

Agenda

Meeting: Audit Committee

**Venue: Grand Meeting Room, County Hall,
Northallerton**

Date: Thursday 26 June 2014 at 1.30 pm

Note: Members are invited to attend a seminar concerning IT Strategy at 1.00pm in the Grand Meeting Room.

Recording is allowed at County Council, committee and sub-committee meetings which are open to the public, subject to:- (i) the recording being conducted under the direction of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available to download below. Anyone wishing to record must contact, prior to the start of the meeting, the Officer whose details are at the foot of the first page of the Agenda. Any recording must be clearly visible to anyone at the meeting and be non-disruptive.
<http://democracy.northyorks.gov.uk/>

Business

1. **Election of Chairman.**
2. **Minutes of the meeting held on 6 March 2014.**
3. **Election of Vice-Chairman.**
4. **Public Questions or Statements.**

(Pages 1 to 9)

Members of the public may ask questions or make statements at this meeting if they have given notice to Ruth Gladstone of Democratic Services (*contact details below*) by midday on Monday 23 June. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

- at this point in the meeting if their questions/statements relate to matters which are not otherwise on the Agenda (subject to an overall time limit of 30 minutes);
- when the relevant Agenda item is being considered if they wish to speak on a matter which is on the Agenda for this meeting.

If you are exercising your right to speak at this meeting, but do not wish to be recorded, please inform the Chairman who will instruct those taking a recording to cease while you speak.

5. **Progress on Issues Raised by the Committee** – Joint report of the Corporate Director – Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services).
(Pages 10 to 14)
6. **Annual Report of the Head of Internal Audit.**
(Pages 15 to 43)
7. **Corporate Governance** - Report of the Corporate Director – Strategic Resources.
(Pages 44 to 129)
8. **Governance Arrangements of the North Yorkshire Pension Fund** – Report of the Corporate Director – Strategic Resources.
(Pages 130 to 210)
9. **Deloitte's 2014/15 Audit Fee Letters.**
(Pages 211 to 217)
10. **Progress on 2014/15 Internal Audit Plan** - Report of the Head of Internal Audit.
(Pages 218 to 220)
11. **Internal Audit Work / Internal Control Matters for the Children and Young People's Services Directorate:-**
 - (a) Report of the Head of Internal Audit.
(Pages 221 to 235)
 - (b) Report of the Corporate Director – Children and Young People's Service Directorate.
(Pages 236 to 259)
12. **Review of Assurance over Value For Money** – Report of the Corporate Director – Strategic Resources.
(Pages 260 to 268)
13. **Business Continuity – Update Report** - Report of the Corporate Director – Strategic Resources.
(Pages 269 to 271)
14. **Risk Management – Progress Report** - Report of the Corporate Director – Strategic Resources.
(Pages 272 to 277)
15. **Programme of Work** – Report of the Corporate Director – Strategic Resources.
(Page 278)

16. Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances.

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton

18 June 2014

Notes:

- (a) Members are reminded of the need to consider whether they have any interests to declare on any of the items on this agenda and, if so, of the need to explain the reason(s) why they have any interest when making a declaration.

The relevant Democratic Support Officer or Monitoring Officer will be pleased to advise on interest issues. Ideally their views should be sought as soon as possible and preferably prior to the day of the meeting, so that time is available to explore adequately any issues that might arise.

- (b) **Emergency Procedures for Meetings**

Fire

The fire evacuation alarm is a continuous Klaxon. On hearing this you should leave the building by the nearest safe fire exit. From the **Grand Meeting Room** this is the main entrance stairway. If the main stairway is unsafe use either of the staircases at the end of the corridor. Once outside the building please proceed to the fire assembly point outside the main entrance

Persons should not re-enter the building until authorised to do so by the Fire and Rescue Service or the Emergency Co-ordinator.

An intermittent alarm indicates an emergency in nearby building. It is not necessary to evacuate the building but you should be ready for instructions from the Fire Warden.

Accident or Illness

First Aid treatment can be obtained by telephoning Extension 7575.

AUDIT COMMITTEE

1. Membership

County Councillors (8)							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	ATKINSON, Margaret				Conservative		
2	BACKHOUSE, Andrew				Conservative		
3	BROADBENT, Eric				Labour		
4	CHANCE, David				Conservative		
5	CLARK, Jim				Conservative		
6	HOULT, Bill				Liberal Democrat		
7	JORDAN, Mike				Conservative		
8	PARSONS, Stuart				NY Independent		
Members other than County Councillors (3)							
1	Vacancy						
2	DAGLISH, James (current term of office expires on 27 June 2014)						
3	PORTLOCK, David (current term of office expires on 27 June 2014)						
Total Membership – (11)				Quorum – (3) County Councillors			
Con	Lib Dem	NY Ind	Labour	Liberal	UKIP	Ind	Total
5	1	1	1	0	0	0	

2. Substitute Members

Conservative		Liberal Democrat	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1	FORT, John BEM	1	De COURCEY-BAYLEY, Margaret-Ann
2	HARRISON-TOPHAM, Roger	2	
3	SANDERSON, Janet	3	
4	METCALFE, Chris	4	
5		5	
NY Independent		Labour	
	<i>Councillors Names</i>		<i>Councillors Names</i>
1	BLACKIE, John	1	SHAW-WRIGHT, Steve
2	JEFFERSON, Janet	2	
3		3	
4		4	
5		5	

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 6 March 2014 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillor Andrew Backhouse (in the Chair); County Councillors Margaret Atkinson, Eric Broadbent, David Chance, John Fort BEM (as Substitute for Jim Clark), Bill Hoult, Mike Jordan and Stuart Parsons.

External Members of the Committee:-

Mr James Daghish and Mr David Portlock.

In Attendance:-

County Councillor Carl Les (Executive Member for Central and Financial Services including assets, IT and procurement).

Deloitte LLP Officers: Chris Powell and Celia Craig.

Veritau Ltd Officers: Max Thomas (Head of Internal Audit) and Roman Pronyszyn (Client Relationship Manager).

County Council Officers: Gary Fielding (Corporate Director – Strategic Resources), Peter Yates (Assistant Director – Corporate Accountancy) and Ruth Gladstone (Principal Democratic Services Officer).

Copies of all documents considered are in the Minute Book

47. Minutes

Resolved –

That the Minutes of the meeting held on 5 December 2013, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

48. Exclusion of the Public

Resolved -

That the public be excluded from the meeting during consideration of Appendices 3 and 4 to the report 'Counter Fraud and Associated Matters' on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) Order 2006.

49. Public Questions or Statements

There were no questions or statements from members of the public.

50. Progress on Issues Raised by the Committee

Considered –

The joint report of the Corporate Director – Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services) advising of progress on issues which the Committee had raised at previous meetings, together with an update concerning Treasury Management.

During debate, it was noted that the following arrangements had been made:-

- The question of whether the Police and Crime Panel should be regarded as a Related Party would be considered during preparation of the Statement of Accounts for 2013/14.
- Committee Members would be provided with a copy of the Society of County Treasurers' joint response to the recent DCLG consultation concerning the timetable for the Statement of Final Accounts.
- A representative from Audit North would attend the Committee's meeting on 26 June 2014 to discuss IT audit work completed in 2013/14.
- Committee Members would be provided with a copy of the updated version of the Information Governance Policy Map after current work had been completed.
- The Service Continuity Plan had been included in the Committee's Programme of Work.

During debate, the following were clarified:-

- If an employee left the County Council, claimed a redundancy payment, and then begun work with another relevant employer within 4 weeks of leaving, the employee needed to repay their redundancy payment. However, there had been no cases, within North Yorkshire County Council, where that had happened in recent years.
- Copies of the Treasury Management Policy Statement and Annual Treasury Management and Investment Strategy for 2014/15 had recently been provided to Committee Members for consideration and review. Mr David Portlock had already provided comments to the Corporate Director – Strategic Resources and the Assistant Director – Corporate Accountancy. Mr David Portlock had subsequently received a response.

Resolved –

That the report be noted.

51. Committee Membership - Appointment of External Members

Note: Prior to consideration of this item of business, Mr David Portlock announced that he had a potential conflict of interest in this item of business. Having taken advice, he would not be leaving the meeting. However, he would not be participating in the debate. He requested that this be recorded in the Minutes of the meeting.

Considered -

The report of the Corporate Director - Strategic Resources seeking approval of arrangements for the recruitment and selection of at least two, and up to three, External Members of the Audit Committee.

Mr James Daghish announced that he did not intend to apply for re-appointment for a further term. The Chairman expressed Members' sincere thanks to Mr James Daghish and paid tribute to his work, over many years, on the Committee.

During discussion, the Corporate Director – Strategic Resources acknowledged that it would be a considerable commitment for one person to serve simultaneously on both the County Council's Audit Committee and the City of York Council's Audit Committee. The Corporate Director – Strategic Resources advised that flexibility was being sought and asked the Committee not to impose the requirement that the same person could not serve simultaneously on both Committees.

Resolved -

- (a) That a joint recruitment with the City of York Council be agreed.
- (b) That the Corporate Director - Strategic Resources, following consultation with the Chairman of the Audit Committee, be authorised to finalise the advert and any other documentation and to initiate the recruitment process.
- (c) That the Corporate Director - Strategic Resources, following consultation with the Chairman and Vice-Chairman of the Audit Committee, be authorised to undertake the shortlisting of the applicants.
- (d) That a Members' Panel be authorised to interview shortlisted candidates and submit subsequent recommendations to the Audit Committee for the appointment of External Members.
- (e) That the Panel to which part (d) of this resolution refers comprise the following Members:-
 - County Councillor Andrew Backhouse
 - County Councillor Margaret Atkinson
 - Either one or two other County Councillor Members of this Committee who indicate they are available on the dates to be identified by the Corporate Director – Strategic Resources and who volunteer themselves for participation in the Panel.

52. Progress on 2013/14 Internal Audit Plan

Considered –

The report of the Head of Internal Audit advising of the progress made to date in delivering the 2013/14 Internal Audit Plan and developments likely to impact on the Plan throughout the remainder of the financial year.

During debate, the following issues were highlighted:-

- As at 31 January 2014, 67% of the agreed Internal Audit Plan for 2013/14, and 40% of the computer audit topics scheduled for review by Audit North in 2013/14, had been completed and reports issued in draft. Officers could see no reason why the 2013/14 Internal Audit Plan, and the remaining planned computer audit topics, could not be completed by 31 March 2014.
- The number of cases of suspected fraud or malpractice handled by Veritau had increased to 31 since the start of the 2013/14 financial year. This compared to 28 cases during the same period of the previous year.
- The number of requests submitted under the Freedom of Information Act had increased by 29% for the period 1 April 2013 to 31 January 2014 compared to the same period of the previous year. Veritau's Information Governance Team continued to exceed the performance target of responding to 95% of such requests within 20 working days.
- Variations had been made to the 2013/14 Audit Plan, resulting in a net reduction of 105 audit days. The changes were set out in paragraph 3.8 of the report. Following a reduction in staffing, the number of audit days had reduced for some topics in areas where previously "high assurance" audit opinions had been issued. In response to questions, the Head of Internal Audit confirmed that there were no areas which Veritau would have covered, but were now unable to do so, due to the reduction in staffing. He also confirmed that, whilst there was decreased coverage and an overall increase in risk, he was not at the point where he was unable to give an audit opinion.

Resolved –

- (a) That the report be noted.
- (b) That an advance copy of the report on the outcome of the Payroll audit be circulated to Committee Members as soon as it becomes available.
- (c) That the Head of Internal Audit provide Committee Members with the estimated cost, calculated 3 to 4 years previously, of officer time taken to respond to requests submitted under the Freedom of Information Act.
- (d) That an estimate of the current cost of officer time taken to respond to requests submitted under the Freedom of Information Act be prepared for the forthcoming Members' Seminar regarding Information Governance.
- (e) That the Corporate Director – Strategic Resources provide a reminder to all Directorates about the County Council's standard approach to dealing with requests submitted under the Freedom of Information Act and that confirmation be provided to the Committee Chairman when such a reminder has been issued.

53. Draft Internal Audit Plan for 2014/15

Note: During consideration of this item of business, Mr James DGLISH declared a non-pecuniary interest when making the comment that there were parts of North Yorkshire which were getting fibres but where high quality Broadband was not being provided.

Considered -

The report of the Head of Internal Audit presenting, for the Committee's comments, the draft programme of audit work to be undertaken by Veritau Limited, for North Yorkshire County Council, during the financial year 2014/15.

In introducing the report, the Head of Internal Audit advised that there was a typographical error in paragraph 3.3 of the report, namely, that the phrase "... the proposed Plan for 2014/15 has 150 fewer days of internal audit coverage ..." should read "... the proposed Plan for 2014/15 has a net reduction of 135 days of internal audit coverage ...".

During debate, the following issues were highlighted:-

- The Plan had to be viewed as a relatively flexible document because:- (i) it was currently the subject of consultation with the Chief Executive, Assistant Chief Executives, Corporate Directors and directorate management teams; and (ii) the Plan would evolve throughout the year to take account of change in the Council's priorities and risk profile.
- The Head of Internal Audit advised that he was satisfied, at this stage, that 10 audit days, as identified in the draft Plan, was sufficient for the forthcoming audit of delivery of the Waste Strategy.

Resolved -

- (a) That the report be noted.
- (b) That the Corporate Director – Strategic Resources discuss, with the Assistant Director – Highways and Transportation, a Member's suggestion that the planned audit of the Highways Maintenance Contract might include the circulation of a questionnaire to all County Councillors seeking their views about current performance of the contract.
- (c) That Committee Members be advised of the outcome of the discussion to which part (b) of this resolution refers.

54. Certification of Claims and Returns 2012/13

Considered -

The report of Deloitte summarising work undertaken by Deloitte during 2012/13 concerning the certification of grant claims and returns.

Chris Powell (Deloitte) advised that Deloitte was required to report that one very minor disclosure adjustment, relating to the sum of £3.36, had been required in respect of the Teachers' Pension return and that there were no matters he wished to draw to the Committee's attention.

Resolved -

That the report be noted.

55. Internal Audit Work/Internal Control Matters for the Central Services Directorate

Considered -

- (a) The report of the Head of Internal Audit advising of the internal audit work performed during the year ended 31 January 2014 for the Central Services Directorate and giving an opinion on the systems of internal control in respect of that area.
- (b) The report of the Corporate Director - Strategic Resources providing an update of progress against the areas of improvement identified in the Central Services Directorate's Statement of Assurance and details of the latest Risk Register for that Directorate.

During debate, the following issues were highlighted:-

- The Head of Internal Audit was satisfied, on the basis of the follow-up work undertaken during the year, with the progress that had been made by management to implement previously agreed actions necessary to address identified control weaknesses. In addition, his overall opinion on the controls operated within the Central Services Directorate was that they provided Substantial Assurance.
- Within the Central Services Directorate Risk Register, the three areas of highest priority were the budget, 2020 North Yorkshire, and Information Governance.
- A Member commented that it would be helpful if the Directorate Risk Register at Appendix B to the report of the Corporate Director – Strategic Resources could be enlarged to A3 size in future.

Resolved -

- (a) That, having considered the report of the Head of Internal Audit, it be noted that this Committee is satisfied that the internal control environment operating in the Central Services Directorate is both adequate and effective.
- (b) That the position on the Central Services Directorate's Statement of Assurance be noted.
- (c) That the Register for the Central Services Directorate be noted.
- (d) That the Head of Internal Audit consider how his future reports can address the following comments which Members have made during this meeting:- (i) Members wish to see the wording of each Priority 2 action; and (ii) information about implementation dates should be clearer.

- (e) That the Chairman and the Corporate Director – Strategic Resources discuss how future reports concerning Directorates’ Risk Registers can be worded to clarify that references to actions being “0%” complete are due to the dates for such actions being in the future.

Appendices 3 and 4 to the report “Counter Fraud and Associated Matters” were considered in private and the public have no right of access to those appendices. Some of the discussion on this item was held in private session. The following is a public summary of business conducted in private.

