0	(1,915)
Recognised in Provision of Services	(23,345)	0	0	(1,569)	0	(24,914)
As at 31st March 2013	<u>1,023,133</u>	<u>93,153</u>	<u>595,584</u>	<u>21,823</u>	<u>4,492</u>	<u>1,738,185</u>
Depreciation and Impairments						
As at 1st April 2012 As Restated	(68,442)	(64,139)	(119,297)	(1,845)	0	(253,723)
Charge for the Year	(28,856)	(8,997)	(14,890)	(476)	0	(53,219)
Disposals	2,125	0	0	78	0	2,203
Transferred to Assets Held of Sale	1,550	0	0	(1,340)	0	210
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	968	0	0	0	0	968
Recognised in Provision of Services	20,988	0	0	1,569	0	22,557
As at 31st March 2012	<u>(71,667)</u>	<u>(73,136)</u>	<u>(134,187)</u>	<u>(2,014)</u>	<u>0</u>	<u>(281,004)</u>
Balance Sheet Net Amount as at 31st March 2013	<u>951,466</u>	<u>20,017</u>	<u>461,397</u>	<u>19,809</u>	<u>4,492</u>	<u>1,457,181</u>
Balance Sheet Net Amount as at 31st March 2012	<u>1,009,301</u>	<u>25,191</u>	<u>441,286</u>	<u>10,791</u>	<u>4,026</u>	<u>1,490,595</u>

Comparative Movements in 2011/12 – As Restated.

	Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
As at 1st April 2011 As Restated	1,121,884	83,419	515,840	8,558	7,984	1,737,685
Additions	17,700	5,911	44,743	0	4,270	72,624
Disposals	(46,738)	0	0	(275)	0	(47,013)
Transferred to Assets Held of Sale	1,154	0	0	4,078	(8,228)	(2,996)
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	42,204	0	0	275	0	42,479
Recognised in Provision of Services	(58,461)	0	0	0	0	(58,461)
As at 31st March 2012	<u>1,077,743</u>	<u>89,330</u>	<u>560,583</u>	<u>12,636</u>	<u>4,026</u>	<u>1,744,318</u>
Depreciation and Impairments						
As at 1st April 2012 As Restated	(81,572)	(53,475)	(105,282)	(164)	0	(240,493)
Charge for the Year	(31,874)	(10,664)	(14,015)	(171)	0	(56,724)
Disposals	2,305	0	0	0	0	2,305
Transferred to Assets Held of Sale	2,160	0	0	(1,510)	0	650
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	12,132	0	0	0	0	12,132
Recognised in Provision of Services	28,407	0	0	0	0	28,407
As at 31st March 2012	<u>(68,442)</u>	<u>(64,139)</u>	<u>(119,297)</u>	<u>(1,845)</u>	<u>0</u>	<u>(253,723)</u>
Balance Sheet Net Amount as at 31st March 2012	<u>1,009,301</u>	<u>25,191</u>	<u>441,286</u>	<u>10,791</u>	<u>4,026</u>	<u>1,490,595</u>
Balance Sheet Net Amount as at 31st March 2011	<u>1,040,312</u>	<u>29,944</u>	<u>410,558</u>	<u>8,394</u>	<u>7,984</u>	<u>1,497,192</u>

Property reclassified as Assets Held for Sale was transferred from Property, Plant and Equipment at a net value of £1,041k (£2,346k in 2011/12).

During 2012/13 the County Council recognised impairment losses of £17.2m 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.

	2012/13 £000	2011/12 £000 As Restated
Impairment losses recognised within the Deficit on Provision of Services	2,843	30,872
Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	14,311	18,954
	<u>17,154</u>	<u>49,826</u>

20. 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 2012/13 valuation purposes being 1st April 2012:-

	Land and Buildings £000	Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	4,492	20,016	461,397	0	485,905
Valued at current value in :-					
2012/13	80,245				80,245
2011/12	376,660				376,660
2010/11	410,532				410,532
2009/10	46,931				46,931
2008/09	84,397				84,397
Total Tangible Fixed Assets	<u>1,003,257</u>	<u>20,016</u>	<u>461,397</u>	<u>0</u>	<u>1,484,670</u>

The County Council's Health and Adult Services and Library and Community Services properties were re-valued in 2012/13 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 2012.

21. Disposal of Property, Plant and Equipment

Harrogate High gained Academy status during 2012/13. As a consequence the Land and Building assets of £25.4m (£49.2m in 2011/12) pertaining to the school was transferred to the Academy Trust and has 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 £25.4m (£49.2m in 2011/12) loss is purely notional and does not impact on the County Council's General Working Balance or Council Tax levy.

Other disposals, loan repayments and royalty payments in the year resulted in a net surplus of £1.8m.

22. Major Areas of Capital Spending

Major areas of capital spending, over £0.5m during 2012/13 were:-

	Actual £000
Children and Young People's Service	
Primary Capital Programme	1,605
Pupil Referral Units and Special Schools	1,379
Basic Needs	2,951
Capital Planned Maintenance Programme	5,324
Suitability for Purpose Schemes	1,037
Devolved Capital Funding to Schools	4,631
Temporary Classroom Replacement	715
Catering Equipment	565
Review of North Craven Schools	1,738
Self Help Schemes	3,989
Health & Safety Schemes	989
Business and Environmental Services	
Structural Maintenance of Roads	23,891
Integrated Transport Block Provision	2,479
New and Replacement Road Lighting Columns	1,686
Structural Maintenance on Bridges	2,060
Regional Funding Allocation - Local Transport Provision	4,899
Health and Adult Services	
"Valuing People" Day Service Provision	2,997
Other County Services	
Purchase of Vehicles, Plant and Equipment	725
Carbon Reduction Commitment	646
Corporate Microsoft Project	1,339
	<u>65,645</u>

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 is 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 2012/13 expenditure of this type was £3,715k (£5,133k in 2011/12).

Committed Capital Expenditure

The County Council has an approved Capital Plan for 2013/14 of £93.1m. Of this £82.9m is committed expenditure as at 1st April 2013. It should be noted, however, that this figure includes a significant element (£60.4m) relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2013.

The remaining £22.5m consisted of the following:-	Actual £000
Children and Young People's Service	
Suitability Scheme	2,803
Basic Need 2012/13	3,527
Woodfield Development Project	1,266
Other Children and Young People's Schemes	2,355
Business and Environmental Services	
Waste Management Service - HWRC Catterick Bridge	893
Waste Procurement Project	1,000
Local Sustainable Transfer Fund	3,260
Other Schemes	1,351
Health and Adult Services	
Valuing People - Selby LD Development	2,598
Valuing People - Elder Street, Scarborough	1,076
Adult Social Care IT Infrastructure	640
Other County Services	
Corporate Microsoft Project	975
Other	726
	<u>22,470</u>

23. Capital Expenditure, Capital Financing and the Capital Financing Requirement

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.

a) Capital Expenditure and it's financing

	2012/13 £000	2011/12 £000
Capital Investment		
Property, Plant and Equipment	66,288	91,164
Investment Properties	52	551
Intangible Assets	1,922	2,351
Revenue Expenditure Funded from Capital under Statute	3,715	5,133
	<u>71,977</u>	<u>99,199</u>
Sources of Finance		
Capital receipts	6,296	3,855
Government grants and other contributions	54,989	65,734
Direct Revenue Contributions	11,895	23,063
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	(1,203)	6,547
	<u>71,977</u>	<u>99,199</u>

b) Capital Financing Requirement (CFR)

	2012/13		2011/12	
	£000	£000	£000	£000
Opening Capital Financing requirement		405,703		415,302
Movement in year				
Increase in underlying need to borrow		(1,203)		6,547
MRP				
- capital spending funded by borrowing	(15,554)		(15,899)	
- PFI contracts	(211)		(194)	
- Finance leases	(25)	(15,790)	(53)	(16,146)
Assets acquired under PFI contracts		0		0
Assets acquired under Finance leases		0		0
Closing Capital Financing Requirement		388,710		405,703
Decrease in Capital Financing Requirement		16,993		9,599
Closing CFR consists of				
Capital spending funded by borrowing		382,683		399,440
PFI contracts		4,922		5,132
Finance leases		1,105		1,131
CFR at 31st March		388,710		405,703

The difference between the £72.0m capital investment in table (a) above and the £52.0m additions in note 19 relates to expenditure of £1.9m on Intangible Fixed Assets, £3.7m on Revenue Expenditure Funded from Capital Under Statute, £14.3m of capital expenditure which resulted in no value being added to the County Council's asset base, and £0.1m on Investment Properties.

24. Carbon Reduction Scheme Allowances

The County Council is required to participate in the Department of Energy & Climate Change's Carbon Reduction Commitment Energy Efficiency Scheme. The scheme requires the County Council to purchase and surrender allowances retrospectively on the basis of its carbon dioxide emissions.

The County Council is forecast to use 44,156 allowances in 2012/13 and a provision has been made to meet this obligation. The County Council currently holds 5,338 allowances which were purchased in relation to the forecast 2011/12 emissions, but were not required – these allowances are classed as current Intangible Assets.

	2012/13	2011/12
	£000	£000
Current Intangible Assets (CRC Allowances)	0	64
Provision (for allowances to be used in 2012/13)	(540)	(530)
	<u>(540)</u>	<u>(466)</u>

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:-

- Health and Adult Services partnership schemes where the County Council holds nomination rights to services;
- other Health and Adult 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 2012/13 are as follows:-

	31st March 2013 £000	Charge to Revenue 2012/13 £000	Capitalised 2012/13 £000	31st March 2012 £000
Health and Adult Services				
- Extra Care and Older Peoples Resources	6,453	(329)	424	6,358
- Valuing People - Day Centre Provision	796	(49)	0	845
- Mental Health Supported Expenditure	114	(19)	0	133
- Improving the Home Care Environment	636	(34)	0	670
Children and Young People's Services				
ICT Software	405	(122)	150	377
Corporate				
Microsoft Project	1,265	(260)	1,339	186
NY Data Observatory	27	(6)	9	24
	<u>9,696</u>	<u>(819)</u>	<u>1,922</u>	<u>8,593</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 2013/14 of £93.1m of which £4.1m relates to Intangible Assets.

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

	2012/13 £000	2011/12 £000
Balance at start of year		
Gross carrying amount	15,984	13,633
Accumulated amortisation	<u>(7,391)</u>	<u>(6,847)</u>
	8,593	6,786
Additions		
	1,922	2,351
Amortisation		
	<u>(819)</u>	<u>(544)</u>
Balance at end of year	<u>9,696</u>	<u>8,593</u>
Comprising		
Gross carrying amount	17,906	15,984
Accumulated amortisation	<u>(8,210)</u>	<u>(7,391)</u>
	<u>9,696</u>	<u>8,593</u>

26. Investment Property

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.

	2012/13 £000	2011/12 £000
Balance at start of year	27,782	28,235
Additions (subsequent expenditure)	13	138
Disposals	(768)	(591)
Net gain from revaluations	0	0
Balance at end of year	<u>27,027</u>	<u>27,782</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:-

	2012/13 £000	2011/12 £000
Rental Income from Investment Property	(348)	(363)
Direct operating expenses	363	898
Profit on disposal	0	(154)
Net gain from revaluation	0	0
Total transactions relating to Investment	<u>15</u>	<u>381</u>

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

27. Heritage Assets

Heritage Assets are non current assets that are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities. They are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets are now carried on the Balance Sheet. A full review was undertaken across the County Council's Directorates to identify any Heritage Assets held by the County Council in 2011/12 and revisited in 2012/13.

The review identified the County Council's Records Office hold a large number of archive collections, which are owned by the County Council, that would meet the definition of Heritage Assets and should be classified as such.

A valuation of the items held by the Records Office has never been established and any valuation exercise would be costly and resource intensive. As a result, it was concluded that the cost of obtaining a full valuation of these assets would involve a disproportionate cost in comparison to the benefits to the users of the financial statements. The assets held by the records office are not, therefore, recognised in the Balance Sheet, but included in the accounts as a disclosure.

28. 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.

	2012/13 £000	2011/12 £000
Balance at start of year	1,136	2,139
Reclassification as held of sale	1,041	2,346
Net (loss) from revaluations	(486)	(818)
Disposals	<u>(1,229)</u>	<u>(2,531)</u>
Balance at end of year	<u>462</u>	<u>1,136</u>

29. 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:-

	2012/13 £000	2011/12 £000
Bank current accounts and cash held by the County Council	29,387	32,641
Short term / call deposits	60,431	32,734
Total Cash and Cash Equivalents	<u>89,818</u>	<u>65,375</u>

30. 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
Vertiau Limited	50.00	0	0

These companies' Profit and Loss Accounts are not included as part of the Comprehensive Income and Expenditure Statement shown on page 33. However, any dividend income received is included as part of the County Council's income for 2012/13. Similarly, these companies' Assets and Liabilities are not included in the County Council's Balance Sheet on pages 37 to 38. 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 100 to 115.

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		Vertiau Limited	
	31st March 2013 £000	31st March 2012 £000	31st March 2013 £000	31st March 2012 £000	31st March 2013 £000	31st March 2012 £000
				As Restated		
Net Assets / (Liabilities)	12,180	12,615	(8,934)	(6,915)	(169)	(65)
Loans from NYCC	3,700	3,700	4,626	7,067	0	0
Dividend Payable	0	1,100	0	0	0	0
Profit / (Loss) for the year:-						
Before Tax	(349)	2,809	(2,019)	(881)	10	(28)
After Tax	(436)	2,049	(2,019)	(696)	8	(24)

Copies of these companies' Draft Accounts are held by Central Services, County Hall, Northallerton North Yorkshire, DL7 8AL.

The County Council had no cash investments for greater than one year as at 31st March 2013 which fall into the category of long term investments.

31. Long Term Debtors

	31st March 2013 £000	31st March 2012 £000
North Yorkshire Police Authority Long Term Debt	471	706
Car Loans	18	48
Economic Development Loans	4	6
Loans to Subsidiary Companies	8,326	10,767
Loan to North Yorkshire Credit Union	0	200
Long Term Payments in Advance	0	3
	<u>8,819</u>	<u>11,730</u>
Less: Bad Debts Provision	(4)	(207)
	<u>8,815</u>	<u>11,523</u>

Loan balances are increased by any new loans and reduced as a loan is repaid.

32. Landfill Allowances Trading Scheme (LATS)

The Landfill Allowances Trading Scheme (LATS) was introduced by the Government in 2005 in order to reduce the amount of waste being land filled. The Department for Environment, Food and Rural Affairs (DEFRA) allocate annual LATS allowances to each waste disposal authority to allow them to landfill a limited volume of waste. These allocations have spanned between 2005/06 and 2012/13 (the scheme was originally intended to run through to 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 95,888 allowances in 2012/13. The County Council have made a Provision for and are forecast to use approximately 115,000 allowances in 2012/13, which will leave an estimated shortfall of 19,112 allowances. However, in 2010/11, the County Council purchased 30,000 vintage 2012/13 allowances. Therefore the County Council has 10,888 allowances relating to 2012/13 which are not required and for which there is little prospect of re-sale. These allowances have been valued at £nil per allowance. The County Council has until 30th September to sell these allowances to other Waste Disposal Authorities in England, however, there is a nationwide surplus of allowances.

Summary LATS Position 2012/13

	31st March 2013 £000	31st March 2012 £000
Current Intangible Assets (LATS Allowances)	0	494
Provision (for allowances to be used in 2012/13)	0	(350)
Carry Forward Allowances held in LATS Reserve	<u>0</u>	<u>144</u>

The Comprehensive Income and Expenditure Statement also includes £144k Income and Expenditure in respect of LATS within the Net Cost of Services.

33. Inventories

	Highways Materials £000	Computers and ICT Stock £000	Catering £000	Other £000	Total £000
As at 1st April 2012					
Opening Balance	683	33	446	25	1,187
Purchases in year	1,302	256	4,873	258	6,689
Stock utilised in year	(1,612)	(219)	(4,865)	(251)	(6,947)
Written Off	0	(8)	0	0	(8)
As at 31st March 2013	<u>373</u>	<u>62</u>	<u>454</u>	<u>32</u>	<u>921</u>
Prior Year					
As at 1st April 2011					
Opening Balance	456	309	478	19	1,262
Purchases in year	1,036	10	4,810	155	6,011
Stock utilised in year	(809)	(286)	(4,842)	(149)	(6,086)
As at 31st March 2012	<u>683</u>	<u>33</u>	<u>446</u>	<u>25</u>	<u>1,187</u>

34. Short Term Debtors

	31st March 2013 £000		31st March 2012 £000	
Government Entities				
Central Government Bodies	8,323		6,205	
Other Local Authorities	4,597		3,751	
NHS Bodies	<u>497</u>	13,417	<u>770</u>	10,726
General Debtors (including Public Corporations and Trading Funds)		25,821		21,252
Payments in Advance		<u>4,645</u>		<u>5,705</u>
		43,883		37,683
Less: Bad Debts Provision		<u>(5,835)</u>		<u>(5,194)</u>
Total Short Term Debtors		<u>38,048</u>		<u>32,489</u>

Included within the £25.8m for General Debtors and £13.4m for Government Entities is £12.0m, (£10.5m General and £1.5m Government), in respect of debtor invoices which were raised and issued before 31st March 2013, but for which no payment has been received from a debtor. The remaining £27.2m relates to debtor accruals for which no invoice had been raised by the County Council as at 31st March 2013.