56. Counter Fraud and Associated Matters

Considered -

- (a) The report of the Head of Internal Audit providing an update on the number and type of investigations undertaken by Veritau since 1 April 2013, seeking consideration of proposed changes to the County Council’s Whistleblowing Policy, and inviting the Committee to consider the Annual Fraud and Loss Risk Assessment for the County Council.
- (b) Appendix 5 to the report of the Head of Internal Audit (copies of which were circulated at the meeting) which comprised two charts from a recent Briefing Note from the Audit Commission concerning the scale and value of fraud within North Yorkshire County Council compared to the average for all County Councils.

During debate, the following issues were highlighted:-

- Fraud constituted a significant risk to the County Council. Within Councils, the major fraud related to services delivered by Unitary and District Councils. North Yorkshire County Council had a good record of identifying and addressing fraud.
- Amendments were proposed in respect of both the County Council’s Whistleblowing Policy and the Whistleblowing Policy for Schools. The proposed amendments reflected changes introduced by the Enterprise and Regulatory Reform Act 2013. Such changes included the following:- (i) a ‘qualifying disclosure’ was now defined as any disclosure of information that, in the reasonable belief of the employee, was made in the public interest; and (ii) the requirement that a whistleblower should make a qualifying disclosure ‘in good faith’ was removed.
- Approval of the amendments now proposed for the Whistleblowing Policies provided an opportunity to publicise those Policies, with appropriate case studies, to endorse a whistleblowing culture within the County Council.

Resolved -

- (a) That the investigations carried out by Veritau in 2013/14 to date, and the outcome of the annual Fraud and Loss Risk Assessment, be noted.

- (b) That the changes to the County Council's Whistleblowing Policy, as set out at Appendix 1 to the report, be approved, subject to the following:-
- (i) Paragraph 4.4 be amended by replacing "key" with "all".
 - (ii) Subject to further checks by the Head of Internal Audit, the sentence recommended for insertion into paragraph 3.4 be amended to read as follows: "A whistleblower has the right to sue anyone who is involved in such conduct and the County Council could be held liable if it has not taken all reasonable steps to prevent such victimisation from occurring".
 - (iii) The following text be inserted at the end of the last paragraph in paragraph 3.4:- ", or the Chief Executive if the complaint relates to a Corporate Director, who will take appropriate action".
- (c) That the changes to the Whistleblowing Policy for schools, as set out at Appendix 2 to the report, be approved, subject to the following:-
- (i) Subject to further checks by the Head of Internal Audit, the sentence recommended for insertion into paragraph 3.4 be amended to read as follows: "A whistleblower has the right to sue anyone who is involved in such conduct and the County Council could be held liable if it has not taken all reasonable steps to prevent such victimisation from occurring".
 - (ii) The following text be inserted at the end of the last paragraph in paragraph 3.4:- ", or the Chief Executive if the complaint relates to a Corporate Director, who will take appropriate action".

57. Programme of Work

Considered -

The report of the Corporate Director – Strategic Resources inviting the Committee to review its Programme of Work for 2013/14.

Celia Craig (Deloitte) highlighted that the Work Programme reflected the 2013/14 planning report going to the 26 June 2014 meeting. However, officers and Deloitte had very recently agreed that this would instead go to the meeting on 17 July 2014 alongside the Statement of Final Accounts.

It was noted that the Corporate Partnerships Overview and Scrutiny Committee was looking at the implications of property disposals.

Resolved –

- (a) That the Programme of Work be approved, subject to the inclusion of the following:-
- 2020 North Yorkshire
 - Information Governance - risks arising
 - Health and Social Care integration and challenges
 - Any other issues to be suggested by Committee Members to the Corporate Director – Strategic Resources

- (b) That an informal Working Group be established to give detailed consideration to the Annual Governance Statement and submit recommendations to relevant forthcoming meetings of this Committee, and the County Councillor Andrew Backhouse and Mr David Portlock be appointed to serve on that Working Group.

The meeting concluded at 4.15 pm.

RAG/JR

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 June 2014

PROGRESS ON ISSUES RAISED BY THE COMMITTEE

**Joint Report of the Corporate Director – Strategic Resources
and the Assistant Chief Executive (Legal and Democratic Services)**

1.0 PURPOSE OF THE REPORT

1.1 To advise Members of

- (i) progress on issues which the Committee has raised at previous meetings
- (ii) other matters that have arisen since the last meeting and that relate to the work of the Committee

2.0 BACKGROUND

2.1 This report is submitted to each meeting listing the Committee's previous Resolutions and / or when it requested further information be submitted to future meetings. The table below represents the list of issues which were identified at previous Audit Committee meetings and which have not yet been resolved. The table also indicates where the issues are regarded as completed and will therefore not be carried forward to this agenda item at the next Audit Committee meeting.

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
26/09/2013	24 – Statement of Final Accounts including Letter of Representation 2012/13	The question of whether the Police and Crime Panel should be regarded as a Related Party be considered during preparation of the Statement of Account for 2013/14.	On-going in relation to preparation for 2013/14 SoFA.	x
05/12/13	38 – Accounting Policies	That the Corporate Director, Strategic Resources check whether the CLG is proposing to condense the timescale within which external auditors audit year-end financial accounts.	This was a consultation issued by DCLG in late November which closed on the 20 December. The issues relating to the timetable for the Statement of Final Accounts were unexpectedly covered in this consultation. Discussions again took place within the Society of County Treasurers where it was agreed that a joint	x

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
			<p>response would be submitted expressing some concern but seeking to work with DCLG to resolve issues. Whilst the County Council was involved in those discussions we have not yet been able to see the final response that was submitted – a copy will be brought back to the Audit Committee once a copy is received.</p> <p>Further requests made for copy and document still awaited</p>	
05/12/13	43 – Progress on 2013/14 Internal Audit Plan	That a representative of Audit North be invited to attend one of the following meetings of the Committee:- 5 March 2014, 26 June 2014, 17 July 2014	A representative from Audit North will attend the meeting on 26 June 2014 to discuss IT audit work completed in 2013/14.	✓
05/12/13	45 – Information Governance	That an update version of the Information Governance Policy Map be circulated to Committee Members	Work is ongoing to update and refresh the Information Governance Policy Map. A copy of the map will be circulated to Members once it is finalised.	x
06/03/14	52 – Progress on 2013/14 Internal Audit Plan	That an advance copy of the report on the outcome of the Payroll audit be circulated to Committee Members as soon as it becomes available and prior to circulation of the Agenda for the Committee's next meeting on Central Services.	To be circulated along with a progress report to update Members	x
06/03/14	52 – Progress on 2013/14 Internal Audit Plan	That the Head of Internal Audit provide Committee Members with the estimated cost, calculated 3 to 4 years previously, of officer time taken to respond to requests submitted under the Freedom of Information Act	The results of the previous exercise were circulated to Members following the meeting. The average officer time was just over 2.5 hrs per request.	✓

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
06/03/14	52 – Progress on 2013/14 Internal Audit Plan	That an estimate of the current cost of officer time taken to respond to requests submitted under the Freedom of Information Act be prepared for the forthcoming Members' Seminar regarding Information Governance	A new sample exercise has been conducted and the average time taken by officers to respond to each request is approximately 2 hrs 20 minutes. The average cost in officer time is £64.95 per request.	✓
06/03/14	52 – Progress on 2013/14 Internal Audit Plan	That the CD – SR provide a reminder to all Directorates about the County Council's standard approach to dealing with requests submitted under the Freedom of Information Act and that confirmation be provided to the Committee Chairman when such a reminder has been issued.	Discussions were pursued with the team within Veritau and with directorate FOI contacts. Arrangements widely understood but reminder issued.	✓
06/03/14	53 – Draft Internal Audit Plan for 2014/15	That the CD – SR discuss with the AD Highways and Transportation, a Member's suggestion that the planned audit of the Highways Maintenance Contract might include the circulation of a questionnaire to all County Councillors seeking their views about current performance of the contract and that Committee Members be advised of the outcome of the discussion.	Discussion has taken place and the CD BES has noted the request. The recent review of the performance of the Highways Maintenance contracts has taken Member views into account as part of the conclusion.	✓
06/03/14	55 – Internal Audit Work / Internal Control Matters for the Central Services Directorate	That the Head of Internal Audit consider how his future reports can address the following comments which Members have made during the meeting:- (i) Members wish to see the wording of each Priority 2 action; and (ii) information about implementation dates should be clearer	A new follow up reporting arrangement is proposed. Every six months Members will receive a report confirming the progress made by management to address identified control weaknesses. An escalation policy will also be adopted so that agreed actions which remain outstanding (without good reason) are reported to the Committee. The relevant service head	✓

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
			will be required to attend to explain the reason for delay.	
06/03/14	55 – Internal Audit Work / Internal Control Matters for the Central Services Directorate	That the Chairman and the CD – SR discuss how future reports concerning Directorates’ Risk Registers are presented given “% completion” issues	Issue to be addressed at Corporate Risk Management Group on 20 June 2014	x
06/03/14	57 – Programme of Work	That the Programme of Work should include the following <ul style="list-style-type: none"> • 2020 North Yorkshire • Information Governance – risks arising • Health & Social Care Integration and challenges • Any other issues to be suggested by Committee Members to the CD – SR 	Added to Programme of Work – dates still need to be identified.	x
06/03/14	57 – Programme of Work	That an informal Working Group be established to give detailed consideration to the Annual Governance Statement and submit recommendations to relevant forthcoming meetings of the Committee, and that County Councillor Andrew Backhouse and Mr David Portlock be appointed to serve on that Working Group.	Issue picked up elsewhere on Committee agenda	✓

3.0 TREASURY MANAGEMENT

- 3.1 Under its Terms of Reference, the Committee takes an active role in monitoring the Treasury Management (TM) activity of the County Council.
- 3.2 The 2013/14 Treasury Management and Prudential Indicators outturn report which was submitted to the Executive on 17 June 2014 was forwarded to Audit Committee Members on 9 June. A first quarter’s report for 2014/15 up to 30 June 2014 will be available early in August in advance of being considered by executive on 21 August.
- 3.3 There are no current significant issues or development to report to Members although the following points are worth highlighting.

- The County Council have now started investing cash funds on behalf of the Peak District National Authority (as part of an overall investment pool) and proposals to do the same on behalf of Selby District Council are at an advanced stage.
- Following a very accommodating monetary policy, reflected in a 0.5% bank rate, several tranches of quantitative easing and the Funding for Lending initiative the County Council's return on its investment (averaging 0.66% on a total investment pool of £266m at 16 June) continues to drop as banks reduce the rates they are offering.
- Following on from the above point the Bank of England's Governor, Mark Carney surprised many in a speech on 12 June by saying that interest rates may rise sooner than expected. They could begin to do later this year as more experts are warning that the recovering economy risks overheating as concern grows over continuing big increase in house prices.
- The Local Government Association (LGA) are heavily promoting a newly established Municipal Bonds Agency which would borrow funds from investors (principally local authorities) and then lend funds to authorities as an alternative to other borrowing options, which currently is mainly the Government's Public Works Loan Board (PWLB). The LGA have recently contacted all authorities about being founder investors in the Agency and a report will be submitted to Executive and Members of this Committee in due course. At this stage however, an initial officer view, supported by the advice from Capita (formerly Sector) is that the County Council would have no immediate use for the Agency, although this would of course be kept under review.

4.0 RECOMMENDATION

- 4.1 That the Committee considers whether any further follow-up action is required on any of the matters referred to in this report.

GARY FIELDING
Corporate Director – Strategic Resources

BARRY KHAN
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
NORTHALLERTON

26 June 2014

Background Documents:

Report to, and Minutes of, Audit Committee meeting held on 6 March 2014

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT

1.0 PURPOSE OF THE REPORT

- 1.1 To provide a summary of the internal audit work performed during the year ended 31 March 2014 and to express an opinion on the overall internal control environment in place within the County Council.
- 1.2 To provide Members with details of breaches to Finance, Contract and Property Procedure Rules identified during 2013/14 audit work.
- 1.3 To consider the Internal Audit performance outturn for 2013/14 and the 2014/15 performance targets for Veritau.
- 1.4 To inform Members of the conclusions arising from the Quality Assurance and Improvement Programme

2.0 BACKGROUND

- 2.1 The work of internal audit is governed by the Accounts and Audit Regulations 2011, the Internal Audit Terms of Reference and relevant professional standards. From 1 April 2013, the Chartered Institute of Public Finance and Accountancy (CIPFA), together with other standard setters across the public sector, adopted new standards for internal audit. These new Public Sector Internal Audit Standards (PSIAS) comply with the international standards issued by the Institute of Internal Auditors (IIA). As well as providing a definition of internal auditing, the PSIAS detail the Code of Ethics for internal auditors and provide quality criteria against which performance can be evaluated. Since the standards were adopted CIPFA has also issued further guidance in the form of an application note. The application note includes a checklist to assist internal audit practitioners to review and update working practices.
- 2.2 To comply with the new Standards, the Audit Committee approved an Audit Charter in December 2013, setting out the purpose, authority and responsibility of internal audit. The Audit Charter also defined certain elements of the internal audit framework including the 'board', 'senior management' and the 'chief audit executive', as follows:

'Board' – was defined as the Audit Committee (given its responsibilities in relation to internal audit standards and activities);

'Senior Management' – was defined as the Corporate Director - Strategic Resources in his role as S151 officer. In addition, senior management may also refer to the Management Board or the Chief Executive and/or any other Corporate Director;

'Chief audit executive' – was defined as the Head of Internal Audit (Veritau).

2.3 In accordance with the new Standards, the Head of Internal Audit is required to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control operating within the County Council. The Head of Internal Audit should also contribute to the preparation of the Annual Governance Statement by identifying any significant control issues identified during the course of audit work, and report any breaches of the County Council's Finance, Contract and Property Procedure Rules to the Audit Committee.

2.4 To comply with the new Standards, the Head of Internal Audit is also required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee along with any areas of non-conformance with the Standards. The QAIP consists of various elements, including:

- maintenance of a detailed audit procedures manual and standard operating practices
- ongoing performance monitoring of internal audit activity
- regular customer feedback
- training plans and associated training and development activities
- periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).

In addition, a formal external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

2.5 The results of customer feedback and the self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

2.6 Audit work was undertaken across all of the County Council's services and activities in accordance with the approved Internal Audit Plan for 2013/14. The findings have been reported to this Committee in accordance with the following cycle:-

April 2013	Children & Young People's Services
September 2013	Health and Adult Services IT Audit
December 2013	Business and Environmental Services Corporate themes

March 2014

Central Services
Counter fraud matters

- 2.7 In each of the above reports, with the exception of the report on counter fraud matters, the Head of Internal Audit provided an opinion on the system of internal control in operation within the particular functional area or directorate.
- 3.0 **WORK COMPLETED IN 2013/14**
- 3.1 During 2013/14, Veritau has been responsible for evaluating the adequacy and effectiveness of the County Council's control environment, promoting counter fraud arrangements, and providing advice and making recommendations to management to improve controls and/or to address the poor or inappropriate use of resources. Veritau completed almost 94% of the Internal Audit Plan against an agreed performance target of 93%. The overall opinions provided to this Committee, at meetings between April 2013 and June 2014, are detailed in **Appendix 1**.
- 3.2 The results of completed audit work have been reported to the relevant service managers, the Corporate Director – Strategic Resources and the Audit Committee. Audit findings relating to 2013/14, which have not yet been reported to this Committee, will be presented in due course as part of the agreed Audit Committee programme of work. On the basis of the follow up work undertaken during the year, satisfactory progress has been made by management to address identified control weaknesses. Outstanding actions continue to be monitored and in most cases progress is considered to be acceptable.
- 3.3 As previously reported, Veritau has been involved in a number of investigations into suspected fraud and corruption. These investigations have been carried out in response to concerns raised by management or through the whistleblowing reporting system. Further proactive work has also been carried out to address a number of specific fraud risks. The County Council's Fraud and Loss Risk Assessment and Whistleblowing policies were also updated during the year. In addition, Veritau has continued to issue alerts to service managers and schools to draw attention to potential threats and scams.
- 3.4 The Information Governance Team (IGT) co-ordinates all requests for information (excluding Social Care Data Protection requests) and provides advice and guidance on the application of information related legislation (including the Data Protection and Freedom of Information Acts). A total of 1,307 FOI requests were received during 2013/14, compared to 1,029 in 2012/13. This represents an increase of 27%.
- 3.5 The IGT has also continued to help develop the County Council's information governance policy framework. As the County Council's Senior Information Risk Owner, the Corporate Director – Strategic Resources, has continued to chair the Corporate Information Governance Group (CIGG), which meets on a regular basis. CIGG has addressed new and emerging issues during the year as well as coordinating the development of the IG policy framework. In addition, Veritau's auditors have continued to undertake unannounced visits to County Council offices and establishments in order to test understanding and compliance with the policy framework. As previously reported, these visits have found a variety of potential data security risks. The results have been reported to CIGG and the relevant management.

3.6 To assist in the development and maintenance of the County Council's governance arrangements, Veritau's auditors meet with the S151 Officer, Monitoring Officer and other senior officers on a regular basis to identify and address key governance issues and concerns.

4.0 INTERNAL AUDIT PERFORMANCE MANAGEMENT

4.1 Despite the challenging climate, Veritau has continued to deliver cost effective internal audit, counter fraud and information governance services to the County Council and the City of York Council together with a number of other public sector bodies in North Yorkshire. These services continue to be valued by the company's clients particularly at a time of significant change.

4.2 The Veritau group achieved a combined operating profit before tax in 2013/14. Investment in new services and initiatives has also continued, particularly in respect of counter fraud.

4.3 **Appendix 2** details performance against the targets set by the County Council's client officer for 2013/14. **Appendix 3** sets out the targets for Veritau for 2014/15.

5.0 BREACHES OF FINANCE, CONTRACT AND PROPERTY PROCEDURE RULES

5.1 As in previous years, the majority of identified breaches relate to the Contract Procedure Rules. Details of those breaches identified through internal audit work during 2013/14 are shown in **Appendix 4**.

5.2 It should be noted that some of the variations in the type and number of breaches identified between the years can be attributed to the fact that audit work will focus on different risk areas each year. In addition, the content of the various Procedure Rules does not remain the same and new rules are introduced whilst others are amended or deleted.

5.3 Where breaches are identified, it is usually sufficient to draw the matter to the attention of management for the appropriate remedial action to be taken. If a wider training need is identified this will be addressed accordingly. Finally in those cases where the breach identifies a fundamental weakness/deficiency in the relevant Procedure Rule this will be addressed separately as part of the ongoing review process for all the County Council's Procedure Rules.

5.4 There were no significant breaches of the Finance Procedure Rules although a number of relatively minor breaches were noted. Examples of typical errors identified included:

- Orders not being fully completed, issued or annotated to record details of deliveries;
- Invoices not being adequately checked prior to payment and/or duplicate invoices being paid;
- Incorrect payments to employees and pensioners;
- Inappropriate authorisation of timesheets and credit notes;

- Authorised signatory lists not being kept up to date;
- Income being used as petty cash;
- Inventory records not being properly maintained, disposals not authorised and/or annual stock checks not being carried out;
- VAT not being accounted for correctly and/or appropriate VAT receipts retained;
- Ineffective budgetary control procedures and reconciliations;
- Security and insurance issues with the storage of cash;
- Purchasing cards being used by individuals other than the named officer or not being returned when employee leaves.

5.5 There were no breaches of Property Procedure Rules identified during the year.

6.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

6.1 As noted above, Veritau has developed a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking a survey of senior management in each client organisation and completing a detailed self assessment to evaluate performance against the Standards, the decision was taken to arrange for an external assessment to be carried out. The assessment was conducted by the South West Audit Partnership (SWAP) and completed in April 2014. The results of the assessment provide evidence to support the QAIP as well as helping to inform the Improvement Action Plan for 2014/15.

6.2 The outcome of the QAIP demonstrates that the service conforms to *International Standards for the Professional Practice of Internal Auditing*. Further details of the QAIP and Improvement Action Plan prepared by Veritau are given in **Appendix 5**.

6.3 The annual self-assessment process outlined in **Appendix 5** enables Councils to discharge their responsibilities for evaluating the effectiveness of internal audit. As a result, there is no longer a requirement for a separate item relating to the “effectiveness of internal audit 2013/14”.

7.0 2013/14 AUDIT OPINION

7.1 As part of the annual report, the Head of Internal Audit is required to provide:

- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
- (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
- (c) an opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework (ie the control environment)
- (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification

- (e) details of any issues which the Head of Internal Audit judges are of particular relevance to the preparation of the Annual Governance Statement
- (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

7.2 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the County Council is that it provides **Substantial Assurance**. There are no qualifications to this opinion. The only reliance placed on the work of other assurance bodies in reaching this opinion related to computer audit work, which was undertaken on behalf of Veritau by Audit North. In giving this opinion attention is drawn to the following significant control issues, which are considered relevant to the preparation of the 2013/14 Annual Governance Statement:

- **Information Security** - Further improvements are required to ensure compliance with the County Council's policies for recording, processing and storing personal and sensitive data. Recent audit work has identified continuing poor practice with the handling of documents and information security. A number of breaches have occurred during the year. Whilst none have required disclosure to the ICO, the number and type of breaches suggests further improvement is required.
- **Service Continuity Planning** - A revised Service Continuity Strategy was approved by Management Board in September 2011. Following a pilot exercise in BES, Management Board gave approval for the roll-out of the revised methodology to all directorates in April 2012. Directorates were required to complete Business Impact Assessments and Incident Management Plans. They were also expected to nominate at least one service continuity lead to act as a single point of contact for directorate staff and the Emergency Planning Unit (EPU). The role of the EPU, was to provide training, advice and support to each directorate but not be responsible for the completion or adequacy of their plans. Whilst all service areas have now completed plans there is further scope for improvement before service continuity planning is fully embedded within the County Council. The Service Continuity Strategy is not readily available to staff. The level of training provided to services and commitment shown by each directorate is variable. There are inconsistencies in the format and content of plans and there is no mechanism to share best practice.
- **Highways Maintenance Contract** - the Highways Maintenance Contract (HMC) covers the provision of all aspects of the highways service. The service includes highway and bridge maintenance, winter maintenance, maintenance of the County Council's fleet of vehicles, street lighting maintenance, improvement works, gully emptying, grass cutting, emergency provision and surface dressing of the network. The annual value of the contract is approximately £43m. Prior to April 2012, the contract was operated by Balfour Beatty Infrastructure Services. The new contract was awarded to Ringway Infrastructure Services Ltd (Ringway) for 10 years. The importance of the service combined with the length and value of the HMC means effective client side management is essential. This is however dependant on the quality of performance and other management information. Whilst performance data has been received regularly, there have been some issues with interfacing the various operational systems. Information relating to some orders and

payments has also not been reliable. The problems have led to delays in work being allocated and completed. Significant additional work has also been required to check and reconcile data. Improvements have been made but these are taking time to feed through into performance.

8.0 **RECOMMENDATIONS**

8.1 Members are asked to:-

- (i) note the overall “Substantial Assurance” opinion of the Head of Internal Audit regarding the control environment within the County Council
- (ii) note the outcome of the quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards
- (iii) note the breaches to Contract, Finance and Property Procedure Rules and the actions taken to address these matters.
- (iv) note the performance outturn for 2013/14 and the performance targets for Veritau for 2014/15.

MAX THOMAS
Head of Internal Audit

Report prepared and presented by Max Thomas, Head of Internal Audit

Veritau Ltd
Assurance Services for the Public Sector
County Hall
Northallerton

10 June 2014

OPINIONS ISSUED IN 2013/14

Report	Directorate/Audit Work Area	Opinion	Period Covered
Apr 2013	Children and Young People's	Substantial	1 March 2012 to 28 Feb 2013
Sept 2013	Health and Adult Services	Moderate	1 September 2012 to 31 August 2013
	Computer Audit	Substantial	1 September 2012 to 31 August 2013
Dec 2013	Business and Environmental Services	Substantial	1 December 2012 to 30 November 2013
	Corporate / thematic audits	Substantial	1 February 2013 to 31 October 2013
Mar 2014	Central Services	Substantial	1 February 2013 to 31 January 2014
	Counter fraud matters	N/A	1 February 2013 to 31 January 2014

PERFORMANCE TARGETS 2013/14 OUT-TURN

Target		Actual		
Operational Issues				
1	To deliver 93% of the agreed Internal Audit Plan	30 Apr 2014	95% of the agreed Internal Audit plan completed	✓
2	To achieve a positive customer satisfaction rating of 95%	31 Mar 2014	100% customer satisfaction	✓
3	To ensure 95% of Priority 1 recommendations made are agreed	31 Mar 2014	100% of Priority 1 recommendations were agreed.	✓
4	To ensure 95% of FOI requests are answered within the Statutory deadline	31 Mar 2014	97.3% of FOI requests received during the year were responded to within the 20 day deadline.	✓

PERFORMANCE TARGETS 2014/15

Target		
Operational Issues		
1	To deliver 93% of the agreed Internal Audit Plan.	30 April 2015
2	To achieve a positive customer satisfaction rating of 95%.	31 March 2015
3	To ensure 95% of Priority 1 recommendations made are agreed.	31 March 2015
4	To ensure 95% of FOI requests are answered within the statutory deadline of 20 working days.	31 March 2015

SIGNIFICANT BREACHES OF CONTRACT PROCEDURE RULES

The following table summarises the breaches of the Council's Contract Procedure Rules, identified by Veritau during 2013/14:

	Schools 2013/14	Schools 2012/13	Schools 2011/12	Other 2013/14	Other 2012/13	Other 2011/12
Quotations not sought or evidence not retained	3	9	7	0	0	0
Quotation/tender opening and recording procedures incorrect	2	11	18	0	0	0
LMS/CP rules waived but no documented or approved case to justify deviation	0	0	1	0	1	1
Failure to consult with Legal Services re contract conditions and signing and/or failure to obtain appropriate approval to proceed with procurement	0	6	5	0	0	0
Lease for equipment entered into without agreement of Finance	0	0	1	0	0	0
Contract not signed and dated by County Council and contractor	0	0	0	0	0	0
No contract in place or key clauses omitted	0	3	5	0	0	1
Correct procurement process not followed or lack of evidence to confirm	1	1	2	0	1	0
Contract expired but not re-tendered or contracts automatically rolled forward	1	1	1	0	0	0

	Schools 2013/14	Schools 2012/13	Schools 2011/12	Other 2013/14	Other 2012/13	Other 2011/12
Lowest quotation not selected and selection criteria not documented	0	0	1	0	0	0
Inadequate advertising	0	0	0	0	0	0
Scoring mechanism not indicated or not submitted to Veritau (for recording)	0	0	0	1	0	0
Contracts not stored in accordance with CPRs	0	0	0	0	0	2
No financial checks or other requisite checks	0	17	25	0	2	0
Failure to comply with all aspects of Rule 18	0	0	0	0	0	0
SCMS not utilised during procurement process	0	0	0	0	0	0
Inadequate contract monitoring	0	0	0	4	3	1
Cost variation forms not completed.	0	0	0	0	0	0
Issues identified with the Gateway process	0	0	0	0	1	0
TOTALS	7	48	66	5	8	5

VERITAU GROUP

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME – 2014

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- the objectives, scope and expected timescales for each audit engagement subject to agreement with the client before detailed work commences (audit specification)
- the results of all audit testing work documented using the company's automated working paper system (Galileo)
- file review by an audit manager and sign-off of each stage of the audit process
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets reported to each client on a regular basis.

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a second audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors (and the relevant audit manager) concerned.

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate

conformance with the standards. To support this process, each internal auditor is required to assess their current skills and knowledge against the competency profile relevant for their role.

The results of the annual client survey and PSIAS self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board¹ as part of the annual report of the Head of Internal Audit.

The process followed is also intended to enable council clients to discharge their responsibilities for evaluating the effectiveness of internal audit each year as set out in the Accounts and Audit (England) Regulations 2011 section 6(3).

External assessment

At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. The assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2014

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2014. Where relevant, the survey also asked questions about the counter fraud and information services provided by Veritau. A total of 96 surveys were issued to senior managers in client organisations. 21 surveys were returned (a response rate of 22%). Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service.

The results of the survey are set out in the table below:

¹ As defined by the relevant audit charter.

	1	2	3	4	N/A
1 The quality of planning and the overall coverage of the audit plan	2	10	7	1	1
2 The provision of advice and guidance	5	13	3		
3 The conduct and professionalism of audit staff	10	11			
4 The ability of audit staff to provide unbiased and objective opinions	7	13	1		
5 The ability of audit staff to establish a positive rapport with customers	7	11	3		
6 The auditors' overall knowledge of the system / service being audited	4	7	8	1	1
7 The auditors' ability to focus on the areas of greatest risk	2	15	3		1
8 Agreeing the scope and objectives of the audit	4	11	5		1
9 The auditors' ability to minimise disruption to the service being audited	7	9	4		1
10 The communication of issues found by the auditors during their work	4	13	3		1
11 The quality of feedback at the end of the audit	4	14	2		1
12 The accuracy, format, length and style of audit reports	6	12	1	1	1
13 The time taken to issue audit reports	3	12	5		1
14 The relevance of audit opinions and conclusions	2	14	4		1
15 The extent to which agreed actions are constructive and practical	3	13	4		1
Overall rating for the Internal Audit services provided by Veritau	2	17	1		1

The ratings were broadly in line with the previous year and suggest that the service is well regarded by clients. However, there is a need to focus on some of the areas where the ratings are lower. In particular, auditors need to demonstrate a better understanding of the systems and services being audited. There is also scope to improve the quality of planning and the overall coverage of audit plans.

3.0 Self Assessment Checklist – 2014

The checklist prepared by CIPFA to enable conformance with the PSIAS and the Local Government Application Note to be assessed was completed in March 2014. Documentary evidence was provided where current working practices were considered to fully or partially conform to the standards.

In most areas the current working practices were considered to be a standard. However, the following areas of non-conformance were identified. None of the issues identified are considered to be significant. In addition, in some cases, the existing arrangements are considered appropriate for the circumstances and hence require no further action.

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Has the Head of Internal Audit reported the results of the QAIP to senior management and the audit committee?	As this is the first full year of the PSIAS, the results of the QAIP still need to be reported to senior management and the board of each respective client. The expectation is that this stage will be completed by 30 June 2014 (and each

<u>Conformance with Standard</u>	<u>Current Position</u>
	subsequent year).
Has the Head of Internal Audit included the results of the QAIP and progress against any improvement plans in the annual report?	See above – still to be done for this year. The outcomes of the QAIP and details of any specific development needs (as set out in the annual Improvement Action Plan) will be included in the annual report.
Has the Head of Internal Audit stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	See above – still to be done for this year.
Has the Head of Internal Audit reported any instances of non-conformance with the PSIAS to the audit committee?	See above – still to be done for this year.
Has the Head of Internal Audit considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	See above – still to be done for this year.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Whilst reliance may be placed on other sources of assurance there is no formal process to identify and assess other sources of assurances. <i>Action: the use of assurance mapping will be further developed and, where appropriate, future audit plans will highlight where other sources of assurance are being relied upon.</i>

<u>Conformance with Standard</u>	<u>Current Position</u>
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following – (c) the respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	In future, specifications will set out the expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties). <i>Action: the audit manual and standard working papers will be changed to reflect this requirement</i>
For consulting engagements, have internal auditors established an understanding with the engagement clients about the following – (c) the respective responsibilities of the internal auditors and the client and other client expectations?	In future, specifications (and reports) will set out the expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties). <i>Action: the audit manual and standard working papers will be changed to reflect this requirement</i>
When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	This has not been done previously. In future, specifications and reports will set out the expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties). The Audit manual has already been amended to reflect this requirement. <i>Action: the audit manual and standard working papers will be changed to reflect this requirement</i>

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients.

The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP). Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to over 12 local authorities (including county, unitary and district councils across Somerset, Wiltshire and Dorset). The Partnership was established in 2005 and currently employs over 60 members of staff.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed an audit committee chair. The fieldwork was completed in early April 2014.

A copy of the assessment report is attached at **Annex A**.

The conclusion from the external assessment was that the current working practices conform to the required professional standards. The assessors made a number of observations and recommendations which will now be taken forward in the Improvement Action Plan (see below).