35. Short Term Creditors

	31st March 2013 £000		31st March 2012 £000	
Government Entities				
Central Government Bodies	11,667		11,658	
Other Local Authorities	5,417		5,399	
NHS Bodies	<u>847</u>	17,931	<u>489</u>	17,546
General Creditors (including Public Corporations and Trading Funds)		48,878		46,317
Income in Advance		<u>9,559</u>		<u>8,923</u>
Total Short Term Creditors		<u>76,368</u>		<u>72,786</u>

Included within the £48.9m for General Creditors and £17.9m for Government Entities is £8.1m, (£6.5m General and £1.6m Government), relating to invoices processed shortly after 31st March 2013 but which have been charged to the 2012/13 Accounts. The remaining £58.7m relates to costs accrued into 2012/13, where no invoice had been received as at 31st March 2013.

36. Provisions

	Balance as at 31st March 2012 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2013 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,745	10,088	(9,745)	0	10,088	10,088	0	10,088
County Care Scheduling System	81	0	0	0	81	0	81	81
Ordinary Residency	760	0	0	0	760	190	570	760
Highways Advance Payments	1,616	320	(279)	0	1,657	298	1,359	1,657
Highways	0	2,000	0	0	2,000	2,000	0	2,000
Waste Management	109	0	(36)	0	73	37	36	73
Landfill Allowances	350	0	(350)	0	0	0	0	0
Insurance - Claims	4,479	1,473	(1,172)	0	4,780	1,090	3,690	4,780
Insurance - Liability	0	650	0	0	650	650	0	650
Restructure Costs	444	308	(444)	0	308	308	0	308
Carbon Reduction Commitment	540	530	(540)	0	530	530	0	530
	<u>18,124</u>	<u>15,369</u>	<u>(12,566)</u>	<u>0</u>	<u>20,927</u>	<u>15,191</u>	<u>5,736</u>	<u>20,927</u>

Comparative Movements in 2011/12	Balance as at 31st March 2011 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2012 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	10,072	9,745	(10,072)	0	9,745	9,745	0	9,745
County Care Scheduling System	81	0	0	0	81	0	81	81
Social Services s.117 Income	450	0	0	(450)	0	0	0	0
Ordinary Residency	0	760	0	0	760	190	570	760
Highways Advance Payments	999	617	0	0	1,616	485	1,131	1,616
Waste Management	145	0	(36)	0	109	36	73	109
Landfill Allowances	1,584	350	(1,583)	(1)	350	350	0	350
Insurance	4,503	1,051	(1,075)	0	4,479	951	3,528	4,479
Restructure Costs	1,460	392	(1,408)	0	444	444	0	444
Carbon Reduction Commitment	0	540	0	0	540	540	0	540
	<u>19,294</u>	<u>13,455</u>	<u>(14,174)</u>	<u>(451)</u>	<u>18,124</u>	<u>12,741</u>	<u>5,383</u>	<u>18,124</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.

Ordinary Residency

In recent years there has been an 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. A provision has been set-aside where an estimate of the liability can be made. However it is by no means certain when this liability shall crystallise.

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 – as a result a Material Contingent Liability disclosure has been included in the accounts in 2012/13.

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.

Highways

The County Council is in discussion with a third party concerning settlement for land value compensation in relation to one of its major capital schemes. Discussions are at an advanced stage, with a probable settlement value of £2m and this amount has been fully provided for within the 2012/13 accounts.

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 2012/13 by DEFRA. The County Council estimates it will use 115,000 allowances in 2012/13 and the value of these allowances, and the obligation the County Council has to DEFRA is valued at £nil per tonne. This Provision is off-set by the allocation of landfill allowances in 2012/13 by DEFRA which are held in the Balance Sheet (again at nil cost) 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.

Insurance Liability

Municipal Mutual Insurance (MMI) was the predominant insurer of public sector bodies, including the County Council, until it stopped underwriting operations in 1992. The 1993 implementation of a 'scheme of arrangement' means that even today, these public bodies still have potentially significant exposure to MMI. Due mainly to subsequent much higher than expected levels of industrial disease type claims, MMI's deteriorating solvency position has led to insolvent liquidation. As a result the County Council is liable for an initial 15% levy of claims paid since 1993 in relation to the Council.

Restructure Costs

A provision 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.

Carbon Reduction Commitment (CRC) Allowances

The County Council is required to participate in the nation-wide Carbon Reduction Commitment Initiative. A provision has been set up for the purchase of Carbon CRC Trading Allowances relating to 2012/13. These allowances cannot be purchased until 2013/14.

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

	2012/13 £000	2011/02 £000 As Restated
General Working Balance at Start of Period	(36,107)	(23,949)
Comprehensive Income and Expenditure charged to the General Balance	4,902	35,552
Adjustments between accounting basis and funding basis under regulations		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Amortisation of Intangible Assets	(818)	(544)
Charges for depreciation and impairment of non current assets	(53,220)	(56,725)
Revaluation losses on Property, Plant and Equipment	(2,843)	(30,872)
Impairment from Non Enhancing Capital Expenditure	(14,311)	(18,954)
Movements in the value of Investment Properties	0	0
Capital Grants and Contributions	51,527	62,341
Revenue Expenditure Funded from Capital under Statute	(3,715)	(5,133)
Carrying Value of no current assets written off on disposal	(29,863)	(47,827)
Pension Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,415)	(38,751)
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	515	(213)
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	(343)	327
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	15,790	16,146
Capital Expenditure charged against the General Working Balance	11,895	23,063
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	6,296	3,855
Pension Reserve		
Employer pension contributions payable in the year	35,167	35,990
Total of adjustments between accounting basis and funding basis under regulations	(35,338)	(57,297)
Transfers from Earmarked Reserves	9,941	9,587
General Working Balance at Period End	(56,602)	(36,107)

(b) Earmarked Reserves

	Balance 31st March 2013 £000	Movement in Year 2012/13 £000	Balance 31st March 2012 £000	Movement in Year 2011/12 £000	Balance 31st March 2011 £000
Retained for Specific Initiatives					
Children and Young People's Service					
- Redundancy Costs in Schools	3,084	(791)	3,875	1,860	2,015
- Special Educational Needs	1,360	20	1,340	(559)	1,899
- Childrens Centres	0	0	0	(347)	347
- Catering Information Service	0	0	0	(20)	20
- Building Schools for the future	0	0	0	(110)	110
- Education for looked after children	87	0	87	11	76
- High Needs Prevention	0	0	0	(380)	380
- Learning Difficulties & Disabilities	395	0	395	0	395
- Continuing Education	0	0	0	(668)	668
- 16-19 Transfer (Machinery of Govt)	0	0	0	(413)	413
- Transport	500	250	250	250	0
- Music Service	430	0	430	430	0
- CYPS Service Transformation	1,593	(48)	1,641	1,641	0
- Earmarked Projects	502	502	0	0	0
- 2-year Old Funding	257	257	0	0	0
Business and Environmental Services					
- Landfill Allowances	0	(144)	144	(178)	322
- Winter Maintenance	2,142	142	2,000	0	2,000
- Highways - Traffic signals	0	0	0	(229)	229
- Local Development Framework	433	(39)	472	(98)	570
- Initiatives and Transformation	538	(21)	559	(207)	766
- Swing Bridges	941	142	799	236	563
- Proceeds of Crime Act	147	0	147	25	122
- YDHTP / Accountable Body	0	(8)	8	(49)	57
- Mowthorpe Bridge	400	0	400	0	400
- Highways Advance payments	909	227	682	(887)	1,569
- Flood Risk Management	522	522	0	0	0
- Civil Parking Enforcement	3,114	690	2,424	2,424	0
Corporate					
- Area Based Grant	0	0	0	(1,852)	1,852
- Insurance (note 39)	6,921	593	6,328	424	5,904
- Redundancy	1,307	(1,000)	2,307	1,404	903
- Credit Union	0	0	0	(85)	85
- NY Advice Services Partnership	0	(7)	7	0	7
- County Council Elections	713	571	142	59	83
- SDT / Directorate Refresh	2,743	764	1,979	622	1,357
- ICT Strategy and Infrastructure	2,563	1,908	655	(242)	897
- Corporate Property Rental	102	(4)	106	106	0
- Contractors	324	(410)	734	(113)	847
- Dilapidations / Farms Comp Claims	386	386	0	0	0
- Pickering Beck	300	300	0	0	0
- Pension Fund Deficit Contribution	765	765	0	0	0
- HAS - Supporting People Initiatives	1,567	371	1,196	1,196	0
	<u>35,045</u>	<u>5,938</u>	<u>29,107</u>	<u>4,251</u>	<u>24,856</u>

Earmarked Reserves (Cont)

	Balance 31st March 2013 £000	Movement in Year 2012/13 £000	Balance 31st March 2012 £000	Movement in Year 2011/12 £000	Balance 31st March 2011 £000
Earmarked for Schools					
Local Management of Schools	26,291	944	25,347	(1,753)	27,100
Schools Block / DSG	10,769	(1,755)	12,524	1,724	10,800
	<u>37,060</u>	<u>(811)</u>	<u>37,871</u>	<u>(29)</u>	<u>37,900</u>
Reserves of Trading and Service Units					
Children and Young People's Service	3,431	233	3,198	1,564	1,634
Trading Reserves					
Catering Service	1,329	341	988	230	758
Schools R&M Scheme	73	(166)	239	1	238
Building Cleaning	799	104	695	(259)	954
Music Service	142	0	142	142	0
Print Unit	163	57	106	45	61
Grounds Maintenance	39	8	31	(18)	49
Employment Services	201	87	114	50	64
Energy Team - School	195	195	0	0	0
	<u>6,372</u>	<u>859</u>	<u>5,513</u>	<u>1,755</u>	<u>3,758</u>
Revenue Grants and Contributions Reserves					
Children and Young People's Service					
- Schools Capital Projects	0	(539)	539	(4,166)	4,705
- Area Based Grant	0	0	0	(2,116)	2,116
- Other	1,758	919	839	(543)	1,382
Business and Environmental Services					
- Economic Development Grants	411	(43)	454	(8)	462
- Community Transport Grant	832	0	832	832	0
- Growing Places	563	563	0	0	0
- Other	344	(245)	589	(212)	801
Health and Adult Services					
- LDDF	232	0	232	232	0
- Social Care Reform	1,508	0	1,508	1,508	0
- Stroke Support Grant	0	0	0	(94)	94
- Health Funding Reserve	13,791	4,512	9,279	9,279	0
- Public Health	79	79	0	0	0
Corporate					
- Policy, Partnerships, Performance	20	(89)	109	45	64
- Promoting Democracy	214	214	0	0	0
- LAA Performance Reward Grant	3,023	(1,416)	4,439	(1,147)	5,586
	<u>22,775</u>	<u>3,955</u>	<u>18,820</u>	<u>3,610</u>	<u>15,210</u>
Total Earmarked Reserves	<u>101,252</u>	<u>9,941</u>	<u>91,311</u>	<u>9,587</u>	<u>81,724</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 2013 £000	31st March 2012 £000
Opening Balance	0	0
Transfer of sale proceeds credited as part of the gains / loss on disposal to the Comprehensive Income and Expenditure Statement	6,296	3,855
Use of the Capital Receipts Reserve to finance new expenditure	<u>(6,296)</u>	<u>(3,855)</u>
Closing Balance	<u>0</u>	<u>0</u>

(d) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve is required under IFRS and 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 2013 £000	31st March 2012 £000
Opening Balance	10,269	13,662
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	51,527	62,341
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Reserve	<u>(54,989)</u>	<u>(65,734)</u>
Closing Balance	<u>6,807</u>	<u>10,269</u>

38. Unusable Reserves

(a) Revaluation Reserve

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

	31st March 2013 £000	31st March 2012 £000 As Restated
Opening Balance	157,313	110,575
Asset Revaluation within Other Comprehensive Income and Expenditure Statement	(1,213)	54,335
Addition of Assets	266	275
Adjustment between current value depreciation and historic cost depreciation	(4,014)	(4,835)
Write out of revaluation on disposal; Property, Plant and Equipment	<u>(3,338)</u>	<u>(3,037)</u>
Closing Balance	<u>149,014</u>	<u>157,313</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 not 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 2013 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 2013;
- Provision for bad debts of Debtors in relation to Council Tax arrears as at 31st March 2013;
- Income in advance from Council Tax payers who have paid their Council Tax Bills early as at 31st March 2013;
- 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 2012/13.

The Council Tax Adjustment Account represents an adjustment between the Council Tax collected and paid over to the County Council by billing authorities in 2012/13, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2012/13. 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 2011/12 and 2012/13 and can be calculated as follows:-

	31st March 2013 £000	31st March 2012 £000
Council Tax Debtors	8,991	8,733
Provision for Doubtful Debts	(4,210)	(3,728)
Creditors for Pre-payments and Over-payments	(3,726)	(4,143)
Net Creditors to the Billing Authority	<u>(292)</u>	<u>(614)</u>
Collection Fund surplus	<u>763</u>	<u>248</u>
Movement in Year (note 7)	<u>(515)</u>	<u>213</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 2012/13. 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 and does not represent 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 2013 £000	31st March 2012 £000
Balance Brought Forward	(9,745)	(10,072)
Movement in Year	<u>(343)</u>	<u>327</u>
Closing Balance	<u>(10,088)</u>	<u>(9,745)</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 2013 £000	31st March 2012 £000
Opening Balance	(472,462)	(402,260)
Actuarial gains on pension assets and liabilities	(70,385)	(67,441)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,415)	(38,751)
Employers pension contributions payable in year	<u>35,167</u>	<u>35,990</u>
Closing Balance	<u>(559,095)</u>	<u>(472,462)</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 2013 £000	31st March 2012 £000 As Restated
Opening Balance	979,580	1,023,529
Adjustments between accounting basis and funding basis under regulations		
Amortisation of Intangible Assets	(818)	(544)
Charges for depreciation and impairment of non current assets	(53,220)	(56,725)
Revaluation losses on Property, Plant and Equipment	(2,843)	(30,872)
Impairment from Non Enhancing Capital Expenditure	(14,311)	(18,954)
Movements in the value of Investment Properties	0	0
Capital Grants and Contributions	54,989	65,734
Revenue Expenditure Funded from Capital under Statute	(3,715)	(5,133)
Carrying Value of no current assets written off on disposal	(29,863)	(47,827)
Statutory Provision for the financing of capital investment	15,790	16,146
Capital Expenditure charged against the General Working Balance	11,895	23,063
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure	6,296	3,855
Re-payment of long term loans	(2,643)	(565)
Other Reserve Movements		
Adjustment between current value deprecation and historic cost depreciation	3,338	4,835
Write out of revaluation on disposal; Property, Plant and Equipment	4,014	3,038
Closing Balance	<u>968,489</u>	<u>979,580</u>

39. 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:-

- individual liability and motor claims in excess of £0.1m (£0.1m in 2011/12);
- individual material damage claims in excess of £0.1m (£0.1m in 2011/12);
- liability claims aggregating over £2.2m (£2.2m in 2011/12);
- motor claims aggregating over £0.2m (£0.2m in 2011/12);
- material damage claims aggregating over £0.5m (£0.5m in 2011/12).

40. Contingent Liabilities

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

- Ordinary Residents;
- residential and nursing home fees;
- children's 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 9 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 cannot yet be fully determined and disclosed. In line with accounting guidance (IAS 37) no adjustments have been made within the Balance Sheet for these liabilities.

41. 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 2012/13 is to be authorised for issue by 30th June 2013 by the Corporate Director – Strategic Resources. The Statement of Accounts will then be subject to the External Audit process, before being considered and approved by Audit Committee members on 26th September 2013.