5.0 Improvement Action Plan

The following changes and improvements to working practices will be made:

Change / improvement	Target completion date
The use of assurance mapping will be further developed and, where appropriate, future audit plans will highlight where other sources of assurance are being relied upon.	31 March 2015
The audit manual and standard working papers will be changed to ensure that the expectations on Veritau and the relevant client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties) are fully understood. The standard templates for audit specifications and reports will be amended to reflect this change. Where appropriate, information sharing agreements will also be established with client organisations.	30 September 2014
Further comparative benchmarking information will be sought from other internal auditor providers in order to help demonstrate that the current internal audit service provides value for money.	31 March 2015
Whilst the current outsourced arrangement with Audit	31 March 2015

<p>North is working well further efforts will be made to develop the capacity of the 'in-house' IT audit provision in order to be able to offer a more cost effective option to client organisations.</p>	
<p>The standard Audit Charter will be amended to make it clear that auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months.</p>	<p>30 September 2014</p>
<p>Current internal audit working practices will continue to be reviewed to ensure that there is consistency in service delivery across the different teams.</p>	<p>31 March 2015</p>

SELF-ASSESSMENT WITH EXTERNAL INDEPENDENT VALIDATION

VERITAU GROUP

MAY 2014

**COMPLETED BY:
THE SOUTHWEST AUDIT PARTNERSHIP**



INTRODUCTION

In accordance with the International Standards for the Professional Practice of Internal Auditing “The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity” (*Performance Standard 1300*). In order to achieve this, the Head of Internal Audit Partnership commissioned a Quality Review of Veritau.

There are two suggested approaches to conducting the review:

- External Quality Assessment
- Self-Assessment with Independent Validation

Due to the prohibitive costs of an External Quality Assessment, recognised as achieving the highest level of quality assurance, Veritau opted for the second option, with independent validation being carried out through peer review. For the process to pass the ‘independence’ test the Manual recommends that “at least three organisations come together to form a pool of professionals, all of whom are qualified to conduct external assessments”.

In order to achieve this Veritau worked together with the South West Audit Partnership (SWAP), the Devon Audit Partnership (DAP) and Hertfordshire’s Shared Internal Audit Service (SIAS), whereby each Audit Team would carry out a self-assessment and then SWAP would act as Validators for Veritau, Veritau for SIAS, SIAS for DAP and DAP for SWAP.

SCOPE AND METHODOLOGY

As part of the preparation for the Quality Assurance Review (QAR), Veritau prepared a self-assessment document (utilising the Checklist for Assessing Conformance with the Public Sector Internal Auditing Standards (PSIAS) and the Local Government Application Note), providing links to necessary evidence to support their findings. The self-assessment team conducted a QAR of the internal audit (IA) activity undertaken by Veritau across its client organisations in preparation for validation by an independent assessor. The team also reviewed the IA activity’s risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes as well as the service Procedure Manuals for the delivery of Internal Audit reviews.

The principal objective of the QA was to assess the IA activity’s conformance to the International Standards for the Professional Practice of Internal Auditing (Standards).

The QA Review Team from SWAP was made up of their Company Chief Executive – Gerry Cox who is a Chartered Auditor and Certified Auditor with over 25 years management experience in Internal Auditing. The second member of the team was SWAP’s Director of Quality - Ian Baker, a Fellow Member of the Institute of Management Services with over 10 years management experience in Internal Auditing.

In addition to reviewing the evidence supplied by the Self-Assessment Team the Review Team were on site for three days meeting with Veritau staff, client officers and Committee Members. In addition to interviewing the Head of Internal Audit a further thirteen interviews were held, with eight of these representing client organisations and the other five being staff members.

OPINION AS TO CONFORMITY TO THE *STANDARDS*

It is our overall opinion that the Veritau IA activity ‘Generally Conforms’ to the *Standards* and Code of Ethics.

For a detailed list of conformance to individual standards, please see Attachment A. The QAR team identified opportunities for further improvement, details of which are provided in this report.

The guidance suggests a scale of three ratings, “generally conforms,” “partially conforms,” and “does not conform.” “Generally Conforms” is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. “Partially Conforms” means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. “Does Not Conform” means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

SUMMARY OF POSITIVE OBSERVATIONS

The IA activity environment is well-structured and progressive, where the Standards are clearly understood and management is endeavouring to provide useful audit tools and implement appropriate practices to ensure the service remains current and provides added value to its clients; summarised by one client officer as a “*modern internal audit service focussing on what’s important*”. Other positive observations include:

- The Head of Internal Audit is highly respected by both staff and client representatives.
- Interviews indicate that the service has a good organisational profile.
- We asked each of the eight client representatives to rate the internal audit service provided by Veritau, out of 10. The service received an average score of 8.4 which indicates it is highly valued by its clients.
- Annual feedback from the client survey indicates a positive view on the conduct, professionalism and approach of Veritau staff.
- The service receives a high level of satisfaction from individual audit review feedback forms.
- Veritau offer good internal training and development for new auditors.
- The service has a comprehensive procedure manual to guide its staff.

Consequently, the observations and recommendations by the QA Review Team captured below are intended to build on the foundations already in place in the IA activity.

OBSERVATIONS AND RECOMMENDATIONS

PART I – MATTERS FOR CONSIDERATION OF VERITAU MANAGEMENT

1. The self-assessment identified the need for specifications to set out expectations on Veritau and the client organisation in terms of access to records and the distribution of reports (including the extent of any duty of care provided to third parties). It would be beneficial to have an agreed Audit Charter (or some form of engagement agreement) with all client organisations engaged with and other related documents such as Information Sharing Protocols (*Attribute Standard 1000*).
2. Whilst guidance exists on a Quality Assurance Improvement Programme, we were not provided evidence of a maintained Action Plan. The matters arising from this Assessment should be used as a basis for starting such a plan which should be maintained as a live document and periodically reported to the Board for progress (*Attribute Standard 1300*).
3. With the financial pressures faced by Local Authority clients it is essential for all service providers to demonstrate value for money. Where possible, management should try to obtain comparative benchmarking data that demonstrates to its owners that Veritau represents VFM (*Performance Standard 2000*).

PART II – ISSUES SPECIFIC TO THE INTERNAL AUDIT ACTIVITY OF VERITAU

1. In our opinion the coverage of IT Audit in annual plans is low. Reliance on ICT and related risks will only increase and it is essential that a balanced proportion of the Annual Plan should reflect this (*Performance Standard 2010*).
2. The Audit Charter states that the service is “ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice”. This is good practice, however, the term ‘recently’ can be seen to be ambiguous and should be specified i.e. 12 months (*Attribute Standard 1130*).
3. Internal audit plans and activities are coordinated with the external auditors of each client organisation. However, it is recognised that there is further scope for coordination of other internal providers of assurance (*Performance Standard 2050*).
4. Some staff raised concerns over consistency across the Company; an example cited was the follow up processes. This is a challenge for any growing organisation. Veritau has a comprehensive Procedure Manual and utilises Galileo to perform reviews and so should expect consistency. The production of management reports which are regularly monitored to ensure Company practice is enforced should help to address this perceived issue.

RECOMMENDATIONS

We recommend that:

- the Head of Internal Audit presents this report to the Veritau Board and each of its client organisations Audit Committees;
- the Head of Internal Audit uses the Observations and Recommendations from this report to develop a Quality Assessment Improvement Programme (QAIP) that is maintained as a live document;
- the Head of Internal Audit presents the QAIP to the Veritau Board and each of its client organisations Audit Committees and thereafter reported periodically to monitor progress and on-going development of the service.

ATTACHMENT A STANDARDS CONFORMANCE EVALUATION SUMMARY

SOUTH WEST AUDIT PARTNERSHIP

Standards Conformance Evaluation Summary		("X" Evaluator's Decision)		
		GC	PC	DNC
OVERALL EVALUATION				
ATTRIBUTE STANDARDS				
1000	Purpose, Authority, and Responsibility	X		
1010	Recognition of the Definition of Internal Auditing	X		
1100	Independence and Objectivity	X		
1110	Organisational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care			
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program			
1310	Requirements of the Quality Assurance and Improvement	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Non-conformance	X		
PERFORMANCE STANDARDS				
2000	Managing the Internal Audit Activity			
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination		X	
2060	Reporting to Senior Management and the Board	X		

Standards Conformance Evaluation Summary

		("X" Evaluator's Decision)		
		GC	PC	DNC
2100	Nature of Work			
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning			
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement			
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results			
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Non-conformance	X		
2440	Disseminating Results	X		
2500	Monitoring Progress	X		
2600	Management's Acceptance of Risks	X		
IIA Code of Ethics		X		

Definitions

GC – “Generally Conforms” means the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.

PC – “Partially Conforms” means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

DNC – “Does Not Conform” means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

ATTACHMENT B INDEPENDENT VALIDATOR STATEMENT

The validator was engaged to conduct an independent validation of the Veritau self-assessment. The primary objective of the validation was to verify the assertions made by the self-assessment team concerning adequate fulfilment of the organisation's basic expectations of the IA activity and its conformity to the International Standards for the Professional Practice of Internal Auditing (Standards).

In acting as validator, I am fully independent of the organisation and have the necessary knowledge and skills to undertake this engagement. The validation, started in February 2014 and culminated with a three day site visit on 11th April. The validation consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with fourteen individuals, including the Head of Internal Audit. Apart from five members of Veritau staff, we met with four Section 151 Officers, two Assistant Directors, a Chief Executive and an Audit Committee Chairman.

I concur fully with the IA activity's conclusions in the self-assessment from where some of the observations were identified.

Implementation of all the recommendations contained in this report will serve only to improve the effectiveness and enhance the value of the IA activity, which is already highly regarded, and ensure its full conformity to the *Standards*.



Gerry Cox CMIIA

Chief Executive – South West Audit Partnership

Date 3rd June 2014

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****26 JUNE 2014****CORPORATE GOVERNANCE****Report of the Corporate Director, Strategic Resources****1.0 PURPOSE OF REPORT**

- 1.1 To review the Annual Governance Statement for 2013/14 in advance of approving a later version at the meeting on 25 September 2014.
- 1.2 To recommend to the Executive that the updated Local Code of Governance be approved by the County Council.

2.0 BACKGROUND

- 2.1 The Framework Delivering Good Governance in Local Government, published by CIPFA in association with SOLACE in 2007, sets the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued an addendum to it in the Autumn of 2012 which provides an updated example annual governance statement.
- 2.2 According to the Terms of Reference of the Audit Committee, its role in respect of Corporate Governance is:
- (i) to assess the effectiveness of the authority's Corporate Governance arrangements
 - (ii) to review progress on the implementation of Corporate Governance arrangements throughout the authority
 - (iii) to approve the Annual Governance Statement
 - (iv) to review the annual Statements of Assurance provided by the Chief Executive and Corporate Directors
- 2.3 In relation to (i) and (ii) above, reports are submitted at regular intervals during the year as set out in the Programme of Work. Item (iii) is considered as part

of this report, and item (iv) is addressed by including progress updates in the Directorate specific reports submitted to each meeting by the respective Corporate Director alongside a report on internal audit work relating to that Directorate which is produced by the Head of Internal Audit.

3.0 STATUTORY REQUIREMENTS

3.1 The key legislation covering the statutory requirements for both the Annual Governance Statement and the Statement of Final Accounts is contained in the Accounts and Audit Regulations of 2011. This includes a requirement for the AGS to accompany the accounts.

3.2 In addition to these Statutory Requirements CIPFA's Practitioner Notes for the 2012/13 Accounting Code of Practice recommend on best practice that –

- A full draft version of the AGS should accompany the SOFA which is required to be signed and dated by the end of September by the responsible financial officer
- The AGS should be approved by Members meeting as a whole committee under regulation 4(3) at the same time as the SOFA is approved under regulation 8(3) i.e. by 30 September

3.3 CIPFA also recommends reporting the SOFA to Members after they have been signed by the responsible officer. This is to allow time to review the SOFA, together with the AGS before or during the audit of the accounts and for points to be raised as appropriate.

3.4 The approach being taken by the County Council in order to ensure compliance with statutory obligations and to provide Audit Committee with sufficient time and information to seek assurances is as follows –

Initial review of draft AGS as attached to this report - 26 June 2014

Audit Committee consideration of draft Statement of Final Accounts including refinements to AGS as appropriate post 26 June - 17 July 2014

Formal approval of SOFA including AGS with explanation of any changes since 18 July - 25 September 2014

3.5 It is hoped that the meetings on 26 June and 17 July will provide such opportunities for all Members of the Audit Committee to become comfortable with reaching a positive view at the Audit Committee meeting on 25 September 2014. Recognising the number of possible changes (reflecting the views of the Audit Committee; external audit; and simply changes of

circumstances / updates) it was previously agreed that a sub-group would be created by the Audit Committee in order to provide a dedicated resource to review the AGS. The Committee is invited to finalise arrangements for this sub0group so that it may provide periodic updates culminating in a feedback report to the Audit Committee on 25 September 2014.

4.0 DEVELOPMENTS IN 2013/14

- 4.1 Although the responsibility for managing the day to day aspects of the Corporate Governance agenda belong to the Executive and the Management Board, wider Members also have to be actively engaged – the role of this Committee is therefore critical in this regard.
- 4.2 This Committee received progress reports on a range of specific governance issues such as risk management and information governance through the year as well as a six monthly progress report on general corporate governance (as per Audit Committee on 5 December 2013).
- 4.3 A range of key governance documents are produced in order to ensure that progress is made and that practice is consistent with statute, guidance and good practice. Copies of these key documents are attached to this report as follows:-

Local Code of Corporate Governance – **Appendix A**
Annual Governance Statement 2013/14 – **Appendix B**
Statements of Assurance – **Appendix C**
Corporate Governance Checklist Summary – **Appendix D**

All of the above have been updated to reflect issues identified in 2013/14 and / or changes in requirements.

- 4.4 Notable areas of recent work undertaken as part of the corporate governance agenda include the following:-
- ➔ annual review of the Local Code and Annual Governance Statement
 - ➔ progressing the Statements of Assurance
 - ➔ update of the Corporate Governance Self-Assessment Checklist
 - ➔ progressing issues relating to best practice documentation such as the latest CIPFA publication, Audit Committee Update
 - ➔ implementing changes to the Information Governance Framework
 - ➔ sharper focus and disciplines on procurement across the Council.

- ➔ establishing governance arrangements for the 2020 North Yorkshire Change Programme.
- ➔ delivering MTFs and the longer term financial planning horizon to 2019.

5.0 LOCAL CODE OF CORPORATE GOVERNANCE

- 5.1 The Local Code of Corporate Governance (**Appendix A**) is a statement of the principles that the County Council will apply in its corporate governance framework. It also describes key components of that framework and how they will be monitored and reviewed.
- 5.2 The Local Code is reviewed annually alongside the Annual Governance Statement (AGS). Whilst the AGS needs to be updated on an annual basis (see **Section 7** below), the simultaneous review of the Local Code ensures that key changes to the corporate governance framework (whether driven by external forces such as legislative changes or by internal factors) are reflected in the Local Code so that it is compatible with the AGS (which describes in detail the actual processes in place and the activity undertaken in the year relating to corporate governance). Minor amendments have been made to this document and those changes are tracked for ease of reference.
- 5.3 Once approved by Committee at this meeting, the Local Code will be referred to the Executive, who can then recommend it for formal adoption by the County Council.

6.0 ANNUAL GOVERNANCE STATEMENT 2013/14

- 6.1 The AGS (Appendix B) is effectively an annual report which assesses the effectiveness of the governance processes which have been put in place within the Council. It will accompany the Statement of Final Accounts (SOFA) when they are submitted to this Committee at its July meeting and then at the September meeting when the Committee is invited to formally approve the Statement of Final Accounts for 2013/14.
- 6.2 In order to fulfil its responsibilities, the Audit Committee needs to be able to satisfy itself that the governance and internal control processes described in the AGS are in fact both operational and effective. One aspect of this assurance process is to review progress by management on dealing with the issues identified in the AGS.
- 6.3 The Annual Governance Statement has been drafted to comply with the Delivering Good Governance Framework in Local Government 2007 and the

Application Note to Delivering Good Governance in Local Government: a Framework (March 2010).

- 6.4 There is one section of the AGS that relates to Significant Governance Issues (**Section 7**). This assessment has been drawn together from across the Council and has been approved by Management Board.
- 6.5 Members are asked to review the AGS 2013/14 with the intention of formally approving a later version at the meeting on 25 September when the SOFA will also be approved.

7.0 STATEMENTS OF ASSURANCE

- 7.1 As part of the annual process and methodology to prepare the AGS, each Corporate Director is required to prepare and sign a Statement of Assurance relating to governance issues in their Directorate.
- 7.2 These Statements are one of the sources from which the Management Board draws up the issues list that appear in **Section 7** of the AGS.
- 7.3 A list of the issues identified to date by Corporate Directors is attached as **Appendix C**. These statements have been produced following combination of issues raised by the Audit Committee last year.

8.0 CORPORATE GOVERNANCE CHECKLIST SUMMARY

- 8.1 The Corporate Governance Checklist is a self assessment checklist and is in line with the 6 principles defined in the Local Code of Corporate Governance. The requirements of the document CIPFA Statement of the Role of the Chief Financial Officer in Local Government are also incorporated within the Checklist.
- 8.2 The Checklist is effectively a “live” document to monitor and review the overall Corporate Governance process within the County Council. Although a copy of the latest “version” is available to Members, a Summary is attached as **Appendix D** for ease of reference. This Summary shows:
- ➔ some of the improvements made in corporate governance between May 2013 (the last time the Audit Committee reviewed the Checklist) and May 2014 in the right hand column.
 - ➔ reference to the requirements of the 6 principles defined in the Local Code of Corporate Governance on the right hand side.

→ some examples of improvements in Corporate Governance to be made between May 2014 and May 2015

- 8.3 Areas of development and / or improvement continue to be identified as a result of the need to comply with new guidance and requirements as they are published.
- 8.4 The Checklist is used by officers in order to provide some assurance that all relevant areas of governance are being adequately addressed and, where relevant, gaps are identified with consequential actions to fill such gaps.

9.0 RECOMMENDATIONS

- 9.1 That the updated Local Code of Corporate Governance (**Appendix A**) be recommended for approval by the County Council.
- 9.2 That Members review the Annual Governance Statement 2013/14 (**Appendix B**) with the intention of formally approving a later version at the meeting on 25 September 2014.
- 9.3 That the Committee appoints Members of the Governance sub-group so that a feedback report can be made to the full Committee on 25 September 2014.
- 9.4 That Members note the Statements of Assurance (**Appendix C**)

GARY FIELDING
Corporate Director, Strategic Resources
County Hall
Northallerton

26 June 2014

Report prepared by Fiona Sowerby, Corporate Risk and Insurance Manager, ext 2400

Background papers: December Audit Committee update on Corporate Governance

Local Code of Corporate Governance

Draft May 2014

Contents

Section		Page
1	Introduction	3
2	Policy Statement on Corporate Governance	4
3	The Six Principles of Corporate Governance	4
4	Corporate Governance Arrangements	5
5	Monitoring, Reporting and Review	12
8	Contact details and further information	14
Appendix	Diagrammatic representation	15

1.0 INTRODUCTION

- 1.1 Corporate governance is the system by which a local authority directs and controls its functions and relates to the community it serves. It is therefore a framework of policies, management systems, procedures and structures that together, determine and control the way in which a local authority manages its business, determines its strategies and objectives, and sets about delivering its services to meet those objectives for the greater good of its community. This naturally extends to how the organisation accounts to, engages with and, where appropriate, leads its community.
- 1.2 On this basis, the principles of good corporate governance require a local authority to undertake its functions in a way that is completely open and inclusive of all sectors of the community, demonstrates the utmost integrity in all its dealings, and is fully accountable to the public it serves.
- 1.3 North Yorkshire County Council is committed to demonstrating good corporate governance. This Code sets out what the governance arrangements are, and who is responsible for them within the County Council. It also explains how the arrangements will be kept under review and monitored for compliance.
- 1.4 The Code also expresses how the County Council will seek to conduct its business in a way that demonstrates –
- **Openness and Inclusivity** – which is necessary to ensure that stakeholders can have confidence in the decision-making and management processes of the County Council, and the role of the Members and Officers therein. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to effective and timely action and lends itself to necessary scrutiny. Openness also requires an inclusive approach, which seeks to ensure that all stakeholders, and potential stakeholders, have the opportunity to engage effectively with the decision-making processes and actions of the County Council. It requires an outward looking perspective and a commitment to partnership working, that encourages innovative approaches to consultation and to service provision
 - **Integrity** – is necessary for trust in decision making and actions. It is based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of the County Council's affairs. It is dependent on the effectiveness of the internal control framework and on the personal standards and professionalism of both Members and Officers. It is reflected in the County Council's decision-making procedures, in its service delivery and in the quality of its financial and performance reporting
 - **Accountability** - is the process whereby Members and Officers within the County Council are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles expressed through a robust and resilient structure

2.0 POLICY STATEMENT ON CORPORATE GOVERNANCE

- 2.1 The Policy of the County Council is to incorporate the principles of Corporate Governance into all aspects of its business activities to ensure that stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Members, Officers and agents in delivering services. To this end, the County Council will report annually on its intentions, performance and financial position, as well as on the arrangements in place to ensure good governance is always exercised and maintained.
- 2.2 These principles reflected in this Policy will also be applied to the North Yorkshire Pension Fund and any company in which the County Council has a substantive equity holding.

3.0 THE SIX PRINCIPLES OF CORPORATE GOVERNANCE

- 3.1 There are six core principles that should underpin governance arrangements within a local authority. These are defined as follows –
- focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - developing the capacity and capability of Members and Officers to be effective
 - engaging with local people and other stakeholders to ensure robust public accountability
- 3.2 This Code addresses these six core principles and describes the systems and processes that support these in the County Council. In addition the Code reflects how the County Council addresses the requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* (2010)
- 3.3 The Code also explains how the County Council intends to monitor and review the corporate governance arrangements defined in this Code including compliance with the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* (2010).
- 3.4 A diagrammatic representation of how this Code fits into the management process of the County Council is attached as **Appendix A**.

4.0 CORPORATE GOVERNANCE ARRANGEMENTS

Core Principle 1 : Focussing on the purpose of the County Council and on outcomes for the community, and creating and implementing a vision for the local area

4.1 The County Council will develop a clear vision and purpose, identify intended outcomes and ensure that these are clearly communicated to all stakeholders of the organisation, both internal and external. In doing so, the County Council will report regularly on its activities and achievements, and its financial position and performance.

The County Council will publish annually –

- a Council Plan
- a Statement of Final Accounts together with the Annual Governance Statement and

And a Community Plan in conjunction with local partners every three years.

4.2 The County Council will keep its corporate strategies, objectives and priorities under constant review, so as to ensure that they remain relevant to the needs and aspirations of the community.

4.3 In undertaking all its activities, the County Council will aim to deliver high quality services which meet the needs of service users. Delivery may be made directly, via a subsidiary company, in partnership with other organisations, or by a commissioning arrangement. Measurement of service quality will also be a key feature of service delivery.

4.4 In addition, the County Council will continue to monitor the cost effectiveness and efficiency of its service delivery, as well as

- ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money in its use
- ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary
- ensure compliance with CIPFA's Code on Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code

4.5 The County Council will also seek to address any concerns or failings in service delivery by adhering to and promoting its Complaints Procedure.

Core Principle 2 : Members and Officers working together to achieve a common purpose with clearly defined functions and roles

4.6 To ensure accountability the Constitution of the County Council defines the roles and responsibilities of both the Council's executive and non-executive functions. In particular, the Constitution –

- clearly defines the role of the Executive and Executive Members
- also defines the respective roles of other Members, Members generally and of Senior Officers
- defines the statutory roles of the Head of Paid Service, Section 151 Officer and the Monitoring Officer
- sets out a Protocol to address the working relationship between the Leader and the Chief Executive which enables each to fulfil their respective roles
- sets out a Protocol on Member / Officer relations which is the framework for effective working together
- includes Schemes of Delegation for both Members and Officers
- includes Procedure Rules in relation to staff employment, contracts / procurement, finance and property that are reviewed annually
- empowers an Independent Remuneration Panel that considers Members' allowances
- requires appropriate governance arrangements for partnerships
- is kept under regular review

4.7 To demonstrate compliance with the CIPFA Statement on the *Role of the Chief Financial Officer* the County Council will –

- ensure that the Chief Financial Officer (CFO) * reports directly to the Chief Executive and is a member of the Management Board with a status at least equivalent to other members
- ensure that the authority's governance arrangements allow the CFO direct access to the Chief Executive and to other Management Board members
- appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the *Role of the Chief Financial Officer* and ensure that they are properly understood throughout the authority

* the Corporate Director – Strategic Resources fulfils the role of CFO as defined in the CIPFA Statement.

- ensure that the CFO :
 - leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and use appropriately, economically, efficiently and effectively
 - has a line of professional accountability for finance staff throughout the organisation
- ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance
- ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role
- establish a medium term business and financial planning process to deliver strategic objectives including:
 - a medium term financial strategy to ensure sustainable finances
 - a robust annual budget process that ensures financial balance
 - a monitoring process that enables this to be delivered
- ensure that these are subject to regular review to confirm the continuing relevance of assumptions used

Core Principle 3 : Promoting values for the County Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

4.8 The County Council will conduct its activities in a manner which promotes high ethical standards and good behaviour which will foster openness, support and mutual respect. The following policies and protocols have been established and will be kept under review to assist the County Council in maintaining this culture –

- Member Code of Conduct and Complaints procedure
- Guidance Protocol re Members' Code of Conduct
- Standards of Conduct
- Local / National Teachers' Code of Conduct

- Protocol on Officer/Member Relations
- Code of Conduct for Planning
- Ethical Behaviour Statements
 - Leader
 - Chief Executive
- Staff and Member Registers of Interest
- ICT Code of Practice and Protocols on ICT use for Members and Officers
- Whistleblowing policy
- Counter Fraud Strategy
- Anti-Money Laundering Policy
- Officers' Register of Gifts & Hospitality
- Equality and Diversity Policy Statement
- Communication Strategy to support 2020 North Yorkshire
- Partnership Working Guidance
- Procurement Strategy
- Information Governance Framework

4.9 In addition, the County Council will ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.

4.10 The aim is to develop a set of shared values which will underpin an ethos of good governance. This will be further supported by compliance with legislation, Procedure Rules and all relevant professional standards.

4.11 The County Council has established a Standards Committee to discharge its responsibilities for promoting and maintaining high standards of Member conduct. The Standards Committee meets twice yearly and as required. It develops initiatives to promote high ethical standards, is involved in ensuring the training of all Members on standards, and monitors compliance against the national Code of Conduct for Councillors. The Committee is also responsible for the handling of complaints that Members may have breached the Code.

4.12 Where the County Council works in partnership it will continue to uphold its own ethical standards, as well as acting in accordance with the partnership's shared values and aspirations.

Core Principle 4 : Taking informed transparent decisions which are subject to effective scrutiny and managing risk

4.13 The County Council observes this Principle through a combination of the following:

- all meetings of the Council and its Committees are open to the public
- having a formal Constitution which details the decision making process and the procedures required to support the transparency and accountability of decisions made
- an effective scrutiny function
- comprehensive recording of all decisions taken and the reasons for those decisions
- maintenance of registers to record potential conflicts of interest, attendance etc
- an independent Audit Committee
- a properly constituted Standards Committee.
- a transparent complaints procedure
- Area Committees that have the flexibility to co-opt local representatives
- Member development programme
- provision of timely and relevant information to all interested parties
- involvement of legal, financial and specific service expertise to inform decision-making
- an embedded risk management culture
- effective whistleblowing and counter fraud procedures
- implementation of all specific legislative requirements placed upon the County Council
- a comprehensive Information Governance Framework in compliance with accredited standards; this Framework includes the protection of sensitive and commercial data

4.14 In relation to its financial management arrangements, the County Council will –

- ensure an effective internal audit function is resourced and maintained
- ensure that its governance arrangements allow the CFO direct access to the Audit Committee and External Auditor
- ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority
- ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions
- ensure that advice is provided on the levels of reserves and balances in line with good practice guidance

- ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports
 - ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes
- 4.15 Based on the above, in terms of policy and decision making, the Executive is supported at all times by professional advice that addresses all relevant legal, financial and resourcing issues. At the same time, risk management processes operate so as to ensure that the risk and impact of decisions are fully assessed.
- 4.16 The County Council operates a scrutiny framework, supported by named officers, that enables decisions by the Executive to be challenged or influenced by the rest of the County Council's Members.

Core Principle 5 : Developing the capacity and capability of Members and Officers to be effective

- 4.17 The County Council is continually seeking to develop the capacity and capability of both its Members and officers in recognition that the people who direct and control the organisation must have the right skills. This is achieved through a commitment to training and development, as well as recruiting senior officers with the appropriate balance of knowledge and experience.
- 4.18 The County Council aims to achieve this by –
- organising Member and employee induction programmes
 - a Workforce Plan that addresses issues such as recruitment, succession planning, flexible working and other people management issues
 - providing career structures to encourage staff development
 - regularly reviewing job descriptions and person specifications and using these as the basis for recruitment
 - implementing a Development Programme including individual training and development plans
 - maintaining an effective performance management system
 - encouraging a wide variety of individuals and organisations to participate in the work of the County Council
- 4.19 To ensure compliance with the CIPFA Statement in the *Role of the Chief Financial Officer* the County Council will
- ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of his role

- review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised
- provide the finance function with the resources, expertise and systems necessary to perform its role effectively
- embed financial competencies in person specifications and appraisals
- ensure that councillors' roles and responsibilities for monitoring financial performance / budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities

Core Principle 6 : Engaging with local people and other stakeholders to ensure robust public accountability

4.20 The County Council will seek the views of its stakeholders and respond appropriately by –

- clearly identifying its stakeholders, in order to ensure that relationships with these groups continue to be effective
- maintaining effective channels of communication which reach all groups within the community and other stakeholders as well as offering a range of consultation methods; to this end the County Council has a Communications Strategy to support the 2020 North Yorkshire Programme and a Consultation Promise that are regularly reviewed and updated
- publishing a Council Plan and an annual Statement of Final Accounts to inform stakeholders and services users of the previous year's achievements and outcomes
- publishing a Medium Term Financial Strategy and consulting each year on the Annual Revenue Budget and its impact on Council Tax
- providing a variety of opportunities for the public to engage effectively with the County Council including attending meetings
- presenting itself in an open and accessible manner to ensure that County Council matters are dealt with transparently, in so far as the need for confidentiality allows
- supporting these shared principles and the undertakings in the North Yorkshire Compact which provides a framework for local authorities and other public bodies to work together with the voluntary and community sector
- developing a Community Plan in conjunction with local partners
- maintaining a Citizens' Panel of around 2000 residents who are consulted twice a year on a wide range of service issues
- maintaining a Freedom of Information Act Publication Scheme and arrangements to respond to requests for information from the public

- operating Access to Information Procedure Rules to ensure local people and stakeholders can exercise their rights to express an opinion on decisions, and can understand what decisions have been made and why
- ensuring the lawful and correct treatment of personal information through a Data Protection policy that follows the principles set out in the Data Protection Act 1998
- maintaining a County Council website that provides access to information and services and opportunities for public engagement

5.0 MONITORING, REPORTING AND REVIEW

5.1 Ensuring good corporate governance is the responsibility of the whole Council. However to formalise the process, the County Council has two Committees that are primarily responsible for monitoring and reviewing the adequacy of the corporate governance arrangements referred to in this Local Code –

- the Audit Committee
- the Standards Committee

The two committees liaise on any issue of Corporate Governance that may be of legitimate common concern to both.

5.2 The Audit Committee is independent of both the Executive and Scrutiny, and has wide ranging responsibilities in relation to audit, information governance, counter fraud, risk management, treasury management, financial and performance reporting, as well as overall corporate governance. The Committee's terms of reference are set out in the Constitution and its principal objectives are to ensure that the County Council manages its risks appropriately and maintains an adequate and effective system of internal control. The Committee meets a minimum of five times a year and includes three co-opted external Members.