42. 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 2012/13 are detailed below:-

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2012/13	49,538	327,766	377,304
Academy Recoupment	(86)	(32,432)	(32,518)
Revised DSG for 2012/13	49,452	295,334	344,786
Brought forward from 2011/12	12,524	0	12,524
Planned Use of Brought forward from 2011/12	(258)	258	0
Total Available Resources 2012/13	61,718	295,592	357,310
Revised budgeted distribution in 2012/13	49,746	295,040	344,786
Actual central expenditure	51,177	0	51,177
Actual ISB deployed to schools	0	295,298	295,298
Carry forward to be utilised in 2013/14	10,835	0	10,835

In 2012/13, £344.8m has been credited against the Education and Childrens Services in the Comprehensive Income and Expenditure Statement.

The net underspend in 2012/13 of £1,938k against the central expenditure limit has been paid into an earmarked reserve. Following consultation with Schools Forum, the cumulative carried forward DSG, totalling £10,835k overall will be used exclusively in support of the Schools Budget in 2013/14 and subsequent years.

43. Trust Funds

The County Council acted as sole trustee for eight trust funds during 2012/13, 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 2012/13 £000	Expenditure 2012/13 £000	Assets as at 31st March 2013 £000
Sir John Horsfall To assist by means of a grant, pupils who have attended primary or voluntary schools in the South Craven Area	0	0	13
Haywra Crescent Educational Trust Fund To be used for the promotion of Higher and Further Education in such a way the trustees think fit	11	10	215
Norwood Primary School To be used for education purposes at Felliscliffe and Darley Schools	0	1	60
Wrea Head Ellis Fund To be used for the advancement of education	1	1	827
Burniston Educational Foundation Promoting education of persons under 25 who are or have parents resident in Burniston	0	2	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	1	1	15
Felliscliffe School Charity (Consolidated) For the benefit of Grantley, Hampsthwaite and Felliscliffe Schools	0	0	1
Goathland School Endowment For the benefit of Goathland School	0	1	1
	13	16	1,236

The assets of the trust funds at 31st March 2012 were £1,227k. The County Council has a policy of reviewing these trusts so that only those that are still active are retained.

44. 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 98 (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		Short Term	
	31st March 2013 £000	31st March 2012 £000	31st March 2013 £000	31st March 2012 £000
Investments				
Loans and Receivables	3,518	3,518	135,947	138,212
Debtors				
Borrowings				
PWLB Loans	(324,581)	(330,036)	(8,501)	(30,115)
Market LOBO Loans	(20,000)	(20,000)	(46)	(48)
Temporary Loans from External Bodies				
- North Yorkshire Pension Fund	0	0	(6,167)	(5,111)
- North Yorkshire Fire and Rescue Authority	0	0	(9,864)	(7,897)
- North York Moors National Park	0	0	(2,042)	(1,906)
- Yorkshire Dales National Park	0	0	(2,243)	(2,396)
- English National Parks Authorities Association	0	0	(70)	(98)
	<u>(344,581)</u>	<u>(350,036)</u>	<u>(28,933)</u>	<u>(47,571)</u>
Other Liabilities				
PFI and Finance Leases	<u>(5,791)</u>	<u>(6,027)</u>	<u>(236)</u>	<u>(236)</u>
Creditors	<u>(1,336)</u>	<u>(440)</u>	<u>(75,118)</u>	<u>(72,786)</u>

(b) Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised		Financial Assets: Loans and receivables	
	31st March 2013 £000	31st March 2012 £000	31st March 2013 £000	31st March 2012 £000
Interest expense	16,600	17,913	699	474
Impairment of Assets held for Sale	<u>486</u>	<u>818</u>	<u>0</u>	<u>0</u>
	<u>17,086</u>	<u>18,731</u>	<u>699</u>	<u>474</u>
Interest and similar Income		0	(3,229)	(2,745)
Dividends Received		0	(665)	(1,353)
	<u>0</u>	<u>0</u>	<u>(3,894)</u>	<u>(4,098)</u>
Net (gain) / loss for the year	<u>17,086</u>	<u>18,731</u>	<u>(3,195)</u>	<u>(3,624)</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 2013		31st March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Maturity Loans	304,961	331,866	325,164	335,231
PWLB Annuity Loans	28,121	34,041	34,987	42,051
Market LOBO Loans	20,046	19,204	20,048	18,610
Financial Liabilities	<u>353,128</u>	<u>385,111</u>	<u>380,199</u>	<u>395,892</u>

The fair value is higher 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 higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss arising from a commitment to pay interest below current market rates.

Investment Activities

	31st March 2013		31st March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans less than 1 year	135,947	136,326	138,212	138,647
Money Market Loans more than 1 year	0	0	0	0
Financial Liabilities	<u>135,947</u>	<u>136,326</u>	<u>138,212</u>	<u>138,647</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 2013 in the above tables do not match the financial instruments balances at 44(a) because of the "temporary loans to other bodies" have been omitted.

In addition the financial assets representing the shareholding in Yorwaste Limited and NYnet Limited continued to be valued at Historic Cost and have been omitted from the Table above – Investment Activities. These share-holdings are valued at Historic Cost because they do not have a quoted market price in an active market and therefore their fair value cannot be measured reliably. In addition these investments are not classified as "Held for Sale" and therefore in accordance with The Code, can be accounted for at Cost.

(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;
 - its maximum annual exposures to investments maturing beyond a year; and
 - approve an investment strategy for the forthcoming year setting out its 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 regular meetings are held between the Corporate Director - Strategic 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, Moody's and Standards & Poor's) 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
£60m	- UK "Nationalised" Banks / UK Banks with UK Central Government Involvement
£30m - £50m	- Selected UK "Clearing Banks" and organisations covered by the UK Government guarantee of liquidity
£20m - £40m	- 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 2013 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2013, 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 2013 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2013 %
Deposits with banks and financial institutions for less than 1 year			
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	105,938	0.00	0.00
Institutions with Fitch Rating Long Term AA- and Short Term F1+	10,005	0.00	0.00
Institutions with Fitch Rating Long Term A+ and Short Term F1	20,004	0.00	0.00
	<u>135,947</u>		
Debtors	<u>38,048</u>		

No breaches of the credit rating criteria occurred during 2012/13 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:-

	Fitch Sovereign Rating as at 31st March 2013 £000	Amount at 31st March 2013 £000
UK	AAA	125,942
Sweden	AAA	10,005
		<u>135,947</u>

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2013, which are included within the £39.2m Short Term Debtors, can be analysed by past-due and age status as follows:-

	31st March 2013 £m
Less than 1 month	9.4
1 to 3 months	0.8
3 to 6 months	0.4
6 months to 1 year	0.4
More than 1 year	1.0
	<u>12.0</u>

It is considered that £2.6m of the £12.0m 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 2013 £000	31st March 2012 £000
Less than one year		
Public Works Loan Board	(8,501)	(30,115)
Market LOBO Loans	(46)	(48)
Temporary Loans from External Bodies		
- North Yorkshire Pension Fund	(6,167)	(5,111)
- North Yorkshire Fire and Rescue Authority	(9,864)	(7,897)
- North York Moors National Park	(2,042)	(1,906)
- Yorkshire Dales National Park	(2,243)	(2,396)
- English National Parks Authorities Association	(70)	(98)
	<u>(28,933)</u>	<u>(47,571)</u>
Greater than one year		
Public Works Loan Board	(324,581)	(330,036)
Market LOBO Loans	(20,000)	(20,000)
	<u>(344,581)</u>	<u>(350,036)</u>
Analysis of loans by Maturity		
Between one and two years	(39,824)	(5,455)
Between two and five years	(37,226)	(55,607)
Between five and ten years	(79,031)	(87,135)
Between ten and fifteen years	(10,000)	(23,339)
Between fifteen and twenty five years	(24,700)	(24,700)
Between twenty five and forty years	(126,300)	(56,300)
More than forty years	(27,500)	(97,500)
	<u>(344,581)</u>	<u>(350,036)</u>

Creditors are paid in accordance with suppliers' terms which, for liquidity risk purposes to the County Council, is less than one year and are not shown in the table above. Further analysis of creditors can be found in note 35.

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	1,881
Increase in government grant receivable for financing costs	0
Impact on Comprehensive Income and Expenditure Account	1,881
Decrease in fair value of fixed rate investment assets	347
Decrease in fair value of fixed rate borrowing liabilities	42,635

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 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 30 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 2012/13, it has a group relationship with five bodies (the same as in 2011/12):-

- 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 2013 shows a loss before and after taxation of £349k and £436k respectively and net assets of £12.2m.

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

The County Council has provided a loan facility to Yorwaste Limited 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 – Projects (who is the Chief Executive of NYnet Limited) and one Councillor.

A working capital loan facility is being provided by the County Council with the sum taken up at 31st March 2013 being £4.6m. This loan is included in the County Council's Balance Sheet as a Long Term Debtor.

The trading result of the company for the year ended 31st March 2013 shows a loss before and after taxation of £2.0m. NYnet Limited has total net liabilities of £8.9m (including the £4.6m loan from the County Council).

The £2.0m in-year trading loss reflects the setting up of a new Subsidiary of NYnet Limited called NYnet 100 Limited. NYnet 100 Limited was established in 2011/12 to facilitate and fund ongoing developments around the "Connecting North Yorkshire" project, which aims to ensure widespread Broadband availability in the sub-region by 2017. NYnet 100 Limited will receive grant funding and make payments in respect of Connecting North Yorkshire.

NYnet Limited made a loss of £2.0m 2012/13, which was due in large part to a one-off exceptional item charge of £2.2m which reflected the impairment of the Wide Area Network 2, in advance of an impending switchover to Wide Area Network 3 in 2013/14. Adjusting for this exceptional item, NYnet Limited therefore made a profit of £315k.

NYnet Limited has been consolidated into North Yorkshire County Council's Group Accounts as a consolidated 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 it's pre-audited financial results were an invoiced turnover of £128.4m resulting in an operating surplus for 2012 of £3.8m (£2.4m in 2011). A member's dividend was paid for the year 2012 totalling £7.07m. The County Council received £665k in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £15.8m with a general fund working balance in 2012 of £23.8m.

Due to the involvement of all member authorities in the Management Committee and it's 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 2012/13 Group Statement of Final Accounts.

In 2012/13 Veritau Limited made a loss before and after tax of £10k and £8k, and has net liabilities worth £169k.

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

Internal Audit Services provided by five district councils in North Yorkshire were transferred to Veritau Limited from 1st April 2012. To facilitate this transfer, in late 2011/12, Veritau Limited formed a subsidiary company called Veritau – North Yorkshire Limited (VNY) to deliver these transferred services. VNY is a subsidiary company limited by shares with Veritau Limited holding 50% of the share capital and each District holding 10%. VNY has share capital of £20,000 – each District Council has provided capital of £2,000 and Veritau Limited has invested £10,000. The subsidiary company will have a board of directors comprising an officer from each District Council and two Directors appointment by Veritau Limited.

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 2012 show income and expenditure of £1.0m and £1.3m respectively with total net assets of £343k. 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 £103k as at 31st July 2012, no consolidation adjustments have been made in the group financial statements.

Financial Statements and Results

The Group Accounts for the County Council 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 are based on Draft Accounts for all three bodies. 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 increased by £154k. This relates to:-
 - the incorporation of Yorwaste Limited's trading surplus of £165k;
 - the incorporation of NYnet Limited's consolidated trading loss of £314k;
 - Veritau Limited's pre-tax trading loss of £10k less a minority interest adjustment of £5k.

The deficit on the Provision of Services of the County Council increased by £3,197k from £4,902k to £8,099k as a result of:-

- consolidation impact on Group Comprehensive Income and Expenditure Statement listed above of a £154k operating loss;
 - net interest paid and received by the three companies of £762k;
 - net taxation adjustments of £86k relating to Yorwaste Limited;
 - the impairment of Wide Area Network Assets by NYnet Limited of £2.2m.
- Group Balance Sheet
The County Council's total Group assets have increased by £30.2m and liabilities have increased by £28.2m. The increase in net assets of £2.0m 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.

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

Year to 31st March 2012			Year to 31st March 2013			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
As Restated						
4,014	(1,841)	2,173	Central Services to the Public	3,259	(1,721)	1,538
756	(1)	755	Court Services	709	0	709
13,115	(1,098)	12,017	Cultural and Related Services	13,197	(777)	12,420
44,866	(20,823)	24,043	Environmental and Regulatory Services	62,379	(34,120)	28,259
8,426	(5,147)	3,279	Planning Services	10,826	(8,719)	2,107
612,044	(454,477)	157,567	Education and Childrens Services	556,569	(441,630)	114,939
70,808	(20,134)	50,674	Highways, Roads and Transport Services	71,506	(9,580)	61,926
204,124	(60,830)	143,294	Adult Social Care	204,423	(63,074)	141,349
656	0	656	Housing Services	157	(51)	106
7,214	(20)	7,194	Corporate and Democratic Core	5,922	(22)	5,900
(6,881)	(135)	(7,016)	Non Distributed Costs	1,646	(210)	1,436
959,142	(564,506)	394,636	Cost of Services	930,593	(559,904)	370,689
			Other Operating Expenditure			
		43,862	Loss on Disposal of Property, Plant and Equipment			23,567
		818	Impairment of Assets Held for Sale			486
		493	Precepts of Local Precepting Authorities			528
		0	Exceptional Items			2,195
			Financing and Investment Income and Expenditure			
		18,376	Interest payable and similar charges			17,039
		(2,244)	Interest receivable and similar income			(2,872)
		381	Investment Properties; revaluation and impairment			15
		(31)	Surplus on trading activities			(102)
		15,909	Pensions interest cost and expected return on pensions assets			18,805
		472,200				430,350
		(436,913)	Taxation and Non-Specific Grant Income			(422,337)
		35,287	Deficit on Provision of Services			8,013
		575	Tax Expenses			86
		35,862	Group Deficit			8,099
		(54,046)	(Surplus) / Deficit on Revaluation of Fixed Assets			3,590
		67,489	Actuarial losses on pension Assets / Liabilities			70,433
		13,443	Other Comprehensive Income and Expenditure			74,023
		49,305	Total Comprehensive Income and Expenditure			82,122

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 share of Reserves £000	Total Group Reserves £000
Movement in Reserves during 2012/13						
Balance at 31st March 2012	(137,687)	(654,934)	(792,621)	(2,432)	(2,809)	(797,862)
Deficit on provision of services (accounting basis)	4,902	0	4,902	3,100	97	8,099
Other Comprehensive Expenditure and Income	0	73,975	73,975	48	0	74,023
Total Comprehensive Expenditure and Income	4,902	73,975	78,877	3,148	97	82,122
Adjustments between Group Accounts and Authority Accounts	0	0	0	0	0	0
Net (Increase) / Decrease before Transfers	4,902	73,975	78,877	3,148	97	82,122
Adjustments between accounting basis and funding basis under regulations	(31,876)	31,876	0	0	0	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(26,974)	105,851	78,877	3,148	97	82,122
Balance at 31st March 2013	(164,661)	(549,083)	(713,744)	716	(2,712)	(715,740)
Balance as 31st March 2011 As Restated	(119,335)	(722,233)	(841,568)	(3,000)	(2,598)	(847,166)
Deficit on provision of services (accounting basis)	35,552	0	35,552	520	(211)	35,861
Other Comprehensive Expenditure and Income	0	13,395	13,395	48	0	13,443
Total Comprehensive Expenditure and Income	35,552	13,395	48,947	568	(211)	49,304
Adjustments between Group Accounts and Authority Accounts	(53,904)	53,904	0	0	0	0
Net (Increase) / Decrease before Transfers	(18,352)	67,299	48,947	568	(211)	49,304
Adjustments between accounting basis and funding basis under regulations	0	0	0	0	0	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(18,352)	67,299	48,947	568	(211)	49,304
Balance at 31st March 2012	(137,687)	(654,934)	(792,621)	(2,432)	(2,809)	(797,862)

GROUP BALANCE SHEET AS AT 31ST MARCH 2013

31st March 2011 £000 As Restated	31st March 2012 £000 As Restated		31st March 2013 £000
1,517,614	1,510,529	Property, Plant and Equipment	1,477,461
28,235	27,782	Investment Property	27,027
9,683	10,738	Intangible Assets	11,044
0	5	Long Term Investments	5
494	756	Long Term Debtors	489
	0	Deferred Tax Asset	0
1,556,026	1,549,810	Long Term Assets	1,516,026
117,987	139,916	Short Term Investments	137,157
1,262	1,187	Inventories	1,396
52,001	46,138	Short Term Debtors	51,158
98,253	69,956	Cash and Cash Equivalents	95,273
1,906	494	Landfill Allowances Trading Scheme	0
0	0	Carbon Allowances Trading Scheme	64
2,139	1,136	Assets held for sale	462
15	126	Current Tax Assets	144
273,563	258,953	Current Assets	285,654
	0	Bank Overdraft	(21)
(46,189)	(48,428)	Short Term Borrowing	(28,933)
(109,096)	(85,052)	Short Term Creditors	(94,451)
(194)	(211)	PFI Liability repayable within 12 months	(230)
(53)	(228)	Finance Lease repayable within 12 months	(6)
(16,724)	(10,812)	Capital Grant Receipts in Advance	(13,077)
	0	Current Tax Liability	0
(172,256)	(144,731)	Current Liabilities	(136,718)
(303)	(440)	Long Term Creditors	(86)
(5,132)	(4,921)	PFI Liability repayable in excess of 12 months	(4,692)
(1,131)	(1,106)	Finance Lease repayable in excess of 12 months	(1,099)
(27,977)	(26,239)	Provisions	(28,901)
(402,291)	(472,559)	Pensions Liability	(559,248)
(369,183)	(351,116)	Long Term Borrowing	(346,537)
(4,190)	(9,789)	Capital Grant Receipts in Advance	(8,659)
(810,207)	(866,170)	Long Term Liabilities	(949,222)
847,126	797,862	Net Assets	715,740
119,335	137,687	Usable Reserves	164,661
722,233	654,934	Unusable Reserves	549,083
5,558	5,241	Reserves - Group Entities	1,996
847,126	797,862	Total Reserves	715,740

GROUP CASH FLOW STATEMENT

31st March 2012 £000 As Restated		31st March 2013 £000
(35,995)	Net Deficit on the Provision of Services	(8,098)
	Adjust net surplus / (deficit) on the provision of services for non cash movements	
61,077	Depreciation / Amortisation	59,594
49,833	Impairment and revaluations charged to the provision of services	17,116
(23,907)	Movement in Creditors	11,213
5,971	Movement in Debtors	(8,820)
75	Movement in Inventories	(209)
(1,652)	Movement in Provisions	2,803
2,793	Pensions Liability	16,257
47,827	Carrying Amount of Non-current Assets sold	29,863
3,309	Other non-cash items charged to the provision of services	1,848
145,326		129,665
	Adjust for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	
(59,918)	Grants received for investment purposes	(49,316)
(3,855)	Proceeds from the sale of property and other assets	(6,296)
(63,773)		(55,612)
(245)	Equity Dividends Paid	0
(135)	Taxation	(491)
45,178	Net cash flows from Operating Activities	65,464
	Investing Activities	
(98,292)	Purchase of Property, Plant and Equipment and Intangible assets	(76,804)
(23,594)	Purchase of short term and long term investments	(407)
0	Other payments for investing activities	0
4,414	Proceeds from the sale of property and other assets	6,430
315	Proceeds from short term and long term investments	2,721
60,218	Other receipts for investing activities	52,024
(56,939)	Net cash flows from Investing Activities	(16,036)
	Financing Activities	
0	Cash receipts of short term and long term borrowing	1,000
(335)	Other receipts from financing activities	0
(54)	Repayment of the outstanding liability of finance lease and similar arrangements	(236)
(16,128)	Repayment of short term and long term borrowing	(24,526)
0	Other payment for financing activities	(370)
(16,517)	Net cash flows from Financing Activities	(24,132)
(28,278)	Net increase / (decrease) in cash and cash equivalents	25,296
98,234	Cash and cash equivalents at the beginning of the reporting period	69,956
69,956	Cash and cash equivalents at the end of the reporting period	95,252
28,278		(25,296)

NOTES TO THE GROUP STATEMENTS

1. Yorwaste Limited recorded a pre-tax loss of £349k which relates to the total loss generated by the Company before tax. Post-tax, Yorwaste Limited made a loss of £436k. The minority interest adjustment of £97k 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 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 £1,705k – totalling £2,713k.
5. 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, but the County Council's valuers, Bruton Knowles, have previously performed a desktop review to revalue Yorwaste's Fixed Assets.
6. In 2010/11, Yorwaste Limited 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.
7. NYnet Limited made a deficit of £2,019k in 2012/13 which has been fully consolidated into the Group Comprehensive Income and Expenditure Statement. NYnet Limited's 2011/12 accounts have been re-stated and net liabilities reduced by £133k resulting from the finalisation of the company's External Audit in 2012.
8. The total assets and liabilities of NYnet Limited have been fully incorporated into the Group Accounts. Of most significance, £3.8m of Fixed Assets have been incorporated into the Group Accounts as Property, Plant and Equipment which represent ownership of a Broadband Network which is being depreciated, from November 2007, over 10 years because of the nature of the asset. An exceptional impairment charge was levied on these assets of £2.2m in 2012/13.

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 two 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.
9. Veritau Limited achieved a post-tax loss of £8k which relates to the total profit generated by the company before tax. The financial results of Veritau Limited have been consolidated into the County Council's accounts as a Joint-Venture, and therefore a 50% adjustment has been made to Veritau Limited's pre-tax Surplus, and its associated assets and liabilities.

10. Receipts and payments between Yorwaste Limited, NYnet Limited, Veritau Limited and the County Council are cancelled out on consolidation.
11. 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 2013

	NYCC £000	Yorwaste Limited £000	Nynet Limited £000	Veritau Limited £000	Consolidation Adjustments £000	Group £000
Cost of Service	370,535	(165)	314	5	0	370,689
Other Operating Expenditure						
Loss on the Disposal of Property, Plant and Equipment	23,567	0	0	0	0	23,567
Impairment of Assets Held for Sale	486	0	0	0	0	486
Precepts of Local Precepting Authorities	528	0	0	0	0	528
Exceptional Items	0	0	2,195	0	0	2,195
Financing and Investment Income and Expenditure						
Interest Payable and Similar Charges	16,600	589	247	0	(397)	17,039
Interest Receivable and Investment Income	(2,530)	(74)	0	0	397	(2,207)
Dividend Income	(665)	0	0	0	0	(665)
Investment Properties: Revaluation and Impairment	15	0	0	0	0	15
Surplus on Trading Activities	(102)	0	0	0	0	(102)
Pension Interest cost and expected return on Pensions Assets	18,805	0	0	0	0	18,805
	32,123	515	247	0	0	32,885
Taxation and Non-Specific Grant Income	(422,337)	0	0	0	0	(422,337)
Deficit on Provision of Services	4,902	350	2,756	5	0	8,013
Tax Expenses	0	87	0	(1)	0	86
Group Deficit	4,902	437	2,756	4	0	8,099
Deficit on revaluation of Fixed Assets	3,590	0	0	0	0	3,590
Actuarial losses on pensions Assets / Liabilities	70,385	0	0	48	0	70,433
Other Comprehensive Income and Expenditure	73,975	0	0	48	0	74,023
Total Comprehensive Income and Expenditure	78,877	437	2,756	52	0	82,122

Balance Sheet as at 31st March 2013

	NYCC £000	Yorwaste Limited £000	NYnet Limited £000	Veritau Limited £000	Consolidation Adjustments £000	Group £000
Property, Plant and Equipment	1,457,181	16,487	3,793	0	0	1,477,461
Investment Property	27,027	0	0	0	0	27,027
Intangible Assets	9,696	1,348	0	0	0	11,044
Long Term Investments	3,518	0	0	5	(3,518)	5
Long Term Debtors	8,815	0	0	0	(8,326)	489
Long Term Assets	1,506,237	17,835	3,793	5	(11,844)	1,516,026
Short Term Investments	135,947	1,210	0	0	0	137,157
Inventories	921	0	475	0	0	1,396
Short Term Debtors	38,048	10,753	4,226	51	(1,920)	51,158
Cash and Cash Equivalents	89,818	5,348	0	107	0	95,273
Carbon Allowances	64	0	0	0	0	64
Assets Held for Sale	462	0	0	0	0	462
Current Tax Assets	0	144	0	0	0	144
Current Assets	265,260	17,455	4,701	158	(1,920)	285,654
Bank Overdraft	0	0	(21)	0	0	(21)
Short Term Borrowing	(28,933)	0	0	0	0	(28,933)
Short Term Creditors	(76,368)	(10,064)	(9,844)	(95)	1,920	(94,451)
PFI Liability repayable within 12 months	(230)	0	0	0	0	(230)
Finance Lease repayable within 12 months	(6)	0	0	0	0	(6)
Capital Grants receipts in Advance	(13,077)	0	0	0	0	(13,077)
Current Liabilities	(118,614)	(10,064)	(9,865)	(95)	1,920	(136,718)
Long Term Creditors	(86)	0	0	0	0	(86)
PFI Liability repayable in excess of 12 months	(4,692)	0	0	0	0	(4,692)
Finance Lease repayable in excess of 12 months	(1,099)	0	0	0	0	(1,099)
Provisions	(20,927)	(7,965)	(9)	0	0	(28,901)
Pension Liability	(559,095)	0	0	(153)	0	(559,248)
Long Term Borrowing	(344,581)	(5,081)	(5,201)	0	8,326	(346,537)
Capital Grants released in Advance	(8,659)	0	(2,353)	0	2,353	(8,659)
Long Term Liabilities	(939,139)	(13,046)	(7,563)	(153)	10,679	(949,222)
Net Assets	713,744	12,180	(8,934)	(85)	(1,165)	715,740
Usable Reserves	164,661	0	0	0	0	164,661
Unusable Reserves	549,083	0	0	0	0	549,083
Reserves - Group Entities	0	12,180	(8,934)	(85)	(1,165)	1,996
Total Reserves	713,744	12,180	(8,934)	(85)	(1,165)	715,740

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 of Valuation					
As at 1st April 2012 As Restated	1,103,366	113,223	560,583	29,174	1,806,346
Additions	13,271	9,353	35,001	89	57,714
Disposals	(29,562)	(1,225)	0	0	(30,787)
Reclassification	0	0	0	933	933
Transferred to Assets Held for Sale	(1,251)	0	0	0	(1,251)
Revaluations / (Impairments)					0
Recognised in the Revaluation Reserve	(1,915)	0	0	0	(1,915)
Recognised in Provision of Services	(24,914)	0	0	0	(24,914)
As at 31st March 2013	<u>1,058,995</u>	<u>121,351</u>	<u>595,584</u>	<u>30,196</u>	<u>1,806,126</u>
Depreciation and Impairments					
As at 1st April 2012 As Restated	(76,197)	(77,631)	(119,297)	(22,692)	(295,817)
Charge for the year	(29,726)	(13,649)	(14,890)	(1,143)	(59,408)
Disposals	2,203	622	0	0	2,825
Reclassifications	0	0	0	0	0
Transferred to Assets Held for Sale	210	0	0	0	210
Revaluations / (Impairments)					0
Recognised in the Revaluation Reserve	968	0	0	0	968
Recognised in Provision of Services	22,557	0	0	0	22,557
As at 31st March 2013	<u>(79,985)</u>	<u>(90,658)</u>	<u>(134,187)</u>	<u>(23,835)</u>	<u>(328,665)</u>
Balance Sheet Net Amount at 31st March 2013	<u>979,010</u>	<u>30,693</u>	<u>461,397</u>	<u>6,361</u>	<u>1,477,461</u>
Balance Sheet Net Amount at 31st March 2012 As Restated	<u>1,027,169</u>	<u>35,592</u>	<u>441,286</u>	<u>6,482</u>	<u>1,510,529</u>

13. Movement in Property, Plant and Equipment (cont)

Comparative Movements in 2011/12 (As Restated)

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration costs £000	Total £000
Cost of Valuation					
As at 1st April 2011	1,147,474	105,902	515,840	27,724	1,796,940
Additions	22,751	8,267	44,743	1,086	76,847
Disposals	(47,880)	(940)	0	0	(48,820)
Reclassification	0	0	0	364	364
Transferred to Assets Held for Sale	(2,996)	0	0	0	(2,996)
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	42,479	0	0	0	42,479
Recognised in Provision of Services	(58,461)	0	0	0	(58,461)
As at 31st March 2012	<u>1,103,367</u>	<u>113,229</u>	<u>560,583</u>	<u>29,174</u>	<u>1,806,353</u>
Depreciation and Impairments					
As at 1st April 2011	(87,532)	(65,239)	(105,282)	(21,273)	(279,326)
Charge for the year	(32,396)	(13,106)	(14,015)	(1,419)	(60,936)
Disposals	2,540	708	0	0	3,248
Reclassifications	0	0	0	0	0
Transferred to Assets Held for Sale	650	0	0	0	650
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	12,132	0	0	0	12,132
Recognised in Provision of Services	28,407	0	0	0	28,407
As at 31st March 2012	<u>(76,199)</u>	<u>(77,637)</u>	<u>(119,297)</u>	<u>(22,692)</u>	<u>(295,825)</u>
Balance Sheet Net Amount at 31st March 2012	<u>1,027,168</u>	<u>35,592</u>	<u>441,286</u>	<u>6,482</u>	<u>1,510,528</u>
Balance Sheet Net Amount at 31st March 2011	<u>1,059,942</u>	<u>40,663</u>	<u>410,558</u>	<u>6,451</u>	<u>1,517,614</u>

14. Cash and Cash Equivalents

	2012/13 £000	2011/12 £000
Bank current accounts and cash held by the County Council	29,387	32,641
Short term / call deposits	<u>65,886</u>	<u>37,314</u>
Total Cash and Cash Equivalents	<u>95,273</u>	<u>69,955</u>

15. Short Term Debtors

	31st March 2013 £000		31st March 2012 £000 As Restated	
Government Entities				
Central Government Bodies	8,575		6,400	
Other Local Authorities	4,337		4,592	
NHS Bodies	<u>497</u>	13,409	<u>783</u>	11,775
General Debtors (including Public Corporations and Trading Funds)		36,859		30,245
Payments in Advance		<u>6,725</u>		<u>9,312</u>
		56,993		51,332
Less: Bad Debts Provision		<u>(5,835)</u>		<u>(5,194)</u>
Total Short Term Creditors		<u>51,158</u>		<u>46,138</u>

16. Short Term Creditors

	31st March 2013 £000		31st March 2012 £000	
Government Entities				
Central Government Bodies	15,914		16,958	
Other Local Authorities	3,852		4,406	
NHS Bodies	<u>847</u>	20,613	<u>489</u>	21,853
General Creditors (including Public Corporations and Trading Funds)		55,564		49,408
Income in Advance		<u>18,274</u>		<u>13,791</u>
Total Short Term Creditors		<u>94,451</u>		<u>85,052</u>

17. Provisions

	Balance as at 31st March 2012 £000	Payments made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2013 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,745	10,088	(9,745)	0	10,088	10,088	0	10,088
County Care Scheduling System	81	0	0	0	81	0	81	81
Ordinary Residency	760	0	0	0	760	190	570	760
Highways Advance Payments	1,616	320	(279)	0	1,657	298	1,359	1,657
Highways	0	2,000	0	0	2,000	2,000	0	2,000
Waste Management	109	0	(36)	0	73	37	36	73
Landfill Allowances	350	0	(350)	0	0	0	0	0
Insurance - Claims	4,479	1,473	(1,172)	0	4,780	1,090	3,690	4,780
Insurance - Liability	0	650	0	0	650	650	0	650
Restructure Costs	444	308	(444)	0	308	308	0	308
Carbon Reduction Commitment	540	530	(540)	0	530	530	0	530
	<u>18,124</u>	<u>15,369</u>	<u>(12,566)</u>	<u>0</u>	<u>20,927</u>	<u>15,191</u>	<u>5,736</u>	<u>20,927</u>
Yorwaste - Restoration	4,621	633	(819)	0	4,435	0	4,435	4,435
Yorwaste - Aftercare	3,485	300	(255)	0	3,530	0	3,530	3,530
Nynet and Veritau Deferred Tax	9	0	0	0	9	9	0	9
	<u>26,239</u>	<u>16,302</u>	<u>(13,640)</u>	<u>0</u>	<u>28,901</u>	<u>15,200</u>	<u>13,701</u>	<u>28,901</u>

Provisions (Cont)

Comparative Movements in 2011/12

	Balance as at 31st March 2011 £000	Payments made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2012 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	10,072	9,745	(10,072)	0	9,745	9,745	0	9,745
County Care Scheduling System	81	0	0	0	81	0	81	81
Social Services s.117 Income	450	0	0	(450)	0	0	0	0
Ordinary Residency	0	760	0	0	760	190	570	760
Highways Advance Payments	999	617	0	0	1,616	485	1,131	1,616
Waste Management	145	0	(36)	0	109	36	73	109
Landfill Allowances	1,584	350	(1,583)	(1)	350	350	0	350
Insurance	4,503	1,051	(1,075)	0	4,479	951	3,528	4,479
Restructure Costs	1,460	392	(1,408)	0	444	444	0	444
Carbon Reduction Commitment	0	540	0	0	540	540	0	540
NYCC Total	19,294	13,455	(14,174)	(451)	18,124	12,741	5,383	18,124
Yorwaste - Restoration	5224	203	(806)	0	4,621	0	4,621	4,621
Yorwaste - Aftercare	3364	137	(16)	0	3,485	0	3,485	3,485
Nynet and Veritau Deferred Tax	107	0	(98)	0	9	0	9	9
	27,989	13,795	(15,094)	(451)	26,239	12,741	13,498	26,239