5.3 The Standards Committee currently meets twice yearly and as required to promote and maintain high standards of conduct by Councillors and co-opted Members of the Council. The Committee provides advice and support to the Council and its members on the County Council's Members' Code of Conduct and related ethical issues such as membership of outside bodies and Member/officer relations. Additionally, Standards Committee Members participate in training sessions and in sub-committees dealing with complaints of alleged breaches of the Code and has in place arrangements for the receipt, assessment and determination of complaints about potential breaches of the Members' Code of Conduct. The Committee is attended by independent persons, as well as County Council Members.

5.4 Further to the two Committees referred to above, the County Council has also established:

- a Corporate Governance Officer Group of senior officers, chaired by the Corporate Director – Strategic Resources, which is responsible for overseeing the delivery of an integrated programme of work to support the development of robust corporate governance arrangements, and to keep implementation of such arrangements under on-going review. In particular, this Group monitors the Self-

Assessment Checklist that maps, and monitors, all governance activity within the County Council against all published Best Practice Guidelines

- a Corporate Information Governance Group, also chaired by the Corporate Director – Strategic Resources. This Group addresses the various challenges of Information Governance including the development and maintenance of a Framework for Information Governance which comprises a suite of relevant policies, protocols and guidance notes

5.5 The County Council is required to undertake an annual review of the effectiveness of its system of internal control *. This review seeks to –

- identify principal risks to the achievement of County Council objectives
- identify and evaluate key controls to manage principal risks
- obtain assurances of the effectiveness of key controls
- evaluate assurances and identify gaps in control/assurances

This review is overseen by the Audit Committee and is part of the preparatory process for the Annual Governance Statement (see **paragraph 5.8** below). The Audit Committee receives assurance from various sources regarding the adequacy of the internal control environment and overall corporate governance arrangements, including from the Head of Internal Audit. In addition, the effectiveness of internal audit and the Audit Committee itself are reviewed annually.

5.6 Additionally, compliance with the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* is reviewed annually by the Audit Committee.

5.7 Finally, annual reports are produced and published by:

- the Scrutiny Chairs and
- the Audit Committee Chairman

The Annual Governance Statement

5.8 Following the annual review of effectiveness of the system of internal control an Annual Governance Statement (AGS) * will be published to accompany the Statement of Final Accounts for the County Council. The AGS will provide an overall assessment of the corporate governance arrangements in the County Council.

5.9 To reflect the County Council's commitment to the continuous improvement of its system of internal control, progress to address weaknesses is drawn up in response to any significant control weaknesses identified in the AGS. A follow up process is then overseen by the Corporate Governance Officer Group to ensure continuous improvement of the system of corporate governance. The Audit Committee monitors progress to address weaknesses every six months.

* As required by Regulation 4 of the Accounts and Audit Regulations (2011)

Review of this Code

5.10 A review of this Code will be undertaken annually alongside the preparation of the AGS.

6.0 CONTACT DETAILS AND FURTHER INFORMATION

6.1 Further details of the County Council's Corporate Governance arrangements can be obtained on the County Council's website www.northyorks.gov.uk or by contacting the Corporate Director – Strategic Resources (**see below**).

6.2 Finally, if you have any concerns about the way in which the County Council, its Members, Officers or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following Officers as appropriate. Your enquiry will be treated confidentially, and a response made following investigation of the facts in each case.

(i) Chief Executive (Head of Paid Service)

Richard Flinton
North Yorkshire County Council
County Hall
Northallerton
North Yorkshire DL7 8AL
Tel: 01609 532444 E-mail: richard.flinton@northyorks.gov.uk

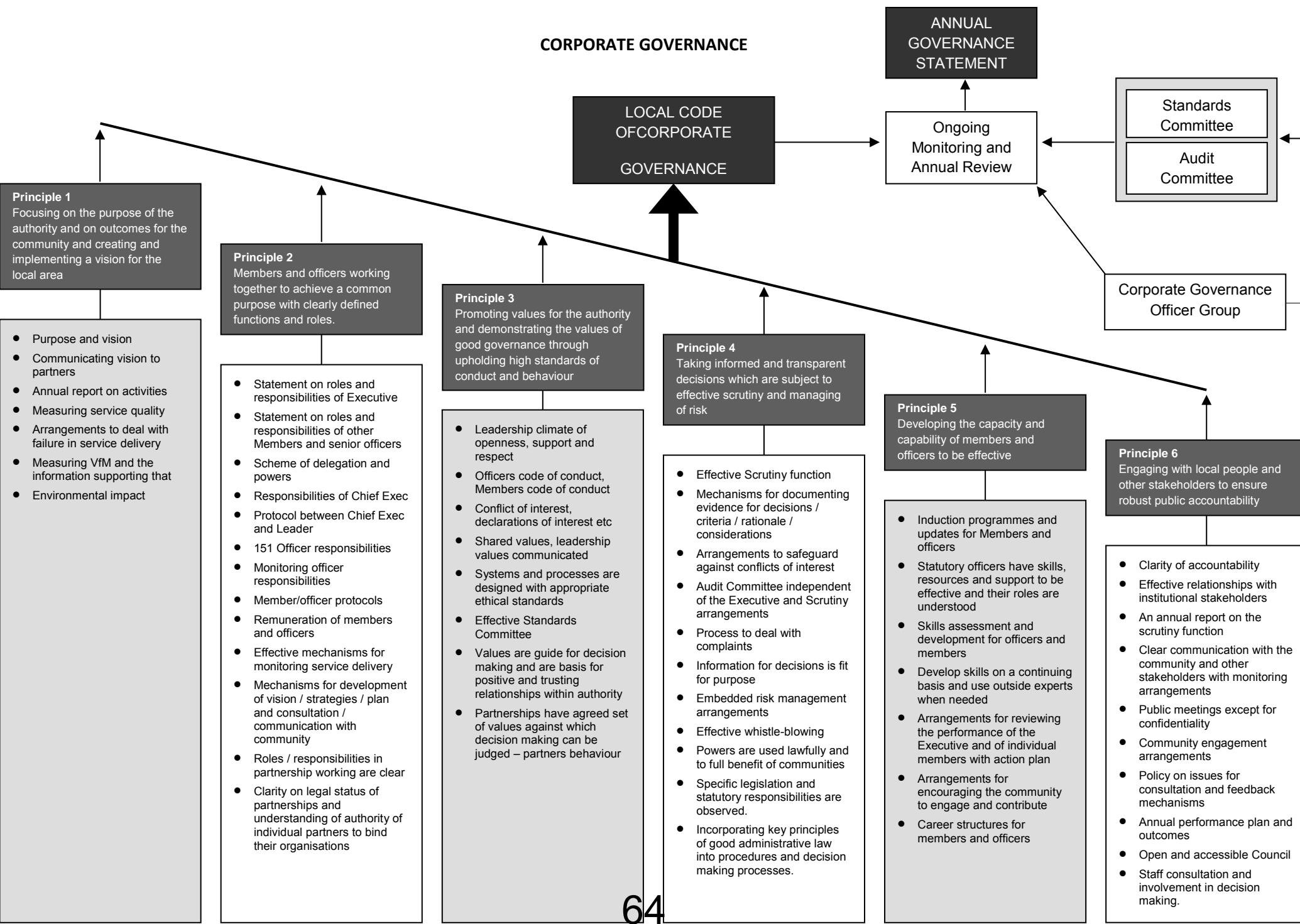
(ii) Corporate Director – Strategic Resources (Section 151 Officer)

Gary Fielding
Corporate Director – Strategic Resources
North Yorkshire County Council
Racecourse Lane
Northallerton
North Yorkshire DL7 8AL
Tel 01609 533304 E-mail gary.fielding@northyorks.gov.uk

(iii) Assistant Chief Executive (Legal and Democratic Services) (Monitoring Officer)

Barry Khan
Legal and Democratic Services
North Yorkshire County Council
Racecourse Lane
Northallerton DL7 8AL
Tel 01609 532173 E-mail barry.khan@northyorks.gov.uk

CORPORATE GOVERNANCE





Draft

Annual Governance Statement
2013/14

Updated June 2014

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
8. Summary
9. Signatures

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 2013 and adopted by the County Council in October 2013. A copy of the Code is available on the County Council's website (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 Audit Committee also reviewed the County Council's corporate governance arrangements on 26 June 2014 and recommended the Local Code of Corporate Governance to the County Council for approval. The County Council subsequently approved the Local Code of Corporate Governance at its meeting on 17 July 2014.
- 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 2014 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts on 25 September 2014.

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 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** is a key component of the County Council's policy framework, setting out the Council's objectives and how its resources are to be used to deliver those objectives. The process of developing it is closely allied to the budget setting process and this demonstrates the strong relationship running through the Council's objectives, priorities and allocation of resources. The Council Plan sets out the Council's long term corporate ambitions and priorities for action for 2014/15. The Council Plan is revised annually but, this year, the Plan also seeks views on the proposed vision, values and objectives for the Council to 2020. The consultation period is due for completion by the end of June and feedback will inform a longer term strategic document designed to plot the Council's course up to 2020. The refreshed **2014-17 North Yorkshire Community Plan** has been launched. This has gone through a period of partner consultation to ensure it focusses on important issues for our communities which need partnership effort to be tackled effectively.
- 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 up to 2015/16 was approved by the County Council on 19 February 2014 – it also incorporated the annual Revenue Budget for 2014/15. In addition a longer term financial projections was carried out which identified a savings requirement of £73m between 2015/16 and 2018/19. Plans were included as part of the '2020 North Yorkshire Programme' to deliver the majority of this anticipated savings requirement.

Equivalent documents for the period 2013/15 and the year 2013/14 were approved by the County Council in February 2013
- **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 (ie 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 on-going 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 sets out its detailed objectives, performance targets, available resources and risk assessment which are included in a Directorate / Service Plan.
- an annual review is carried out on partnership arrangements which considers a range of factors. This is reported to the Audit Committee and the Executive as part of the Council's approach to governance.

(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 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**, continues to be refined. There is quarterly reporting of key performance information to Management Board and a joint meeting of Executive and the Scrutiny Committee Chairs. In 2013/14 a revised approach was taken to the quarterly reports so that a more rounded view was provided of key service areas throughout the Council. This revised information brings together activity levels; financial information (e.g. cost drivers); quality issues; customer feedback; and improvement areas. Supplementary information continues to be provided on HR, compliments and complaints as well as financial monitoring information. Part of this approach is to ensure that the key components of value for money are considered together and that both senior management and Members can better understand and challenge key services and areas of Council spending. This is supplemented by more frequent reporting and monitoring processes within Directorates
- **comprehensive budgeting systems** are applied across all Directorates. Further work is under way as part of the 2020 Finance Programme in order to further improve budgeting across the Council. This includes greater use of systems supplemented by a proposed restructure of the finance function into a more consolidated service. Budget managers and other stakeholders are being engaged as part of the change.
- priority has been given to frontline services in determining the savings programme for 2011/12 to 2014/15 and beyond as part of the **2020 North Yorkshire Programme**. The One Council Programme was 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 delivering savings through Gershon targets and provides some of the principles that continue to underpin 2020 North Yorkshire.
- 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

practice 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 incorporated into the quarterly monitoring reports provided to the Executive and will help to shape budget thinking on an on-going basis.

- the 2020 North Yorkshire Change Programme builds upon aspects of the One Council Change Programme and provides a framework within which the Council is planning to meet the challenging savings requirement over the remainder of the decade. The Programme still seeks to ‘simplify; standardise; and share’ across the Council but also builds in a number of cross cutting themes which set out some of the values, including:-
 - Stronger Communities – empowering local communities to encourage greater resilience
 - Customer – changing the way the Council interacts with its customers
 - Partnership Working / Alternative Delivery Models – examining different ways of delivering services
 - Property Rationalisation – looking to use less buildings where staff and customers use buildings in more modern ways
 - Commercial – reviewing opportunities to become more commercial, generating additional income
 - Organisational Development - developing the workforce and culture to ensure the Council is fit for purpose for the remainder of the decade

Management Board acts as the Programme Board and a full set of governance arrangements are in place to ensure plans are well developed and implementation is monitored.

- an **Asset Management Strategy** has been in place since 2006. In addition to the redefinition of key corporate processes (eg purchasing and disposal of property) the adoption of a corporate approach to repairs/maintenance combined with up to date condition data, etc, has provided a foundation for a systematic approach to property improvement based upon the needs of the services (both users and providers). A 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 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 respect 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 three times a year 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 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 enters into 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 for 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(e) 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(a)** 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 becomes involved in a partnership. (see **paragraph 3.2(e)** above for further details)

(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 and are due to be reviewed again during 2014/15. 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 (eg 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.
- an annual progress report on risk management is made to the Audit Committee. In addition a 6 monthly update is provided as part of an overall progress report on Corporate Governance. The Audit Committee’s 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.
- Corporate Directors provide an update on the progress of mitigating risks identified in their risk registers to Audit Committee once a year.
- 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 the need to make budget savings. Progress 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 2020 North Yorkshire Programme where the Executive authorise release of funding to implement elements of the Programme as well as monitoring progress.
- significant change projects are managed by a Programme Board with appropriate governance arrangements. For example, the 2020 North Yorkshire Programme Board function is carried out by Management Board in recognition of the importance of the Programme. 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 programmes.
- 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.
- A suite of online resources, on a range of subjects regarding good performance management, engagement and change management is available for managers and staff.
- 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(d) 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 2013/14 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(p)** 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

The Council has appointed the Assistant Chief Executive Legal and Democratic Services as Monitoring Officer. The role and duties of the Monitoring Officer are contained in the Council's Constitution and appropriate resources are made available for him/her to undertake the role. The Monitoring Officer is a member of the Council's Management board, and has sight of all Committee and Executive reports before they are presented to Members.

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

The Council has appointed the Chief Executive as Head of Paid Service. The role and duties of the Head of Paid Service are contained in the Council's Constitution, and the Chief Executive leads the Council's Management Team and appropriate resources are made available for him/her to undertake the role.

(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. It is also responsible for scrutinising the Treasury Management policies and activities of the County Council are for ensuring that arrangements exist to secure value for money.

(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 Corporate Information Governance Group (CIGG), 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 in accordance with the Public Sector Internal Audit Standards (PSIAS). 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 control environment within 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 2013/14, the Audit Plan included audits on a number of corporate themes (eg 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 (eg 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 at least once 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 directly elected Police and Crime Commissioner as required by the Police Reform and Social Responsibilities Act 2011. The Panel is hosted by the County Council and has a work programme agreed by the Panel.

- the County Council has created a Health and Wellbeing Board and procured support services to provide the Local Healthwatch service as required under the Health and Social Care Act 2012.

(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 becomes 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.
- where the County Council is a substantial **equity holder in a company** (ie 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 annually to the Executive on the Business Plans and financial performance of these companies was introduced in 2011/12

4.0 ROLE OF THE CHIEF FINANCIAL OFFICER

4.1 In the County Council the Corporate Director – Strategic Resources fulfills 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 Corporate Governance Officers 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 2013/14 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 on-going 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.
- 6.0 **ACTIVITIES OF THE AUDIT COMMITTEE**
- 6.1 During 2013/14 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 for 2012/13
- ➔ considered the arrangements made by the County Council in securing value for money
- ➔ 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 environment 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 – Strategic Resources following robust challenge of the accountancy principles adopted

6.2 In addition the Audit Committee has:-

- ➔ approve a new Internal Audit Charter
- ➔ reviewed the Corporate Governance self assessment checklist and approved changes to the County Council's Local Code of Governance
- ➔ considered the corporate governance arrangements in respect of the North Yorkshire Pension Fund.
- ➔ 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 (ie this) Annual Governance Statement for 2013/14.

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 2013/14. **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 2012/13 Annual Governance Statement. Some of these issues were not fully resolved in 2013/14, but some of these “incomplete” issues have reappeared in the Statements of Assurance for 2013/14 prepared by Corporate Directors. Therefore, the items including the table below represent the list of key issues requiring attention in 2014/15.