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2013

2011/12 £000		2012/13 £000	£000
CONTRIBUTIONS AND BENEFITS			
Contributions			
77,046	Employers - Normal	77,972	
0	- Special	0	
3,371	- Early Retirement Costs Recharged	3,404	
24,255	Employees - Normal	24,246	
554	- Additional Voluntary	442	
<u>105,226</u>	Total Contributions Receivable (note 7)	<u>106,064</u>	
10,493	Transfers in (note 8)		6,830
<u>Less</u>			
Benefits			
(56,803)	Pensions	(62,211)	
(23,334)	Commutation and Lump Sum Retirement Benefits	(20,181)	
(2,106)	Lump Sums Death Benefits	(2,201)	
<u>(82,243)</u>	Total Benefits Payable (note 9)	<u>(84,593)</u>	
Leavers			
(40)	Refunds to Members Leaving Service	(17)	
1	Payments for Members Joining State Scheme	0	
(4,427)	Transfers Out	(6,241)	
<u>(4,466)</u>	Total Payments on Account of Leavers (note 10)	<u>(6,258)</u>	
(1,492)	Administration Expenses (note 11)		(1,664)
<u>27,518</u>	Net additions from dealings with Members		<u>20,379</u>
 RETURNS ON INVESTMENTS			
18,911	Investment income (note 12)		21,427
(324)	Taxation (note 13)		(379)
(4,654)	Investment Expenses (note 14)		(3,324)
26,133	Change in market value of investments (note 15)		237,299
<u>40,066</u>	Net returns on investments		<u>255,023</u>
67,584	Net increase in the Fund during the year		275,402
1,497,981	Opening Net Assets of the Fund		1,565,565
<u>1,565,565</u>	Closing Net Assets of the Fund		<u>1,840,967</u>

NORTH YORKSHIRE PENSION FUND - NET ASSETS STATEMENT

31st March 2012
£000

31st March 2013
£000

	INVESTMENT ASSETS (note 15 and 16)	
65,122	Fixed Interest Securities	72,005
661,648	Equities	625,584
790,232	Pooled Investments	1,056,194
23,768	Pooled Property Investments	66,982
1,072	Private Equity	873
1,541,842		1,821,638
2,073	Derivate Contracts - Forward Currency Contracts	0
7,841	Cash Deposits	8,427
15,059	Investment Debtors	6,178
1,566,815	TOTAL INVESTMENT ASSETS	1,836,243
	INVESTMENT LIABILITIES (note 15 and 16)	
0	Derivate Contracts - Forward Currency Contracts	(2,863)
(12,764)	Investment Creditors	(3,857)
(12,764)	TOTAL INVESTMENT LIABILITIES	(6,720)
1,554,051	NET INVESTMENT ASSETS	1,829,523
	CURRENT ASSETS	
7,131	Contributions due from employers	4,448
743	Other Non-Investment Debtors	3,083
4,952	Cash	6,187
12,826	TOTAL CURRENT ASSETS	13,718
	CURRENT LIABILITIES	
(1,312)	Non-Investment Creditors	(2,274)
(1,312)	TOTAL CURRENT LIABILITIES	(2,274)
1,565,565	TOTAL NET ASSETS (note 16)	1,840,967

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 NORTH YORKSHIRE PENSION FUND ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2013

1. Description of the Fund

The North Yorkshire Pension Fund (NYPF) is part of the Local Government Pension Scheme (LGPS) and is administered by North Yorkshire County Council (NYCC). The County Council is the reporting entity for the Fund.

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2012/13 and the statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a defined benefit pension scheme administered by NYCC to provide pensions and other benefits for pensionable employees of NYCC, other local authorities in North Yorkshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and fire fighters are included within other national pension schemes.

The Fund is overseen by the Pension Fund Committee (PFC), which is a committee of NYCC.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in NYPF include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- admitted bodies, which are other organisations that participate in the fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

At 31st March 2013 there were 86 contributing employer organisations within NYPF including the County Council itself, as detailed below:

55 Scheduled Bodies:

North Yorkshire County Council
City of York Council
Craven District Council
Hambleton District Council
Harrogate Borough Council
Richmondshire District Council
Ryedale District Council
Scarborough Borough Council
Selby District Council
North Yorkshire Police Authority
North Yorkshire Fire and Rescue Authority
North Yorkshire Probation Service
Yorkshire Dales National Park
North York Moors National Park
Foss 2008 Internal Drainage Board
Ainsty 2008 Internal Drainage Board
Thornton Internal Drainage Board
Whitby Town Council
Fulford Parish Council
Sutton-in-Craven Parish Council
Selby Town Council
Riccall Parish Council
Archbishop Holgates
Manor CE School
Ripon College
Harrogate High School
Skipton Girls High School
St Aidens High School

Norton on Derwent Town Council
Knaresborough Town Council
Glusburn Parish Council
Skipton Town Council
Richmond Town Council
Northallerton and Romanby Joint Burial Ctte
Northallerton Town Council
Malton Town Council
Pickering Town Council
Hunmanby Parish Council
Haxby Town Council
Ripon City Council
Easingwold Town Council
Kirkbymoorside Parish Council
Filey Town Council
Great Ayton Parish Council
Askham Bryan College
Selby College
Craven College
Scarborough Sixth Form College
Harrogate Grammar School
York College
York St John University
Great Smeaton Primary School
Norton College
Rossett School
South Craven School

31 Admitted Bodies:

University of Hull, Scarborough Campus
York Archaeological Trust
Joseph Rowntree Charitable Trust
Community Leisure Ltd
Ringway
Yorkshire Coast Homes
Jacobs UK
Superclean Services
Interserve
Veritau Limited
Veritau NY
Wigan Leisure and Culture Trust
North Yorkshire LMS Pool
- Mellors Catering Services
- Elite
- Derwent Facilities

York St John University
Yorkshire Housing
Welcome to Yorkshire
North Yorks Business Enterprise Partnership
York Museum and Galleries Trust
Craven Housing
Richmondshire Leisure Trust
Inspace
Human Support Group
Scarborough Museums Trust
Sheffield International Venues
Enterprise
York LMS Pool
- Chartwells compass
- ISS Mediclean Ltd

Active, pensioner and deferred pensioner numbers, split between NYCC as the Administering Authority and all other employers was as follows:

	31st March 2013 No.	31st March 2012 No.
Employees in the Fund		
NYCC	17,111	16,435
Other employers	11,661	11,335
Total	<u>28,772</u>	<u>27,770</u>
Pensioners		
NYCC	8,972	8,500
Other employers	7,756	7,339
Total	<u>16,728</u>	<u>15,839</u>
Deferred Pensioners		
NYCC	16,804	15,454
Other employers	10,654	10,080
Total	<u>27,458</u>	<u>25,534</u>

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) and range from 5.5% to 7.5% of pensionable pay for the financial year ended 31st March 2013. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31st March 2010 and details of the rates for individual employers are available on the Fund's website.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service. For service up to 31st March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1st April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31st March 2008.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the Publications section of the Fund's website.

Benefits are index linked in order to keep pace with inflation. In June 2010 the Government announced that the method of indexation would change from the retail price index to the consumer price index. This change took effect from 1st April 2011.

LGPS 2014

It is expected that new regulations setting out details of LGPS 2014 will be laid before the end of March 2014. Further details, including planned key benefit changes can be found at www.lgps.org.uk.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2012/13 financial year and its year end position as at 31st March 2013. The accounts have been prepared in accordance with the

Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS 19 basis, is disclosed at note 19 of these accounts.

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the rate recommended by the Fund's Actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current asset. Amounts due in future years are classed as long term assets.

b) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with LGPS Regulations.

Individual Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions or other defined contribution arrangements to purchase scheme benefits are accounted for on a receipts basis.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial cost of the instrument and its value at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement as a current asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the financial year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pensions Administration Team are charged to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with County Council policy.

g) Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the Fund has negotiated with the following managers that an element of their fee will be performance related:

- Baillie Gifford & Co - Global Equities
- FIL Pensions Management (Fidelity) - Global (ex-UK) Equities
- Standard Life Investments – UK Equities

Performance related fees were £217k in 2012/13 (£1,167k in 2011/12).

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2012/13 £300k of fees is based on such estimates (£399k in 2011/12).

Net Assets Statement

h) Assets

Assets are included in the Net Asset Statement on a fair value basis as at the reporting date. An asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- the value of investments for which there are readily available market prices are determined by the bid market prices;
- fixed interest securities are recorded at net market value based on prevailing yields;

- interests in limited partnerships are based on the net asset value ascertained from periodic valuations provided by those controlling the partnership; and
- pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investment and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

The value of forward currency contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

k) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to minimal risk of change in value.

l) Liabilities

The Fund recognises liabilities at fair value as at the reporting date. A liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's Actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an Appendix to these statements.

n) Additional Voluntary Contributions

NYPF provides an Additional Voluntary Contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Accounts in accordance with Section 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 22).

4. Critical Judgement in Applying Accounting Policies

Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment manager using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31st March 2013 was £873k (31st March 2012, £1,072k).

Pension Fund Liability

The Fund's liability is calculated every three years by the Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

These Accounts contain estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as these figures cannot be determined with certainty, actual results could be materially different using different assumptions.

The item in the Net Assets Statement as at 31st March 2013 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by £64m, a 0.1% increase in inflation would increase liabilities by £65m, and an increase in life expectancy of one year would increase liabilities by £75m.

6. Events After the End of the Reporting Period

Since 31st March 2013 there have been significant movements in global financial markets which would impact upon the market value of the Fund's investments were they to be valued as at the date these Accounts were authorised. This change is deemed to be a non-adjusting post balance sheet event.

There have been no events since 31st March 2013, and up to the date when these accounts were authorised that require any adjustments to these Accounts.

7. Contributions Receivable

	2012/13 £000	2011/12 £000
Contributions Receivable		
North Yorkshire County Council	44,311	44,898
Other Scheduled Bodies	55,962	55,005
Admitted Bodies	5,791	5,323
	<u>106,064</u>	<u>105,226</u>

8. Transfers In from Other Pension Funds

All Transfers In were individual transfers. There were no group transfers during the year.

9. Benefits Payable

	2012/13 £000	2011/12 £000
Benefits Payable		
North Yorkshire County Council	36,751	33,485
Other Scheduled Bodies	42,928	44,299
Admitted Bodies	4,914	4,459
	<u>84,593</u>	<u>82,243</u>

10. Payments To and On Account of Leavers

All Transfers Out were individual transfers. There were no group transfers during the year.

11. Administrative Expenses

	2012/13 £000	2011/12 £000
Administration and Processing	1,554	1,341
Actuarial Fees	58	87
Legal and Audit Fees	52	64
	<u>1,664</u>	<u>1,492</u>

12. Investment Income

	2012/13 £000	2011/12 £000
Fixed Interest and Index Linked Securities	1,790	321
Dividends from Equities	19,304	18,457
Pooled Property Investments	125	0
Interest on Cash Deposits	13	133
Other	195	0
	<u>21,427</u>	<u>18,911</u>

13. Taxes on Income

	2012/13 £000	2011/12 £000
Withholding Tax on Dividends	<u>379</u>	<u>324</u>

14. Investment Expenses

	2012/13 £000	2011/12 £000
Administration, Management and Custody	3,010	4,453
Performance Measurement Services	22	28
Other Advisory Fees	292	173
	<u>3,324</u>	<u>4,654</u>

15. Investments

a) Reconciliation of Movements in Investments and Derivatives

	Value at 31st March 2013 £000	Change in market value at 31st March 2013 £000	Sale proceeds and derivate receipts £000	Purchases at cost and derivative payments £000	Value at 1st April 2012 £000
Fixed Interest	72,005	5,695	(316,823)	318,011	65,122
Equities	625,584	130,932	(593,881)	426,885	661,648
Pooled Funds	1,056,194	105,792	(2,651)	162,821	790,232
Pooled Property	66,982	1,405	(783)	42,592	23,768
Private Equitiy	873	(199)	0	0	1,072
Derivative Contracts	<u>(2,863)</u>	<u>(6,938)</u>	<u>(911,217)</u>	<u>913,219</u>	<u>2,073</u>
Total Invested	1,818,775	236,687	(1,825,355)	1,863,528	1,543,915
Cash Deposits	8,427	586			7,841
Net Investment Debtors	<u>2,321</u>	<u>26</u>			<u>2,295</u>
Net Investment Assets	<u>1,829,523</u>	<u>237,299</u>			<u>1,554,051</u>

	Value at 31st March 2012 £000	Change in market value at 31st March 2012 £000	Sale proceeds and derivate receipts £000	Purchases at cost and derivative payments £000	Value at 1st April 2011 £000
Fixed Interest	65,122	(905)	(93,477)	159,504	0
Equities	661,648	(2,856)	(385,579)	378,040	672,043
Pooled Funds	790,232	26,165	(54,582)	15,798	802,851
Pooled Property	23,768	(1,282)	0	25,050	0
Private Equitiy	1,072	32	(300)	0	1,340
Derivative Contracts	<u>2,073</u>	<u>7,605</u>	<u>(876,748)</u>	<u>874,401</u>	<u>(3,185)</u>
Total Invested	1,543,915	28,759	(1,410,686)	1,452,793	1,473,049
Cash Deposits	7,841	(2,970)			10,811
Net Investment Debtors	<u>2,295</u>	<u>344</u>			<u>1,951</u>
Net Investment Assets	<u>1,554,051</u>	<u>26,133</u>			<u>1,485,811</u>

Transaction costs are included in the cost of purchases and sale proceeds. These include costs charged directly to the Fund, such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £959k (2011/12 £885k). 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.

b) Analysis of Investments (excluding derivative contracts)

	2012/13 £000	2011/12 £000
Fixed Interest and Index Linked Securities		
UK Public Sector Quoted	<u>72,005</u>	<u>65,122</u>
Equities		
UK Quoted	314,260	367,865
Overseas Quoted	<u>308,005</u>	<u>293,783</u>
	<u>622,265</u>	<u>661,648</u>
Pooled Investments		
UK Equity	41,262	40,609
UK Property	66,982	23,768
UK Fixed Income	142,721	103,939
Overseas Equity	501,679	429,810
Overseas Fixed Income	<u>213,543</u>	<u>215,874</u>
	<u>966,187</u>	<u>814,000</u>
Diversified Growth Funds - UK	<u>160,308</u>	<u>0</u>
Private Equity - UK	<u>873</u>	<u>1,072</u>
Total Investments (excl Derivatives)	<u>1,821,638</u>	<u>1,541,842</u>

Analysis of Derivatives

Objectives and Policies for Holding Forward Foreign Currency Derivatives

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by the County Council. The Fund hedges a proportion (25%) of the US Dollar, Euro, Japanese Yen, Swiss Franc and Swedish Krona exposure.

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value £000	Currency Sold	Local Value £000	Asset / (Liability) Value £000
Up to one month	USD	(40,099)	GBP	38,449	(1,650)
Up to one month	EUR	(12,546)	GBP	12,500	(46)
Up to one month	JPY	(4,185)	GBP	4,240	55
Up to one month	SEK	(10,490)	GBP	10,034	(456)
Up to one month	CHF	(14,477)	GBP	14,117	(360)
One to three months	USD	(87,008)	GBP	86,274	(734)
One to three months	EUR	(26,564)	GBP	26,988	424
One to three months	JPY	(9,694)	GBP	9,597	(97)
Net Forward Currency Contracts at 31st March 2013					<u>(2,864)</u>
Prior Year Comparator					
Net Forward Currency Contracts at 31st March 2012					<u>2,073</u>

Investments Analysed by Fund Manager

Investment Manager	31st March 2013		31st March 2012	
	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	306,092	16.7	255,984	16.3
Baillie Gifford & Co. - LTGG	178,193	9.7	162,081	10.4
Fidelity International	372,221	20.3	351,036	22.4
Standard Life Investments - Equities	315,193	17.1	368,911	23.6
Standard Life Investments - DGF	80,308	4.4	0	0.0
ECM Asset Management	120,243	6.5	114,234	7.3
Amundi Asset Management	236,024	12.8	205,583	13.1
RC Brown Investment Management	2,709	0.1	2,370	0.2
Hermes Property Unit Trust	23,640	1.3	23,768	1.5
Legal & General	24,891	1.4	0	0.0
Threadneedle	18,654	1.0	0	0.0
M&G Investments	73,344	4.0	66,084	4.2
Newton Investments	80,000	4.3	0	0.0
Currency Hedging	(2,863)	(0.2)	2,928	0.2
Yorks and Humber Equity Fund	873	0.0	1,072	0.1
Internally Managed (cash and net debtors)	11,445	0.6	11,514	0.7
	<u>1,840,967</u>	<u>100.0</u>	<u>1,565,565</u>	<u>100.0</u>

The investments with Baillie Gifford, European Credit Management and Amundi each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

c) Stock Lending

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

16. Financial Instruments

a) Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table summarises the carrying amounts of financial assets and liabilities by category. During the accounting period the investment managed by ECM Asset Management Ltd was reclassified from Fixed Interest to Pooled Investments.