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
A1	<p>Economic Development</p> <p>Ensure Economic Growth is a key focus for all service areas</p>	<p>a) Ensure a high profile for the importance of enabling economic growth across the Council</p> <p>b) To support the LEP to achieve Government support for the Strategic Economic Plan</p> <p>c) To ensure effective co-operation between the County Council and District partners to enable strategic developments to move forward.</p>
A2	<p>Waste Management Strategy</p> <p>Deliver the Waste Strategy including:</p> <p>Progress the Allerton Waste Recovery Park (AWRP) project to a conclusion.</p> <p>Continue to contribute to the YNY Waste Partnership in helping to deliver an updated Strategy for minimisation, reuse, recycling and disposal</p>	<p>(a) Achieve Financial Close on the AWRP project or identify an alternative strategy should that project not progress.</p> <p>(b) Continue to work with Yorwaste and other contractors to develop and deliver a strategy for effective management of waste disposal across North Yorkshire including procurement of interim waste management services effective from 1 April 2015.</p> <p>(c) Develop and implement revised working arrangements with Yorwaste and prepare for the company becoming ‘Teckal’ compliant from 1 April 2015.</p>
A3	<p>Performance and Contract Management</p> <p>One of the cross cutting themes of 2020 North Yorkshire is Organisational Development. This includes key elements of performance management of staff. To maximize future performance</p>	<p>(a) Work directly with the lead officer for Organisational Development to ensure that BES issues are incorporated into the work and outcomes are fully implemented.</p> <p>(b) Ensure that good progress is made against</p>

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
	<p>with reducing resources, the BES directorate must play a full role in this work and implement improvements across the directorate.</p> <p>The HMC 2012 contract will be in its third year in 2014/15. National experience shows that it is common for there to be problems associated with the transition from one large term maintenance contract to another and it is accepted that there have been difficulties. The latest audit carried out in the final quarter of 2013/14 provided a 'moderate' assurance rating and recognises that although significant progress has been made, further improvement actions are necessary.</p>	<p>the actions contained in the highways North Yorkshire improvement action plan to achieve improved value for money. The action plan contains improvements such as the on-going delivery of a programme of training and development to improve and embed understanding of the contract and the development of better performance information to improve performance management of the services provided through the contract.</p>
A4	<p>2020 North Yorkshire Programme</p> <p>Central Services act as a hub for the 2020 North Yorkshire Programme given the range of functions provided. It is recognised that for the Programme to be successful there needs to be strong programme management and governance alongside the necessary skills and capacity across the organisation.</p>	<ul style="list-style-type: none"> a) Programme Management to be provided by Technology and Change within Central Services. This role to ensure coherency across the organisation. b) Identification of key resources required in order to underpin the 2020 North Yorkshire Programme. This includes a range of functions but significantly Technology, Change and Project Management, HR, Legal, Communications and Procurement support. c) Ensure that all Members of the County Council are appropriately engaged in the 2020 North Yorkshire Programme through a range of communications including Members Seminar, Overview and Scrutiny Committees, regular updates and support to individual Members on Community Leadership.
A5	<p>Health challenges</p> <p>Ensuring that optimal arrangements are in place for joint working with Health Partners.</p>	<ul style="list-style-type: none"> a) Supporting the Health and Wellbeing Board and the Integrated Commissioning Board as part of the governance for joint working. b) Monitoring progress on the planning for and implementation of the Better Care Fund. c) Ensuring that Health and Social Care issues

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
		are considered across the Council given the breadth of services provided including the Public Health function.
A6	The Care Bill	<p>HAS is in the process of preparing for the changes arising from the Care Bill in 2015. The impact is to extend the remit of the Council to:</p> <p>A larger number of people than previously assessed within HAS (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> <p>There remains a significant degree of uncertainty about the financial implications of these changes. HAS have attempted some initial modelling of potential costs and are also one of the pilot authorities trialling the 'Surrey Model' which attempts to calculate some of the key financial implications. The Council continues to be closely involved with both national and regional initiatives to progress this work through a range of networks.</p>
A7	Demand outstrips budget provision for adult social care	<p>HAS have developed a resource predictive model based on provision for adult social nationally approved population and demographic trend care analysis. These tools and techniques have been used to create a forecasting model to predict the pattern and anticipated cost which could occur within the County. In response to this financial pressure the County Council has provided, within the Medium Term Financial Strategy, incremental budget provision of £3m per annum. This provision is held centrally and drawn down by HAS as required.</p> <p>In addition the trend information will be monitored on a quarterly basis to ensure awareness of cost and volume changes relating to service delivery.</p> <p>There are other known financial challenges relating to other authorities exercising ordinary residence rights of people receiving services and living within the North Yorkshire boundary, resulting in NYCC becoming responsible for the persons care and financial liability. HAS continues to monitor the situation with regard to ordinary residence issues and we have a provision available to meet any one-off backdated claims.</p>

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
A8	<p>Self Assessment and Ofsted Inspection</p> <ul style="list-style-type: none"> • Based on the self-assessment of service areas within CYPS, and preparation for the external inspection by Ofsted, a number of specific priority areas have been identified. 	<ul style="list-style-type: none"> a) North Yorkshire has set in train a number of actions to improve the integrity and availability of data. b) We will ensure that our electronic case recording system (LCS) captures robust key information (e.g. chronologies, children being seen alone, plans for children in need). c) We will improve our business intelligence capacity to augment our performance management and monitoring arrangements. This will be important in enabling managers to access real 'live' data and demonstrate impact on outcomes. This supports the wider organisational objectives of working more efficiently, simplifying processes and enabling managers to access the information they need without recourse to a central data team for routine performance information. In turn, this will promote greater managerial accountability, with a sharper focus on performance and outcomes. This will enable data and trend information to predict future outcomes and caseload management helping to direct the deployment of staffing and other resources. This will be achieved, in part, by continuing a strong collaborative approach to strategic planning, ensuring a strong interface with customers and support services and proactively engaging with the North Yorkshire 2020 vision. d) We will improve our customer insight through the collection and evaluation of feedback from families and service users to inform service planning and ensure the child's voice is heard in case planning and development of services. We will also triangulate this by strengthening current scrutiny processes where Elected Members – as corporate parents – challenge officers on child protection and preventative work. This will include health checks of young people.
A9	<p>Information Governance</p> <ul style="list-style-type: none"> • Information Governance has been an area of significant 	<ul style="list-style-type: none"> a) On-going review of the effectiveness of Information Governance from the Corporate

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
	<p>activity for the Council over the last 2 years. However, with increased use of information the risk of unauthorised data security breaches remains high. The potential costs of poor Information Governance equally remains high. There is therefore a need to ensure on-going vigilance.</p>	<p>Information Governance Group (CIGG) and the network of Directorate Champions.</p> <p>b) Implementation of an action plan in order to improve the Council's performance on Information Governance and to mitigate some of the risks. This plan is constantly reviewed and key components include –</p> <ul style="list-style-type: none"> – Further Information Governance sweeps by Veritau with disciplinary actions being taken against staff where appropriate. – A re-refresh of the training requirements for staff (which has been a mandatory course). – Practical arrangements to help staff ensure data is secure such as easier access to lockable cabinets etc. – Implementation of more secure systems and ways of working for transferring data securely between organisations. – On-going communications to staff on the importance of good Information Governance, including messages from the Chief Executive.
<p>A10</p>	<p>Corporate Arrangements relating to Performance Management</p> <ul style="list-style-type: none"> • Ensuring that performance is embedded across the Council and increased productivity remains the heart of Council Plans 	<ul style="list-style-type: none"> a) Implementation of a revised Workforce Strategy in line with the 2020 North Yorkshire Programme. b) Further revision to the approach on performance management across the Council with focus on team and staff contributing to innovation. c) Ensuring that there remains a focus on simplifying, standardising and sharing across the Council where best practice is universally used across the council. d) Keep under review performance issues such as Highways North Yorkshire Improvement Action Plan.
<p>A11</p>	<p>Right Skills, Capacity and Resilience</p> <ul style="list-style-type: none"> • Ensuring that the Council has the right skills, capacity and 	<ul style="list-style-type: none"> a) Ensuring strong leadership across the Council so that all staff feel engaged and

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
	<p>resilience in order to manage the 2020 North Yorkshire Programme and continue to deliver the best possible services for communities</p>	<p>involved throughout the forthcoming years of significant change.</p> <p>b) On-going review of pressures and pinch points across the council and constant re-evaluation of resource, priorities and allocations where required.</p> <p>c) Looking for opportunities to further develop staff and open up further avenues for council such as income generation through more commercial activity.</p> <p>d) Management Board carrying out the function of Programme Board for 2020 North Yorkshire.</p>
<p>A12</p>	<p>Good Decision Making</p> <ul style="list-style-type: none"> • Ensuring that the Council has good decision making backed up by sound advice as it works its way through a significant period of change. 	<p>a) Ensuring that legal, HR and financial issues are all well considered as part of decision making</p> <p>b) Ensuring that Members are well informed as part of the decision making process</p> <p>c) Delivering good communications and conducting the appropriate consultations in order to further develop proposals and mitigate the risks of challenge.</p>
<p>A13</p>	<p>Major Projects</p> <ul style="list-style-type: none"> • Provide effective oversight over major projects. 	<p>a) Finalise the financial position for AWRP and put the decision before Members.</p> <p>b) Ensure Extra Care Programme is adequately assessed and effectively implemented if approved</p> <p>c) Ensure principles of good decision making in relation to new and emerging projects</p>

8.0 SUMMARY

- 8.1 The governance framework operating during 2013/14 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 2014/15. 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:

Barry Khan
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 25 September 2014) 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 Andrew Backhouse
Chairman of the Audit Committee

Date:

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ASSURANCE 2013/14
BY CORPORATE DIRECTOR – BUSINESS & ENVIRONMENTAL SERVICES

The 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. In discharging this accountability, all Members and senior officers of the County Council are responsible for putting in place proper risk management processes and internal controls to ensure the proper stewardship of the resources at its disposal.

As a Corporate Director and member of the Management Team, I have corporate responsibility for maintaining a system of sound internal controls and risk management processes within the County Council and service management responsibility for maintaining a system of sound internal controls and risk management processes within the Business & Environmental Services Directorate that support the achievement of both Corporate and the Directorate's objectives.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

As a Corporate Director, I have responsibility for reviewing the effectiveness of the system of internal control and risk management processes in the Business & Environmental Services Directorate. My review of the effectiveness of the system of internal controls has taken into account the following:-

- adequacy and effectiveness of management review processes
- outcomes from the formal risk assessment and evaluation process (Directorate Risk Register)
- relevant self-assessments of key service areas within the Directorate
- relevant internal audit reports and results of follow ups regarding implementation of recommendations
- outcomes from reviews of services by other bodies including Inspectorates, external auditors etc
- the framework of controls that operate in relation to individual partnerships where some aspects of the necessary controls are the responsibility of the partner to operate /apply

I confirm that Business & Environmental Services Directorate have a full set of service continuity plans and that they will continue to be refreshed as and when necessary and at least on an annual basis.

I am satisfied that a sound system of internal control has been in place throughout the 2013/14 financial year and is ongoing in the Business & Environmental Services Directorate. Nevertheless, during the year my review work has identified some areas for improvement and these are set out in the *attached schedule*. I propose to take steps to address the matters so identified which should enhance the system of internal controls. I will be monitoring to ensure their effective implementation and operation.

I also understand that this Statement of Assurance will be relied upon by those Members and Officers signing the Annual Governance Statement 2013/14 (the "Document") and by the Audit Committee reporting on the Document.

I therefore confirm that I am not aware of any material statement in, or omission from, the Document which would make the Document misleading. In respect of the Directorate for which I am responsible I can confirm that I have made due and careful inquiry and that the statements relating to my Directorate, in particular those contained in Section 3 of the Document, fairly represent the key elements of the internal control environment within my Directorate. I also confirm that there are no matters relating to my Directorate omitted from Section 7 of the Document which, in my view, merited inclusion.

The assurances given above are all based upon the information that has been made available to me.

Signed:

Corporate Director - Business & Environmental Services

Date:

AREAS FOR IMPROVEMENT IDENTIFIED
BUSINESS & ENVIRONMENTAL SERVICES DIRECTORATE

Areas for improvement in 2013/14		Action proposed
<p>A</p> <p>2020 North Yorkshire The County Council is embarking on a major programme of work as we look ahead to 2020 and how we adapt to our operating environment.</p> <p>Key areas of focus for the BES directorate include:</p> <p>Achieve savings target of £12.2m, whilst mitigating the service impact of these reductions through effective collaboration with colleagues in the County Council, partners and our communities.</p> <p>Deliver the BES programme of work as set out in the 2020 North Yorkshire approved programme.</p>	<p>(a) Deliver savings target of £12.2m over the four year period from 2015/16 to 2018/19.</p> <p>(b) Regular monitoring of project and programme success including associated savings of 2020 Projects as reported to the 2020 North Yorkshire Programme.</p> <p>(c) Continue to contribute to the 2020 North Yorkshire Programme in terms of the cross-cutting themes and general work of the Programme for the benefit of the whole organisation.</p>	
<p>B</p> <p>Capacity and Resilience Further reductions in funding / resources on top of significant reductions made over the last MTFS period require sound management to ensure that the Directorate retains capacity to deliver approved service levels and statutory duties.</p> <p>Develop resource planning to establish relationship of staffing levels to future service output.</p>	<p>(a) Review staff capacity against service delivery requirements and incorporate into future savings plans and resource plan.</p>	

**AREAS FOR IMPROVEMENT IDENTIFIED
BUSINESS & ENVIRONMENTAL SERVICES DIRECTORATE**

	Areas for improvement in 2013/14	Action proposed
C	<p>Information Governance In 2013 four BES occupied office locations were subject to an internal information security compliance check. Of the four locations checked two of these were found to have “moderate assurance” and two locations were found to have “limited assurance.”</p> <p>The directorate immediately responded to these findings through reinforcing the importance of information security, investment in physical security controls and management action at an individual level for serious issues identified.</p> <p>The area of focus for BES will be the continuous improvement of information management through raising awareness, installing appropriate measures and monitoring the effectiveness of those controls.</p>	<ul style="list-style-type: none"> (a) Teams will carry out ‘self-audits’ on a minimum quarterly basis. (b) Continue to remove any constraints to effective information management both in physical and digital environments. (c) Continue to raise awareness through mandatory training and developments emanating from the Corporate Information Governance Group framework. (d) Continue to identify and maintain a register of key information assets for BES detailing security levels and appropriate controls.
D	<p>Waste Management Strategy Deliver the Waste Strategy including:</p> <p>Progress the Allerton Waste Recovery Park (AWRP) project to a conclusion.</p> <p>Continue to contribute to the YNY Waste Partnership in helping to deliver an updated Strategy for minimisation, reuse, recycling and disposal</p>	<ul style="list-style-type: none"> (a) Achieve Financial Close on the AWRP project or identify an alternative strategy should that project not progress. (b) Continue to work with Yorwaste and other contractors to develop and deliver a strategy for effective management of waste disposal across North Yorkshire including procurement of interim waste management services effective from 1 April 2015. (c) Develop and implement revised working arrangements with Yorwaste and prepare for the company becoming ‘Teckal’ compliant from 1 April 2015.

AREAS FOR IMPROVEMENT IDENTIFIED
BUSINESS & ENVIRONMENTAL SERVICES DIRECTORATE

Areas for improvement in 2013/14	Action proposed
<p>E Performance and Contract Management One of the cross cutting themes of 2020 North Yorkshire is Organisational Development. This includes key elements of performance management of staff. To maximize future performance with reducing resources, the BES directorate must play a full role in this work and implement improvements across the directorate.</p> <p>The HMC 2012 contract will be in its third year in 2014/15. National experience shows that it is common for there to be problems associated with the transition from one large term maintenance contract to another and it is accepted that there have been difficulties. The latest audit carried out in the final quarter of 2013/14 provided a 'moderate' assurance rating and recognises that although significant progress has been made, further improvement actions are necessary.</p>	<ul style="list-style-type: none"> (a) Work directly with the lead officer for Organisational Development to ensure that BES issues are incorporated into the work and outcomes are fully implemented. (b) Ensure that good progress is made against the actions contained in the highways North Yorkshire improvement action plan to achieve improved value for money. The action plan contains improvements such as the on-going delivery of a programme of training and development to improve and embed understanding of the contract and the development of better performance information to improve performance management of the services provided through the contract.
<p>F Major Projects The Yorkshire elements of the Tour de France Grand Depart take place on 5 and 6 July 2014. The County Council, along with all other participating local authorities, is now an 'Event Organiser'. This brings with it additional responsibilities, specifically in relation to developing a robust event management plan, managing crowd safety and responsibility for volunteers. To mitigate associated risks, the County Council has procured the support of a specialist event management company.</p> <p>Full approval is being sought from the Department for Transport for the Bedale Aiskew Leeming Bar Bypass (BALB). If this is awarded, robust contract management arrangements are required to ensure delivery of the project on time and to budget, and in such a way that minimises financial and reputation risks to the County Council.</p>	<ul style="list-style-type: none"> (a) Continue to quantify and manage the new risks associated with becoming the event organiser of the Tour de France. (b) Put in place a one off event insurance policy to cover the County Council and district councils against additional liabilities. (c) Set up and operate sound contract management arrangements for the BALB project incorporating design, construction and financial aspects of the project.