31st March 2012			31st March 2013		
Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000	Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000
Assets					
65,122	0	0	72,005	0	0
661,648	0	0	622,265	0	0
790,232	0	0	899,205	0	0
23,768	0	0	66,982	0	0
0	0	0	160,308	0	0
1,072	0	0	873	0	0
2,073	0	0	0	0	0
0	12,792	0	0	14,615	0
15,059	0	0	6,178	0	0
0	7,874	0	0	7,531	0
<u>1,558,974</u>	<u>20,666</u>	<u>0</u>	<u>1,827,816</u>	<u>22,146</u>	<u>0</u>
Liabilities					
0	0	0	2,864	0	0
12,763	0	0	3,857	0	0
0	0	1,312	0	0	2,274
<u>12,763</u>	<u>0</u>	<u>1,312</u>	<u>6,721</u>	<u>0</u>	<u>2,274</u>
<u>1,546,211</u>	<u>20,666</u>	<u>(1,312)</u>	<u>1,821,095</u>	<u>22,146</u>	<u>(2,274)</u>

b) Net Gains and Losses on Financial Instruments

	2012/13 £000	2011/12 £000
Fair Value through Profit and Loss	236,687	28,759
Loans and Receivables	<u>612</u>	<u>(2,626)</u>
	<u>237,299</u>	<u>26,133</u>

c) Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying value of the assets and liabilities by class of instrument compared with their fair values in the Accounts.

31st March 2012			31st March 2013	
Cost £000	Fair Value £000		Cost £000	Fair Value £000
Assets				
1,307,060	1,558,974	Fair Value through Profit and Loss	1,525,523	1,827,816
<u>20,259</u>	<u>20,666</u>	Loans and Receivables	<u>22,146</u>	<u>22,146</u>
<u>1,327,319</u>	<u>1,579,640</u>		<u>1,547,669</u>	<u>1,849,962</u>
Liabilities				
12,763	12,763	Fair Value through Profit and Loss	6,721	6,721
<u>1,312</u>	<u>1,312</u>	Liabilities at Amortised Cost	<u>2,274</u>	<u>2,274</u>
<u>14,075</u>	<u>14,075</u>		<u>8,995</u>	<u>8,995</u>

The County Council has not entered into any financial guarantees that are required to be accounted for as financial instruments.

d) Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect in the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The value of the investment in private equity is based on a valuation provided by the manager of the fund in which NYPF has invested. This valuation has been prepared in accordance with the British

Venture Capital Association guidelines. Formal valuations are undertaken annually as at the end of December.

The following table provides an analysis of the assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31st March 2013

	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Assets				
Fair Value through Profit and Loss	1,826,943	0	873	1,827,816
Loans and Receivables	22,146	0	0	22,146
	<u>1,849,089</u>	<u>0</u>	<u>873</u>	<u>1,849,962</u>
Liabilities				
Fair Value through Profit and Loss	6,721	0	0	6,721
Liabilities at Amortised Cost	2,274	0	0	2,274
	<u>8,995</u>	<u>0</u>	<u>0</u>	<u>8,995</u>
	<u>1,840,094</u>	<u>0</u>	<u>873</u>	<u>1,840,967</u>

Values at 31st March 2012

	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Assets				
Fair Value through Profit and Loss	1,557,902	0	1,072	1,558,974
Loans and Receivables	20,666	0	0	20,666
	<u>1,578,568</u>	<u>0</u>	<u>1,072</u>	<u>1,579,640</u>
Liabilities				
Fair Value through Profit and Loss	12,763	0	0	12,763
Liabilities at Amortised Cost	1,312	0	0	1,312
	<u>14,075</u>	<u>0</u>	<u>0</u>	<u>14,075</u>
	<u>1,564,493</u>	<u>0</u>	<u>1,072</u>	<u>1,565,565</u>

17. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The County Council manages these investment risks as part of its overall approach to Pension Fund risk.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. A Risk Register has been established to identify and analyse the risks faced by the County Council's pensions operations. This document is periodically reviewed regularly to reflect changes in activity and in market conditions.

a) Market Risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Register includes identifying, managing and controlling market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the PFC and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:-

- the exposure of the Fund to market risk is monitored through advice from the investment advisers to ensure that risk remains within tolerable levels; and
- specific risk exposure is limited by applying risk weighted maximum exposures to individual investments through Investment Management Agreements.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund's investment strategy.

Following analysis of historical data and expected investment return movement during the financial year, the following table shows movements in market price risk that are reasonably possible for the 2013/14 reporting period, assuming other variables such as foreign currency rates and interest rates remain unchanged. The changes disclosed are broadly consistent with a one standard deviation movement in the value of assets. A prior year comparator is also shown below.

Asset Type	Value as at 31st March 2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	8,427	0	8,427	8,427
UK Bonds	72,005	5.5	75,965	68,045
UK Equities	314,260	13.0	355,114	273,406
Overseas Equities	308,005	12.1	345,274	270,736
UK Pooled Equity	41,262	13.0	46,626	35,898
Overseas Pooled Equity	501,679	12.1	562,382	440,976
UK Pooled Bonds	142,721	5.5	150,571	134,871
Overseas Pooled Bonds	213,543	5.5	225,288	201,798
Pooled Property Investments	66,982	1.8	68,188	65,776
Diversified Growth Funds	160,308	9.3	175,217	145,399
Private Equity	873	13.0	986	760
Derivatives	(2,863)	0	(2,863)	(2,863)
Non Investment Debtors / Creditors	2,321	0	2,321	2,321
Total Assets	<u>1,829,523</u>		<u>2,013,496</u>	<u>1,645,550</u>

Asset Type	Value as at 31st March 2012 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	7,841	0.1	7,849	7,833
UK Bonds	65,122	5.6	68,769	61,475
UK Equities	367,865	14.6	421,573	314,157
Overseas Equities	293,783	17.0	343,726	243,840
UK Pooled Equity	40,609	14.6	46,538	34,680
Overseas Pooled Equity	429,810	17.0	502,878	356,742
UK Pooled Bonds	103,939	5.6	109,760	98,118
Overseas Pooled Bonds	215,874	11.4	240,484	191,264
Pooled Property Investments	23,768	8.0	25,669	21,867
Diversified Growth Funds	0	9.3	0	0
Private Equity	1,072	14.6	1,229	915
Derivatives	2,073	0	2,073	2,073
Non Investment Debtors / Creditors	2,295	0	2,295	2,295
Total Assets	<u>1,554,051</u>		<u>1,772,843</u>	<u>1,335,259</u>

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Fund and its investment advisers through the risk management strategy including monitoring the exposure to interest rates and assessment of actual interest rates against the strategic benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2013 and 31st March 2012 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2012/13 £000	2011/12 £000
Cash and Cash Equivalents	8,427	7,841
Fixed Interest Securities	72,005	65,122
	<u>80,432</u>	<u>72,963</u>

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. No figures are available for a predicted movement in the long term average rate. However for illustrative purposes if it were to change by +/- 25bps the values in the table above would change by £201k and for 2011/12 asset values, £182k.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is monitored in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

After receiving advice it is considered that the volatility associated with foreign exchange movements to be +/- 5.5%. A fluctuation of this size is considered reasonable based on the analysis of long term historical movements in the month end exchange rates.

Assuming all other variables, in particular, interest rates remain constant, a 5.5% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:-

Asset Type	Value as at 31st March 2013 £000	Value on 5.5% Increase £000	Value on 5.5% Decrease £000
Overseas Equities	809,684	854,217	765,151
Overseas Bonds	213,543	225,288	201,798
Total Assets	<u>1,023,227</u>	<u>1,079,505</u>	<u>966,949</u>

Asset Type	Value as at 31st March 2012 £000	Value on 5.5% Increase £000	Value on 5.5% Decrease £000
Overseas Equities	723,593	763,391	683,795
Overseas Bonds	215,874	227,747	204,001
Total Assets	<u>939,467</u>	<u>991,138</u>	<u>887,796</u>

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over the counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by recognised rating agencies.

Deposits are not made with banks and financial institutions unless they are rated independently and meet NYCC's credit criteria. The County Council has also set limits as to the maximum amount of deposits placed with any one financial institution. Money market funds chosen all have at least the minimum credit rating as described in The County Council's Treasury Management Strategy.

The County Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with the County Council at 31st March 2013 was £6.2m (31st March 2012, £5.1m) and was held with the following institutions:

	31st March 2013 £000	31st March 2012 £000
Cash and Cash Equivalents		
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	477	467
Institutions with Fitch Rating Long Term A and Short Term F1	1,434	511
Deposits with Banks and Financial Institutions for less than 1 year		
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	3,338	2,923
Institutions with Fitch Rating Long Term AA- and Short Term F1+	318	0
Institutions with Fitch Rating Long Term A+ and Short Term F1	636	452
Institutions with Fitch Rating Long Term A and Short Term F1	0	753
	<u>6,203</u>	<u>5,106</u>

c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings, subject to the fixed periods determined when deposits are placed. These deposits are scheduled to ensure cash is available when required.

The Fund also has access to an overdraft facility for short term (up to three months) cash needs. This facility is only used to address changes in the strategic benchmark and is met by either surplus cash from contributions received exceeding pensions paid or if necessary, disinvesting.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2013 the value of illiquid assets was £873k, which represented less than 0.1% of total Fund assets (31st March 2012, £1,072k, which represented less than 0.1% of total Fund assets).

All liabilities at 31st March 2013 are due within one year.

The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008 the Fund's Actuary, Mercer, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31st March 2010 and set employer contribution rates for the three years from 2011/12. The next Valuation will take place as at 31st March 2013, is currently underway, and will set employer contribution rates for the three years from 2014/15.

The key elements of NYPF's funding policy are:-

- to ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The Common Rate of employers' contributions is the average rate required from all employers calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For the three years 2011/12 to 2013/14 the Common Rate is 12.2% of pensionable pay.

The Common Rate was adjusted to establish a Future Service Rate (FSR) for each employer, having regard to their individual circumstances, particularly to reflect the numbers of starters/leavers/early retirements since the last Valuation date.

At the 2010 Triennial Valuation the Fund was assessed as 67% funded (67% at the 2007 Valuation). This reflected a deficit of £659m (£619m at the 2007 Valuation). 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 30 years from 1st April 2011. Therefore, an average additional contribution rate of 6.4% (over 30 years) was required to fund the deficit, implying an average employer contribution rate of 18.6% (12.2% + 6.4%) of pensionable pay, compared to 18.8% at the 2007 Valuation.

An additional Deficit Contribution Rate (DCR) was established for each employer depending upon their individual circumstances, particularly to reflect the solvency position at the last Valuation.

Any increases in either the FSR or DCR arising from the 2010 Triennial Valuation are phased over a period of up to three years. Full details of the contribution rates payable by each employer can be found in the 2010 Valuation Report on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

	For Future Service liabilities	
Investment Return	6.75%	per annum
RPI Price Inflation	3.60%	per annum
Salary Increases	4.55%	per annum
Pensions Increases	2.80%	per annum

Future life expectancy based on the Actuary's Fund specific mortality review was:

	Male	Female
Current Pensioners	22.6 years	22.2 years
Future Pensioners (assumed current age 45)	24.4 years	23.6 years

Life expectancy for the year to 31st March 2013 is based on SPA02 and CMI2009 actuarial tables and includes an allowance for a minimum improvement each year of 1%.

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 and for post-April 2008 service.

19. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS 19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an Appendix.

20. Current Assets

	2012/13 £000	2011/12 £000
Debtors		
Investment Debtors		
Investment Transactions	3,533	12,110
Accrued Dividends	1,785	2,301
Withholding Taxes Recoverable	860	648
	<u>6,178</u>	<u>15,059</u>
Other Debtors		
Contributions due from Scheduled (Government) Bodies	7,190	7,449
Contributions due from Admitted Bodies	249	233
Pensions Rechargeable	25	23
Interest on Deposits	0	4
Other	67	165
	<u>7,531</u>	<u>7,874</u>
Total Debtors	<u>13,709</u>	<u>22,933</u>

21. Current Liabilities

	2012/13 £000	2011/12 £000
Creditors		
Investment Creditors	6,721	12,764
Sundry Other Creditors	<u>2,273</u>	<u>1,312</u>
	<u>8,994</u>	<u>14,076</u>

All creditors are non government entities.

22. Additional Voluntary Contributions (AVCs)

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.

AVC contributions of £2,226k were paid directly to Prudential during the year (£2,352k in 2011/12). The total value of the AVC Fund serviced by these contributions as at 31st March was:

	2012/13 £000	2011/12 £000
Prudential	<u>17,309</u>	<u>17,629</u>

23. Related Party Transactions

North Yorkshire County Council

The North Yorkshire Pension Fund is administered by North Yorkshire County Council. Consequently there is a strong relationship between the County Council and the Fund.

The County Council incurred costs of £1,064k (£1,103k in 2011/12) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The County Council is also the single largest employer of members of the Fund and contributed £44.9m to the Fund in 2012/13 (£44.3m in 2011/12). All monies owing to and due from the Fund were paid in the year.

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the County Council, through a service level agreement. During the year to 31st March 2013 the Fund had an average investment balance of -£2.2m (£5.2m during 2011/12) paying interest of £26k (£65k earned in 2011/12) on these funds.

Governance

As at 31st March 2013 there were five Pension Fund Committee Members who were also active members of the Fund, each of whom was required to declare their interests at each meeting. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was also an active member. Benefits for PFC Members and the Treasurer were accrued on exactly the same basis as for all other members of the Fund.

24. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year end (nil in 2011/12).

25. Contingent Assets

Five admitted body employers hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of an employer default.

26. Impairment Losses

The Fund had no material impairment losses at the year end (nil in 2011/12).

Annual Governance Statement

2012/13

Updated May 2013

Contents

Section

1. Scope of Responsibility
2. The Purpose of the Governance Framework
3. The Governance Framework
4. Role of the Chief Financial Officer
5. Review of Effectiveness
6. Activities of the Audit Committee
7. Significant Governance Issues
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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 approved by the Audit Committee in June 2012 and adopted by the County Council in October 2012. 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 – Strategic Resources (telephone 01609 533304 or email gary.fielding@northyorks.gov.uk . The Code will be reviewed by the Audit Committee in June 2013 to ensure it is compatible with any developments identified in this **Annual Governance Statement** for 2012/13.
- 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 full 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 solely to the governance arrangements of the NYPF – these are **NOT** referred to further in this Statement as they relate only 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, described in this Statement, has been in place within the County Council for the year ended 31 March 2013 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts (in June 2013).

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) identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
 - (b) reviewing the authority's vision and its implications for the authority's governance arrangements
 - (c) translating the vision into objectives for the authority and its partnerships
 - (d) measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and they represent the best use of resources and value for money
 - (e) defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication for the authority and partnership arrangements
 - (f) developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- (g) reviewing the effectiveness of the authority's decision making framework including delegation arrangements, decision making in partnerships and robustness of data quality
- (h) reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
- (i) ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- (j) ensuring effective management of change and transformation
- (k) ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2010)*
- (l) ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Head of Internal Audit (2010)*
- (m) ensuring effective arrangements are in place for the discharge of the monitoring officer function
- (n) ensuring effective arrangements are in place for the discharge of the head of paid service function
- (o) undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities*
- (p) ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- (q) maintaining appropriate arrangements for whistle blowing and for receiving and investigating complaints from the public
- (r) identifying the development needs of members and senior staff in relation to their strategic roles, supported by appropriate training
- (s) establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- (t) enhancing the accountability for service delivery and effectiveness of other public service providers
- (u) incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

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

(a) identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- the **Council Plan** sets out the vision, long term objectives and values of the County Council. It is the overarching policy statement through 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 development of the Medium Term Financial Strategy. The 2012/15 Council Plan identified the priorities for improvement and was linked to the **North Yorkshire Community Plan 2011/14**. An updated Council Plan for 2013/16 was 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 Strategy that covers the period 2011/14 was approved by the County Council in February 2011 – it also incorporated the annual Revenue Budget for 2011/12. This 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 forward 2011/14 period.
Equivalent documents for the period 2012/15 and the year 2012/13 were approved by the County Council in February 2012
- **paragraph 3.2(s)** provides details of how the County Council communicates with the community, other stakeholders and its staff

(b) reviewing the authority's vision and its implications for the authority's governance arrangements

- as indicated in **paragraph 3.2 (a) above**, the key corporate strategy documents (i.e. the **Council Plan, Medium Term Financial Strategy and Revenue Budget**), are reviewed and updated annually
- the Terms of Reference of the Audit Committee require it to maintain an ongoing assessment of the adequacy and effectiveness of the internal control environment within the County Council. The published Work Programme for the **Audit Committee** includes provision to review the impact of changes to service delivery and / or management processes on the governance arrangements of the County Council
- the **Members' Constitution Working Group** supported and advised by the **Monitoring Officer** review all aspects of the Constitution on an annual basis. The 2012 review was reported to the Executive on 26 April 2012

(c) translating the vision into objectives for the authority and its partnerships

- based on the Council Plan and annual Budget / MTFS process, each Service Unit in each Directorate prepares a Service Performance Plan

which sets out its detailed objectives, performance targets, available resources and risk assessment.

- **Partnership arrangements** – as part of the annual report made to the Executive and Audit Committee on the governance arrangements and work of partnerships, each partnership is required to summarise its achievements in the year and priorities for the next year.

(d) measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money

- 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**, developed since the Comprehensive Performance Assessment (CPA) in 2002, continues to be refined. There is quarterly reporting of key performance indicators to Management Board and a joint meeting of Executive and the Scrutiny Committee Chairs. Risks to the achievement of key objectives are highlighted via a quarterly 'traffic lights' report to enable Management Board / Executive to take action to manage those risks. Changes are being made to provide a more integrated monitoring report on key areas of operational activity and to report on the financial, HR, performance and customer related issues. This revised approach should provide a more holistic account of performance and value for money which, in turn, will assist in decision making. This is supplemented by more frequent reporting and monitoring processes within Directorates
- **comprehensive budgeting systems** are applied consistently across all Directorates
- Priority has been given to frontline services in determining the savings programme for 2011/12 to 2014/15. The One Council Programme has been instrumental in maintaining a focus on simplifying, standardising and sharing across the Council so that back office costs are kept to a minimum. This builds upon a protracted period of delivery savings through Gershon targets.
- in the past benchmarking statistics have shown an overall level of high performance and value for money for the County Council. The abolition of much of the national indicator set has made this increasingly difficult. Ofsted benchmarking data continues to show the County Council in a positive light but in other areas greater reliance is made on "softer" networking in order to identify areas of best practise across the country. An increased focus on team performance is also providing key management information to assess the productivity of staff and teams and ultimately services with a view to driving improvements in performance. This approach is to be incorporated into the quarterly

monitoring reports provided to the Executive and will help to shape budget thinking.

- the Once Council Change Programme is both a cultural and financial programme which seeks to simplify, standardise and share resources across the council so that back office costs can be reduced and the frontline prioritised. 9 workstreams were picked out for particular attention and a cashable saving of £7.644m was targeted for the One Council Programme by 31 March 2015. In 2012/13 £1.8m was delivered from the One Council Programme ahead of schedule. The Programme is on track to deliver the savings target and many of the workstreams are now in implementation stage. The values of protecting the frontline; sharper focus on performance; and putting the customer at the heart of our ways of working will continue to be values which shape inevitable change as the council faces further financial challenges.
 - an **Asset Management Strategy** has been in place since 2006. In addition to the redefinition of key corporate processes (e.g. 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 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 Corporate Asset Register system has been upgraded and has shared access for County Council and Jacobs' UK staff. The Executive also receives an **Annual Property Performance report** that details the progress made on key indicators relating to property and asset management
 - the County 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 reports on key service performance indicators plus corporate issues such as personnel, finance and commendations / complaints are considered by 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
- (e) **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respective of the authority and partnership arrangements**

- **Corporate Governance** (C-Gov) framework 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. In addition, 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. The Local Code is reviewed annually alongside the preparation of this Statement
- 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
- 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 record of key internal control weaknesses identified within the internal control environment is prepared which inputs to this Annual Governance Statement.
- 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 (see **paragraph 3.2(b)** for further details)
- 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 is elected by the Council at its annual meeting every four years in the election year, and s/he appoints the Executive Members, and determines their portfolios. The Executive set the Executive delegation scheme. The full Council is responsible for setting the budget and policy framework of the County Council

- the **Executive** is legally responsible for developing and making proposals to the Council for the budget and the policy framework and taking the decisions to implement them once they are agreed. If the executive wishes to make a decision this must be referred to the Council as a whole to decide. They are also responsible for all other functions not falling within the responsibility of the Council or any other committee. 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 at officer level, providing advice to Members, for co-ordinating the use of resources and the work of the Directorates. The 'Role of Management Board' is set out formally within the Constitution. 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
- **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 paragraphs 3.2 (f) and (g) below**). A Protocol on Member / Officer relations, is part of the Constitution and, amongst other documents, governs the relationships between Officers and Members of the Council.
- 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**
- **Partnership Arrangements** the County Council's Constitution and Finance Procedure Rules contain a number of important steps to be considered before the County Council gets involved in a partnership, including the need for approval by the Executive or under the terms of the Delegation Schemes, of appropriate written governance arrangements and interaction with the County Council's decision making arrangements commensurate with the role of the partnership, the part played in it by the County Council, and the risks attached to that involvement. An annual report is made to the Executive and Audit Committee on the governance arrangements and work of partnerships.

(f) developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- 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 monitors the operation of the Code of Conduct. The Committee has in place procedures for the assessment, investigation and determination of complaints against Members (involving Independent Persons) and a procedure for granting dispensations.
- Staff operate to a corporate behaviour and skills framework which is used to develop staff skills and monitor performance. A Manager's Pocket Book has been introduced in April 2013 outlining key behaviours of all managers in NYCC.
- 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
- **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

(g) reviewing the effectiveness of the authority's decision making framework including delegation arrangements, decision making in partnerships and robustness of data quality

- as explained in **paragraph 3.2(d) above**, 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 (see **paragraph 3.2(b)** for further details)
- as indicated above, 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 business affairs. These rules are applied and monitored by the Corporate Director – Strategic Resources 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

- **independent monitoring** of all the above by the Monitoring Officer, Section 151 Officer and Head of Internal Audit on a regular basis
- **Partnership Arrangements** – the County Council’s Constitution and Finance Procedure Rules contain a number of important steps to be considered before the County Council gets involved in a partnership, including the need for approval by the Executive or under the terms of the Delegation Schemes, of appropriate written governance arrangements and interaction with the County Council’s decision making arrangements commensurate with the role of the partnership, the part played in it by the County Council, and the risks attached to that involvement. An annual report is made to the Executive and Audit Committee on the governance arrangements and work of partnerships.
- ***GF to add some words relating to the data quality self assessment that was done?***

(h) reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

- 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 reviewed in 2012/13. Implementation of the Action Plan is overseen by the Corporate Risk Management Group chaired by the Corporate Director – Strategic Resources. Risk Registers are developed and maintained at Corporate, Directorate and Service Unit levels. The generic risk assessment methodology is also applied to specific key projects or areas of policy development (e.g. Bedale and Leeming Bypass). The **risk prioritisation process** is designed to identify key risks that are a threat to the achievement of objectives, evaluate risk controls and ensure risk reductions are embedded within Service Performance Plans
- Internal Audit (Veritau) review the effectiveness of the framework for identifying and managing risks on a regular basis. Any weaknesses identified are recorded in the Action Plan and progress to rectify those weaknesses is monitored by the Corporate Risk Management Group as well as Internal Audit.
- Progress reports on risk management are made on a 6 monthly basis to Audit Committee. Their role is to assess the effectiveness of the authority’s risk management arrangements and to review progress on the implementation of risk management throughout the authority.
- Clear accountability is shown in both the Corporate Risk Management Policy and Strategy and as part of the risk register process.

(i) Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

- the County Council has approved and implemented a formal **Counter Fraud Strategy** which is reviewed annually by the Audit Committee. The Strategy is designed to minimise the risk of fraud and corruption by adopting and maintaining measures which prevent fraud occurring, that ensure instances of fraud which do occur are detected promptly and enable the robust action to be taken against any perpetrators.
- The **Counter Fraud Strategy** is aligned with a number of other policies and processes which the County Council has established to raise awareness of fraud risks and enable Members, employees, contractors and others to report concerns. These include fraud awareness training and publicity, the **Whistleblowing Policy** and associated systems, and the **Anti-Money Laundering Policy**.
- The risks of fraud and corruption are kept under constant review. A formal **Fraud and Loss Risk Assessment** is also completed each year by Internal Audit and the results are report to the Audit Committee. Preventative measures are taken to address any new or emerging risks.
- Where instances of fraud are detected, Internal Audit (Veritau) will work closely with management and other agencies to ensure that the allegations are fully investigated, the extent of any losses is quantified, evidence is properly collected for further action (including possible criminal or disciplinary action), losses are recovered where possible and appropriate measures are taken to prevent any further occurrences.

(j) ensuring effective management of change and transformation

- a significant degree of change is as a result of budget savings and this is monitored on an on-going basis as part of the Revenue Budget monitoring exercise as reported in the Quarterly Report to the Executive.
- significant areas of change will require Executive approval and will often involve updates being brought back to a future Executive meeting. One such example is the One Council Change Programme where the Executive authorised its implementation and receive both formal and informal update.
- significant change projects are managed by a Programme Board with appropriate governance arrangements. For example, the One Council Change Programme has the Budget Review Group as its Programme Board which contains the Chief Executive, Corporate Director Strategic Resources, Assistant Chief Executive Business Support and is supported by appropriate officers. The task of this Board, and others, is to ensure that benefits are realised and that progress is on track and, where not, that corrective actions are taken. Similar governance arrangements can be found throughout all Service Directorates where there are significant change or capital programme.

- There are also development interventions which are available for teams to utilise to support the embedding of new team structures, new ways of working and processes. These development interventions will also improve and support staff resilience in times of change, thus reducing health and wellbeing problems associated with significant change.
- a range of project and change managers specialist resource can be drawn upon where required. Guidance and training is available and provided across the council on project and change management where required.
- managing change is a key component in all of the staff development programme and particularly for management. The revised middle manager development programme has taken the opportunity to review material and bring together key support resources to assist.
- managers across the council are expected to embrace innovation and display the correct behaviours delivering change. This is set out in the behaviour and skills framework which is a fundamental part of the appraisal process.

(k) ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

- The **statutory duties of the Corporate Director – Strategic Resources** 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 – Strategic Resources(CD-SR) drafts a **Medium Term Financial Strategy** and presents it (as least) annually to the Executive and the Council; linked to this Strategy are the detailed **Revenue Budget, Savings Plan, Capital Plan, Treasury Management** arrangements and **Prudential Indicators**

The CD-SR 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-SR 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 – this responsibility is defined in the Financial Procedure Rules.

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 Team of the Service Directorate and Strategic Resources.

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 revenue and capital budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The CD-SR is responsible for submitting a quarterly report to Executive on the overall Revenue Budget / Capital Plan position; this report is part of the Quarterly Performance and Improvement reporting arrangements referred to in **paragraph 3.2(c) above**

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

- the CD-SR 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 2012/13 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-SR 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-SR. It is also endorsed by the Audit Committee; progress against this Plan is reported quarterly to the CD-SR 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 and effectiveness of the internal control environment for the County Council as a whole.

*see note in **paragraph 3.2(i)** below. The Head of Internal Audit is the CEO of Veritau

(l) ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Head of Internal Audit (2010)*

The Head of Internal Audit is responsible for reviewing and reporting on the adequacy and effectiveness of the County Council's control environment. The objective is to provide independent and objective assurance to management and those charged with governance, including the Corporate Director – Strategic Resources and the Audit Committee. Where weaknesses in control are identified then Internal Audit will support management to make the necessary improvements. The Financial Procedure Rules provide the overall framework for internal audit activities within the County Council, and define the respective roles and responsibilities of management and the Head of Internal Audit as well as confirming internal audit's rights of access to premises, information, records and other documentation. The specific objectives, scope and approach to internal audit are set out in the Audit Terms of Reference which are reviewed annually and subject to approval by the Audit Committee.

The CIPFA Statement on the Role of the Head of Internal Audit contains five principles which set out the governance arrangements necessary to ensure that the Head of Internal Audit is able to operate effectively and perform his/her core duties. The County Council's arrangements for internal audit have been assessed against the five principles and are considered to be compliant.

(m) ensuring effective arrangements are in place for the discharge of the monitoring officer function

CD to complete

(n) ensuring effective arrangements are in place for the discharge of the head of paid service function

CD to complete

(o) undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

- a separate Audit Committee has been in operation since April 2006. (**See Section 6 below**). A key 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.

(p) ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- 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 Localism Act 2011 relating to the promotion of high 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 Corporate Director – Strategic Resources is the Chief Financial Officer for the purposes of S.151 of the Local Government Act 1972 (see **paragraph 3.7(g)** for further details)
- the requirements of the **Data Protection** and **Freedom of Information** legislation are co-ordinated by an Information Governance Team (part of Veritau) which, working in conjunction with the Records Management Officer, assist the Corporate Director – Strategic Resources in developing and implementing a comprehensive Information Governance Framework
- The County Council operates an **Information Security Management System** which is certified to 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 Senior Information Security Compliance Officer working in conjunction with the Information Governance Team. Compliance was re-certified during 2011/12, with further audits by BSI (British Standards Institute) every six months.
- In addition, the County Council now operates an **Information Technology Service Management System** which was awarded certification to ISO/IEC 20000 in February 2013. ISO 20000 provides quality assurance to the processes, policies and procedures operated in the delivery of ICT Services to the council and is the only standard specifically aligned to Information Technology service delivery and service management. By achieving and maintaining certification of both standards this serves to deliver services which are compliant, quality assured, and provide continual improvement.

- ICT Services in North Yorkshire County Council are amongst only five other local authorities who have achieved certification to both these internal standards. Achieving certification to these standards demonstrates the County Councils continued commitment to protect the data we hold and provide secure IT systems to our staff, partners and citizens.
- The council is also amongst the first local authorities to be certified to the **Public Sector Network (PSN)** Code of Connect version 2.7. The certifications have enabled the Council, for example, to be certified for connection to secure video conferencing with the Criminal Justice System. The certification also enabled our connection to the NHS.net. The standards allow us to use both the British Standards Institute kite mark and the United Kingdom Accreditation Service assurance mark.
- 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
- the County Council approved a revised **Equality and Diversity Policy Statement** in February 2012 . The County Council has also published equality information and objectives as required by the Equalities Act 2010
- There is a comprehensive annual plan for Employment Policies to ensure that all policies and practices adhere to all relevant legislation. All policy updates go through a full consultation with Unions recognised by the County Council.
- **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/her overall opinion for the County Council as a whole. During 2012/13, the Audit Plan included audits on a number of corporate themes (e.g. complaints handling and information governance), such audits are key to providing the appropriate assurance to the County Council that its overall governance arrangements remain effective.

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.

(q) whistle blowing and for receiving and investigating complaints from the public

- the County Council has approved and implemented a formal **Whistleblowing Policy** which is reviewed annually by the Audit Committee
- 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.

(r) identifying the development needs of members and senior staff in relation to their strategic roles, supported by appropriate training

- 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. There is also a specific induction programme for any newly elected Member(s) and comprehensive induction following the election.
- the corporate **Workforce Plan** is supported by Directorate specific Workforce Development Plans which identify all developments and training requirements (including mandatory and regulatory) as well as individual needs, resulting from annual appraisals. The Plans detail how the needs of staff will be met and are reviewed, evaluated, and amended as necessary.

(s) establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- **Elected members** have a significant role to play in ensuring compliance and propriety, either collectively (e.g. through the work of the Overview and Scrutiny Committees), and individually as local representatives, providing feedback from their constituents
- 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 County 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 North Yorkshire Community Plan 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 twice a year

- consultation toolkit that provides advice to all staff about how to consult effectively
- an engagement promise setting out in simple terms how everyone who lives or works in the county, or uses the County Council's services can influence decisions relating thereto
- maintaining a County Council website that provides access to information, delivers services and opportunities for public engagement, including delivery of information required by the transparency agenda
- developing social media to inform and engage with residents on development of services, provision of information, responding to concerns and issues, etc.
- publication of an e-newsletter, available by subscription or through the council website, covering news and information about the County Council and its services; there are currently over 4000 subscribers
- a partnership with 6 local newspapers to provide a monthly round-up of news and information specific for the local area, for local readers
- communicating and engaging with staff across the County Council, through a number of different internal communications channels

(t) enhancing the accountability for service delivery and effectiveness of other public service providers

- the County Council and the other eight local authorities in North Yorkshire Police Force area have established the North Yorkshire Police and Crime Panel as a joint committee to scrutinise the new directly elected Police and Crime Commissioner as required by the Police Reform and Social Responsibilities Act 2011. The Panel arrangements were approved by the nine local authorities in May 2012 and the Panel undertook preparation work to enable it to take on its full role promptly when the Commissioner was elected in November 2012. The Panel is hosted by the County Council and has developed an initial work programme.
- The County Council has been undertaking an intensive work programme to prepare for its new duties under the Health and Social Care Act 2012 including the creation of the Health and Wellbeing Board in shadow format and procurement leading towards the establishment of the Local Healthwatch service, prior to both of them taking on their full roles in April 2013

(u) incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- the County Council's Constitution and Finance Procedure Rules contain a number of important steps to be considered before the County Council gets involved in a partnership, including the need for approval by the

Executive or under the terms of the Delegation Schemes, of appropriate written governance arrangements and interaction with the County Council's decision making arrangements commensurate with the role of the partnership, the part played in it by the County Council, and the risks attached to that involvement. An annual report is made to the Executive and Audit Committee on the governance arrangements and work of partnerships was introduced in 2010/11, and has been refined through 2012/13.

- where the County Council is a substantial **equity holder in a company** (i.e. 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. These will be based on the Local Code but also take into account the operational circumstances of the company. A requirement to report on the Business Plans and financial performance of these companies was introduced in 2011/12. It will report to both the Executive and Audit Committee

4.0 **ROLE OF THE CHIEF FINANCIAL OFFICER**

- 4.1 In the County Council the Corporate Director – Strategic Resources fulfils the role of the CFO as defined in the CIPFA Statement referred to in **paragraph 1.5** above.
- 4.2 A full assessment of the criteria in the CIPFA Statement was undertaken for the 2009/10 AGS. This area is picked up as part of the annual review of the Corporate Governance Checklist and the Corporate Director Strategic Resources is of the opinion that the County Council fully complies with the Statement.

5.0 **REVIEW OF EFFECTIVENESS**

- 5.1 The County Council has responsibility for formally conducting, at least annually, a review of the effectiveness of its governance framework including 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 the effectiveness relating to the development and maintenance of the governance 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, all of the Corporate Directors have prepared and signed individual **Statements of Assurance** for 2012/13 relating to the governance and internal control procedures, and the review thereof, in their service areas. In addition 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 governance and internal control systems is also informed by the work of Veritau who have responsibility for providing assurance on the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.5 The Audit Committee undertakes an annual review of the effectiveness of internal audit. (**See Section 6.2 below.**)

6.0 **ACTIVITIES OF THE AUDIT COMMITTEE**

- 6.1 During 2012/13 the Audit Committee met six times and -
- ➔ approved the Internal Audit work plan
 - ➔ considered the annual fraud and risk loss assessment
 - ➔ considered the work done by Veritau* throughout the year. Where necessary, confirmation was requested from Corporate Directors that improvements in control were being made in line with agreed action plans
 - ➔ considered the governance arrangements of the County Council's significant partnerships
 - ➔ ensured that the ongoing work in relation to improvement issues on Corporate Governance, Information Governance, Service Continuity 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 changes to the County Council's counter fraud policy framework
 - ➔ considered the Annual Report of 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 review of the effectiveness of the County Council’s internal audit arrangements as required by the Accounts and Audit Regulations 2011
- ➔ reviewed the Corporate Governance self assessment checklist and approved changes to the County Council’s Local Code of Governance
- ➔ monitored 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

6.3 All this work has been used in supporting the preparation of the County Council’s (i.e. this) Annual Governance Statement for 2012/13.

7.0 SIGNIFICANT GOVERNANCE ISSUES

7.1 The governance and internal control arrangements 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 governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2012/13. **There were, however, some areas identified which require attention to address weaknesses and ensure continuous improvement of governance and internal control arrangements; 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 governance and internal control arrangements.** Having regard to the published guidance on the governance framework, these are disclosed in the Table below.

7.3 As part of preparing the Table below, a review was undertaken of the issues identified in the equivalent Table in the 2011/12 Annual Governance Statement. Some of these issues were not fully resolved in 2012/13, but all of these “incomplete” issues have reappeared in the Statements of Assurance for 2021/13 prepared by Corporate Directors. Therefore, the items included in the Table below represent a complete list of “issues requiring attention” in 2013/14

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
A1	<p>Economic Development</p> <p>Further support to the YNYERLEP through</p> <ul style="list-style-type: none"> • Acting as Accountable Body • Provide support to the YNYERLEP to develop a long term strategy for growth as part of competing for a single pot 	<ul style="list-style-type: none"> (a) Utilise existing funding to best meet YNYERLEP priorities ensuring compliance with Accountable Body requirements (b) Produce the strategy for growth within set timescales focussed on business growth, infrastructure for growth and skills (c) Identify a robust governance model that meets

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
	<p>and against which future EU Funds will be allocated taking account of the withdrawal of City of York Council from the YNYERLEP</p> <p>Support the YNYERLEP in developing governance to meet new future arrangements with regard to devolved funding and powers</p>	<p>future arrangements through sound decision making, practical and demonstrable collaboration and clear priorities including a prioritised investment plan</p>
<p>A2</p>	<p>Waste management procurement and performance</p> <p>Continue to deliver the Waste Strategy for the County including</p> <ul style="list-style-type: none"> • Considering the position in the light of the withdrawal of Government funding • Progressing the Allerton Waste Recovery Park (AWRP) project to a conclusion • Leading the YNY Waste Partnership in delivering updated Strategy for minimisation, reuse, recycling and disposal 	<ul style="list-style-type: none"> (a) Review of funding and Unitary Charge protocol to ensure project is value for money and affordable (b) Continue to identify opportunities to improve recycling performance and improved efficiencies in collection and disposal methods (c) Continue to progress the development of infrastructure outside the AWRP project (d) Continue to work with Yorwaste to develop and deliver a strategy for effective management of waste disposal across North Yorkshire.
<p>A3</p>	<p>Contract Management</p> <p>Improvements are sought in managing the Highways Maintenance Contract 2012 through implementation of agreed action plans. This particularly relates to ICT and Finance problems encountered in the first year of the contract (2012/13).</p> <p>Contract management health reports will be introduced for larger contracts / where they add value to ensure effective use of resources and delivery of services. Over 70% of BES expenditure is currently delivered through third party contracts.</p>	<ul style="list-style-type: none"> (a) Implement agreed action plans to resolve ICT and Finance problems associated with the HMC 2012, using a collaborative approach with other local authorities where beneficial. (b) Complete first annual review of the HMC 2012 contract and implement required actions / rectification action plans. (c) Roll out use of a scorecard mechanism to monitor contract management health across BES, starting with large contracts.
<p>A4</p>	<p>Market forces lead to increases in the price of care that cannot be</p>	<p>The Directorate continues to undertake negotiations and dialogue with the independent sector through the</p>

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
	<p>contained within budgets, or threaten market disruption, and service continuity</p>	<p>Market Development Board. This is a forum comprising representatives from the independent sector, voluntary sector, health and NYCC. In the context of personalisation and transformational programme there is and will continue to be significant sharing of information to understand the market pressures within the County and take appropriate action as required. In addition there has been work with the independent sector to ensure business and service continuity. This should be viewed within the context of a national situation of increasing judicial challenge to those fees paid by Local Authorities. During 2012-13 NYCC received a challenge by Judicial review in relation to the Residential and Nursing Home Fees. A consent order has been agreed and proceeding stayed pending work on costs model. This work and discussions are on-going.</p> <p>The Directorate is also working with the market to provide more creative solutions and services rather than relying on the traditional approaches to meeting people's support requirements. During 2013-14 the Directorate will be developing a preventative services strategy to ensure citizens of North Yorkshire are aware of the universal services which are on offer and support them to live healthy and more independently.</p>
<p>A5</p>	<p>Implementation Change and the Improvement Agenda</p>	<p>The Directorate has an ambitious efficiency and transformational programme which seeks to make cost savings by improving service outcomes as well as disinvesting in traditional forms of service delivery. There has been investment in low level prevention services and supporting people at home through the use of preventative technology such as telecare. The priority is also to reduce reliance on residential care and support more people within their home as well as increase the range of supported accommodation through an Extra Care.</p> <p>In addition the Directorate continues to transform its in house personal care service to provide a reablement service. For the majority of clients requiring support from the Directorate it is intended that this service will be the initial service offer undertaking an assessment to determine the individual life skills and developing a plan to improve these and level of independence.</p> <p>The challenge will be to continue with this approach as resources continue to be squeezed and expectations from the public heighten. There may be additional service pressures arising from the Welfare Reforms.</p>

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
		<p>The Directorate will also need to preparation arrangements for the changes arising from the Social Care and Support White Paper in 2015 which extend the remit of the Directorate to a large number of clients previously not assessed by the Directorate (self funders), a statutory responsibility to provide services to carers, the introduction of national eligibility guideline for access to care and new financial limits on the total cost people can be expected to pay for care.</p>
A6	<p>Health challenges</p>	<p>The Directorate will need to establish new financial and operational working arrangements arising from the dissolution of North Yorkshire and York PCT and the creation of local CCG's, Health England as well as the existing acute and community service providers.</p> <p>The Health and Well being board will cease to be in shadow form from March 2013 which in turn will extend and bring new responsibilities to the local authority. The Directorate and the Director of Public Health will play a pivotal role in driving this agenda forward.</p> <p>The local health economy continues to be under severe financial strain and opportunities may exist to address this through health and social care integration. Initial exploratory discussions have been undertaken with the CCG's to create an integrated board to provide the officer forum to explore the options and drive this agenda forward.</p>
A7	<p>CYPS - Maintaining and improving performance while reducing budget by over £20m in the 4-year period 2011-15, increased from the original target of £15.8m as a result of the financial settlement in December 2012.</p>	<p>The Directorate's approach to achieving the challenging savings demanded of it has involved a radical review of all parts of the service.</p> <p>The objective has been to protect front-line services as much as possible to enable a reorganised Directorate to operate effectively across its universal, preventative, targeted and acute service responsibilities, in line with legislation.</p> <p>The savings programme has affected every part of the service, although the impact has been particularly heavy on management and administration.</p> <p>While the original target was very much front-loaded into years 1 and 2, the additional targets have meant that some additional savings are required in years 3 and 4. Nevertheless, this still means that nearly 75% of the revised target has been met by March 2013. The Directorate will seek to ensure that the impact</p>

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
		<p>of the cuts is not felt on the frontline where that is possible. At the same time, externally-driven pressures on the County Council and on partners, such as the NHS, will be monitored. There are risk that the Directorate's work will be compromised by these demands at a time when the landscape for services affecting children is changing rapidly.</p> <p>Prior to 2012-13, in reports to Executive Members, the Director highlighted the issue of budget pressures arising from changes in national policy or other priorities linked to the Children and Young People's Plan including Family and Friends Care, Troubled Families and issues around vulnerable teenagers. It was anticipated that these pressures would have to be found from within the Directorate's own resources and therefore some headroom was made available all this has had to be reviewed in light of the additional savings targets.</p> <p>While the Directorate itself has contracted to a sustainable position, despite the reduction in resources, it will continue to assess, and react to, external demands and interventions which would otherwise destabilise its work. These might be the impact on partners mentioned above, or the knock-on effect to LA budgets of the Academies programme.</p> <p>In particular, new funding arrangements for Academies mean that the Council will now lose core funding for every conversion and we will monitor this carefully throughout the year.</p>
A8	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>Additional resources provided by the Council have included -</p> <ul style="list-style-type: none"> • additional provision for child placement in 2010/11 of at least £1.25m

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
		<ul style="list-style-type: none"> • 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>Work continues to improve the efficiency and effectiveness of the placements strategy and this will be consolidated in 2012/13. The expected outcomes of this are factored into efficiency savings – with no impact on service quality – in the later years of the MTFS.</p> <p>Added to this are pressures arising from the numbers of:</p> <ul style="list-style-type: none"> • children going through the Common Assessment Framework • older children in the care system with higher levels of need • vulnerable teenagers <p>The Directorate will also seek to monitor and react to programmes for homelessness amongst young people, while recognising the strains being placed on partner organisations through external pressures, and recognising the risks to funding such as that for Supporting People.</p>
A9	<p>Medium Term Financial Strategy</p> <ul style="list-style-type: none"> • Need to ensure a coherent savings programme for 2013/14 to 2014/15. • Need to provide a financial plan for the period 2015/16 and beyond in order to provide a framework for future discussions about the role of the council and what it can afford to deliver. 	<p>The MTFS agreed in February 2013 ensured a funded budget up to and including 2014/15. However, recurring savings of £3.8m are still required and further Government funding cuts are anticipated in 2014/15. A further budget report will be taken to County Council by early autumn at the latest which ensures an on-going balanced budget with recurring savings proposals being implemented.</p> <p>Further funding scenarios will be worked up which identify the likely funding envelope beyond 2014/15. This will incorporate the “mini spending review” expected on 26 June 2013.</p> <p>Achievement of the savings is monitored by Management Board on a regular basis and reported to the Executive as part of the Quarterly Performance Monitoring report.</p> <p>All the key assumptions used in the current MTFS are monitored on an on-going basis. Any material</p>

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
		variations will be reported to the Executive so that appropriate action can be taken as considered necessary.
A10	<p>Information Governance</p> <ul style="list-style-type: none"> • Need to review actions in relation to Information Governance to date and identify further improvements. • Need to ensure that information security and information integrity are more generally valued by staff across the council. 	<p>The Corporate Information Governance Group (CIGG) will review progress at each of its meetings and has produced a further updated action plan. This action plan will be implemented and improved throughout the year.</p> <p>Mandatory training has been provided for staff on information management and compliance will be monitored on an on-going basis.</p> <p>Revised arrangements for tracking and reporting investigation of breaches have been implemented and will be reviewed with a view to improving.</p>
A11	<p>ICT Strategy</p> <ul style="list-style-type: none"> • A Corporate ICT Strategy needs to be developed which recognises the funding position and the councils business needs over the medium term. 	<p>The Microsoft roll out plan will be concluded and the functionality within it will be exploited further in order to deliver operational benefits.</p> <p>Discussions have taken place with senior managers across the council about the business needs for ICT Services. This dialogue will remain on-going and the action plan produced will be implemented, monitored and reviewed accordingly.</p> <p>The product of those discussions and ICT services work on rationalising data and systems will be brought together into a single Corporate ICT Strategy which will be presented to Management Board in 2013/14 for sign off. This will consider the best way of ensuring on-going business engagement.</p>
A12	<p>Superfast North Yorkshire</p> <ul style="list-style-type: none"> • Need to ensure successful delivery of Superfast Broadband by BT following procurement. • Also need to identify opportunities to enhance the Broadband offer for the 10% of North Yorkshire who are likely to receive Broadband below Superfast speeds. 	<p>On-going monitoring of the roll-out by the Superfast North Yorkshire Board.</p> <p>On-going business engagement work including the LEP to support delivery of grant funded outcomes such as ERDF.</p> <p>Funding opportunities for the extra 10% to be explored with BDUK and other potential funders.</p>

Ref	Issue requiring improvement	Action taken to date / planned 2013/14
A13	<p>Performance</p> <ul style="list-style-type: none"> Ensuring that a comprehensive approach is taken to performance across the Council and that there is an on-going pursuit of increased productivity. 	<p>Implementation of changes to performance management arrangements and an increased focus within the Council on innovation and how productivity can be increased. Some of this will involve taking on the values and approach of One Council to shape new ways of working.</p>

8.0 SUMMARY

- 8.1 The governance framework operating during 2012/13 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 that require attention have, however, been identified and these are set out in **Section 7** above together with details of how they will be addressed during 2012/13. Reports on progress will be submitted to the Audit Committee.

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)

.....
Gary Fielding
Corporate Director – Strategic
Resources (Section 151 Officer)

Date:

Date:

9.2 I confirm that the Audit Committee (meeting on the 27 June 2013) was satisfied, on the basis of the information available to it, that this Annual Governance Statement for 2012/13 has been prepared and approved after due and careful enquiry.

.....
Cllr Patrick Mulligan
Chairman of the Audit Committee

Date: 2013

GLOSSARY OF TERMS

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.

SeRCOP

Service Reporting 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 2013.

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 2013 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 2012/13 relating to services to be delivered in 2013/14.

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.

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.

PFC

Pension Fund Committee.

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 2012/13 that relates to goods and services not received until 2013/14.

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.