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ASSURANCE 2013/14 BY CHIEF EXECUTIVE – CENTRAL SERVICES

The 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. In discharging this accountability, all Members and senior officers of the County Council are responsible for putting in place proper risk management processes and internal controls to ensure the proper stewardship of the resources at its disposal.

As Chief Executive and member of the Central Services Management Team, I have corporate responsibility for maintaining a system of sound internal controls and risk management processes within the County Council and service management responsibility for maintaining a system of sound internal controls and risk management processes within Central Services Directorate that support the achievement of both Corporate and the Central Services objectives. I share these responsibilities with my colleagues on the Central Services Management Team, each of whom leads in their areas of particular responsibility.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

As Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control and risk management processes in Central Services Directorate. My review of the effectiveness of the system of internal controls has taken into account the following:-

- adequacy and effectiveness of management review processes
- outcomes from the formal risk assessment and evaluation process (Central Services Risk Register)
- relevant self-assessments of key service areas within Central Services
- relevant internal audit reports and results of follow ups regarding implementation of recommendations
- outcomes from reviews of services by other bodies including Inspectorates, external auditors etc
- the framework of controls that operate in relation to individual partnerships where some aspects of the necessary controls are the responsibility of the partner to operate / apply

I confirm that Central Services Directorate have a full set of service continuity plans and that they will continue to be refreshed as and when necessary and at least on an annual basis.

I am satisfied that a sound system of internal control has been in place throughout the 2012/13 financial year and is on-going in Central Services. Nevertheless, during the year my review work has identified some areas for improvement and these are set out in the *attached schedule*. I propose to take steps to address the matters so identified which should enhance the system of internal controls. I will be monitoring to ensure their effective implementation and operation.

I also understand that this Statement of Assurance will be relied upon by those Members and Officers signing the Annual Governance Statement 2013/14 (the "Document") and by the Audit Committee reporting on the Document.

I therefore confirm that I am not aware of any material statement in, or omission from, the Document which would make the Document misleading. In respect of Central Services for which I am responsible I can confirm that I have made due and careful inquiry and that the statements, in particular those contained in Section 3 of the Document, fairly represent the key elements of the internal control environment within Central Services. I also confirm that there are no matters omitted from Section 7 of the Document which, in my view, merited inclusion.

The assurances given above are all based upon the information that has been made available to me.

Signed:

Chief Executive (Central Services)

Date :

**AREAS FOR IMPROVEMENT IDENTIFIED
CENTRAL SERVICES DIRECTORATE**

Areas for improvement in 2013/14		Action proposed
A	<p>Medium Term Financial Strategy</p> <p>A Medium Term Financial Strategy was approved up to including 2015/16 and a further long term projection with high level outline savings was also approved taking the Council up to 2018/19. There is a need to ensure that –</p> <ul style="list-style-type: none"> a) The savings requirement in 2014/15 and any other spending pressures are accommodated with the 2014/15 budget. b) Detailed plans are firmed up to deliver the savings required as part of the 2020 North Yorkshire Programme for 2015/16 and beyond. c) Areas of investment are identified and provided for to reflect priorities of the Council and deliver of the 2020 North Yorkshire Programme. 	<ul style="list-style-type: none"> a) On-going budget monitoring to ensure that the budget position for 2014/15 is on track, particularly those savings due to be delivered in year. b) Further development and refinement of savings proposals as part of the 2020 North Yorkshire Programme to include firmer idea of value and timing of savings to be realised. c) 2020 North Yorkshire Programme Governance arrangements to be embedded and routinely reviewed and, where necessary, changes made. This to include Management Board as Programme Board, reporting to the Executive, Overview and Scrutiny Committees and Members en-masse. d) Re-calibration of the MTFs and longer term financial projection in the light of the further work from the 2020 North Yorkshire Programme and considering the final Local Government Settlement for 2015/16. e) On-going review of MTFs / longer term financial projection in light of additional obligations and information. For example, incorporation of latest assessments on the impact of the Care Bill or developments relating to the Better Care Fund. (NB – no further spending review information is anticipated before the General Election in May 2015).
B	<p>2020 North Yorkshire Programme</p> <ul style="list-style-type: none"> • Central Services act as a hub for the 2020 North Yorkshire Programme given the range of functions provided. It is recognised that for the Programme to be successful there needs to be strong programme management and governance alongside the necessary skills and capacity across the organisation. 	<ul style="list-style-type: none"> a) Programme Management to be provided by Technology and Change within Central Services. This role to ensure coherency across the organisation. b) Identification of key resources required in order to underpin the 2020 North Yorkshire Programme. This includes a range of functions but significantly

**AREAS FOR IMPROVEMENT IDENTIFIED
CENTRAL SERVICES DIRECTORATE**

Areas for improvement in 2013/14		Action proposed
		<p>Technology, Change and Project Management, HR, Legal, Communications and Procurement support.</p> <p>c) Ensure that all Members of the County Council are appropriately engaged in the 2020 North Yorkshire Programme through a range of communications including Members Seminar, Overview and Scrutiny Committees, regular updates and support to individual Members on Community Leadership.</p> <p>d) Lead development and implementation of the Stronger Communities initiatives and delivery of outcomes. This will involve working with partners across all sectors.</p>
C	<p>Property</p> <ul style="list-style-type: none"> • As part of the 2020 North Yorkshire Programme the Council is committed to rationalising its property across the County. The current contract with Jacobs UK also comes to an end on the 31 March 2016 so the preparation for the new contract will be a key activity within Central Services in 2014/15. 	<p>a) Update on strategy for property rationalisation with clear linkages to approaches on flexible working and deployment of technology.</p> <p>b) Distillation of services reviews across the Council in order to determine the property needs of the Council for the remainder of the decade. This information then to be used to set out the property needs of the Council.</p> <p>c) Review of the current arrangements for property (for example budget arrangements and responsibilities for services occupying corporate buildings).</p> <p>d) Determination of how the Council will seek to deliver the property services with effect from 1 April 2016. This will involve consideration of what services to contract for; what services to retain in-house; and what services to bring back in-house (if any). This approach will require appropriate approvals through 2014/15.</p>
D	<p>Superfast North Yorkshire</p> <ul style="list-style-type: none"> • The current contract with BT should result in circa 90% of North Yorkshire 	<p>a) Pursuit of further external funding from Government, European Union etc. and</p>

**AREAS FOR IMPROVEMENT IDENTIFIED
CENTRAL SERVICES DIRECTORATE**

Areas for improvement in 2013/14		Action proposed
	<p>having Superfast Broadband coverage for the end of 2014. The challenge to the Council remains the 10% of the County where this is unlikely to be the case and further work is therefore required to reduce that gap.</p>	<p>identification of any matched funding required from the Council.</p> <p>b) Review of lessons from implementation of the BT contract and any subsequent technology options to determine the most effective way forward.</p> <p>c) On-going business engagement work, particularly with the LEP to support delivery of grant funded outcomes from ERDF and wider exploitation of broadband from local businesses.</p>
E	<p>Information Governance</p> <ul style="list-style-type: none"> • Information Governance has been an area of significant activity for the Council over the last 2 years. However, with increased use of information the risk remains high and the potential costs of poor Information Governance equally remains high. There is therefore a need to ensure on-going vigilance. 	<p>a) On-going review of the effectiveness of Information Governance from the Corporate Information Governance Group (CIGG) and the network of Directorate Champions.</p> <p>b) Implementation of an action plan in order to improve the Council's performance on Information Governance and to mitigate some of the risks. This plan is constantly reviewed and key components include –</p> <ul style="list-style-type: none"> – Further Information Governance sweeps by Veritau with disciplinary actions being taken against staff where appropriate. – A re-refresh of the training requirements for staff (which has been a mandatory course). – Practical arrangements to help staff ensure data is secure such as easier access to lockable cabinets etc. – Implementation of more secure systems and ways of working for transferring data securely between organisations. – On-going communications to staff on the importance of good Information Governance, including messages from the Chief Executive.

**AREAS FOR IMPROVEMENT IDENTIFIED
CENTRAL SERVICES DIRECTORATE**

Areas for improvement in 2013/14		Action proposed
F	<p>Better Together</p> <ul style="list-style-type: none"> • The Better Together initiative between the County Council and Selby District Council represents a real opportunity to improve outcomes for Selby residents and to realise efficiency savings for both Councils. It is recognised, however, that significant and often complex work needs to be undertaken in order to deliver many of the benefits. 	<ul style="list-style-type: none"> a) On-going oversight of the Better Together Programme by the Steering Group which involves the Chief Executives of the County Council and Selby District Council. b) On-going discussions at various joint council project teams which are charged with producing action plans in order to deliver improvements in discrete areas. c) Incorporation and integration of the Better Together Programme with the 2020 North Yorkshire Programme in order to ensure coherency and strategic alignment.
G	<p>Central Services Savings</p> <p>In additional to supporting the 2020 North Yorkshire Programme, Central Services also has to deliver its own savings requirements.</p>	<ul style="list-style-type: none"> a) Refinement of savings proposals with firmer values and timelines b) Production of action plans to deliver savings and monitoring there of c) Regular updates and accountability to 2020 North Yorkshire Programme Board and related governance.

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ASSURANCE 2013/14

BY CORPORATE DIRECTOR – CHILDREN & YOUNG PEOPLE'S SERVICES

The 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. In discharging this accountability, all Members and senior officers of the County Council are responsible for putting in place proper risk management processes and internal controls to ensure the proper stewardship of the resources at its disposal.

As a Corporate Director and member of the Management Team, I have corporate responsibility for maintaining a system of sound internal controls and risk management processes within the County Council and service management responsibility for maintaining a system of sound internal controls and risk management processes within the Children & Young People's Services Directorate that support the achievement of both Corporate and the Directorate's objectives.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

As a Corporate Director, I have responsibility for reviewing the effectiveness of the system of internal control and risk management processes in the Children & Young People's Services Directorate. My review of the effectiveness of the system of internal controls has taken into account the following:-

- adequacy and effectiveness of management review processes
- outcomes from the formal risk assessment and evaluation process (Directorate Risk Register)
- relevant self-assessments of key service areas within the Directorate
- relevant internal audit reports and results of follow ups regarding implementation of recommendations
- outcomes from reviews of services by other bodies including Inspectorates, external auditors etc
- the framework of controls that operate in relation to individual partnerships where some aspects of the necessary controls are the responsibility of the partner to operate / apply

I confirm that Children & Young People's Services Directorate have a full set of service continuity plans and that they will continue to be refreshed as and when necessary and at least on an annual basis.

I am satisfied that a sound system of internal control has been in place throughout the 2013-14 financial year and is ongoing in the Children & Young People's Services Directorate. I have included in the attached schedule priority areas where particular regard will be given to ensuring any risks to the service are mitigated through the actions set out below. I will be monitoring to ensure their effective implementation and operation.

I also understand that this Statement of Assurance will be relied upon by those Members and Officers signing the Annual Governance Statement 2013/14 (the "Document") and by the Audit Committee reporting on the Document.

I therefore confirm that I am not aware of any material statement in, or omission from, the Document which would make the Document misleading. In respect of the Directorate for which I am responsible I can confirm that I have made due and careful inquiry and that the statements relating to my Directorate, in particular those contained in Section 3 of the Document, fairly represent the key elements of the internal control environment within my Directorate. I also confirm that there are no matters relating to my Directorate omitted from Section 7 of the Document which, in my view, merited inclusion.

The assurances given above are all based upon the information that has been made available to me.

Signed:

Corporate Director – Children & Young People's Services

Date :

PRIORITY AREAS IDENTIFIED: CHILDREN & YOUNG PEOPLE'S SERVICES DIRECTORATE

Areas for improvement in 2014/15	Action proposed
<p>A Maintaining and improving performance while reducing budget by over £20m in the 4-year period 2011-15, and preparing for future resource reductions and required for 2020 North Yorkshire, while continuing to protect frontline services.</p> <p>This objective requires the management of risks faced from externally-driven pressures on the County Council and on partners, such as the NHS, at a time when the landscape for services affecting children is changing rapidly.</p>	<ul style="list-style-type: none"> • Work has begun to meet the financial targets set by the Council in February 2014 for the years after 2015, but at the same time there continues to be a previously-agreed MTFS target to be met in 2014-15. CYPS will manage the pressures and risks within the MTFS and also from some ongoing budget challenges 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. • CYPS 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. • As the Council loses core funding for every Academy conversion, we will continue to monitor this carefully throughout the year and work with SmartSolutions to recover lost income through trading with academies • The substantial work required for 2020 North Yorkshire will be managed appropriately to ensure that current service provision – and current MTFS transformation – is not detrimented or compromised.

PRIORITY AREAS IDENTIFIED: CHILDREN & YOUNG PEOPLE'S SERVICES DIRECTORATE

Areas for improvement in 2014/15		Action proposed
B	Safeguarding	<ul style="list-style-type: none"> • The transformation of Children's Social Care in April 2012 is beginning to show signs of impact with reductions in the number of Looked After Children and number of Child Protection Plans; improving outcomes for families. Within the context of reduced funding and challenging inspection framework, frontline social work resources will continue to be protected. This reflects a proactive strategic management choice to ensure that existing resources are efficiently deployed to meet areas of greatest need. This will help to ensure that good quality and timely initial and core assessments better identify the interventions and family reunification work that will help to fulfill our safeguarding ambitions for children and young people in North Yorkshire. • A specific fund will enable significant investment in social work to improve practice and consistency including Practice Teaching, Action Learning, Signs of Safety and Restorative Practice. This will also enhance audit capacity and lay the foundation for a review of how the Council supports newly-qualified social workers. • North Yorkshire has responded robustly to national changes to court proceedings and adoption reform. By ensuring earlier interventions, stronger and evidence-based care planning, and through tackling drift, further work will address duration in care through an overarching permanency strategy. • The Troubled Families initiative is expanding nationally and the Council will therefore need to ensure it continues to make the positive impacts and to consolidate performance and identify efficiencies.

PRIORITY AREAS IDENTIFIED: CHILDREN & YOUNG PEOPLE'S SERVICES DIRECTORATE

Areas for improvement in 2014/15	Action proposed
	<ul style="list-style-type: none"> • Management action is deliberately and actively focused on addressing safeguarding concerns with a strong and resilient focus on the mix and cost of placements to ensure sufficiency of appropriate accommodation with the right intervention at the right time • Oversight of all care placements are governed by a single route into care with robust gatekeeping arrangements deploying senior managers to ensure quality assessments and effective interventions before care is approved, and good quality, child-focussed care solutions where it is necessary for the Local Authority to care for a child. • The Family & Friends Policy will be reviewed to ensure that it reflects good practice and appropriately supports permanent care arrangements.

<p>C</p>	<p>Maximise Resources and use them fairly across North Yorkshire schools and settings; assist schools in facing longer-term financial challenges; work towards implementing a new way of delivering school improvement throughout the county</p>	<ul style="list-style-type: none"> • The DfE has recently re-stated its commitment towards a National Funding Formula (NFF) from 2015-16, although it is believed there will continue to be some local discretion within a highly regulated framework. Importantly the changes will affect the amount of Dedicated Schools Grant paid to each LA, although again there is expected to be some transitional arrangements. • The changes for 2014-15, within the new framework, are a step forward in helping to allocate resources throughout the county, including the introduction of a sparsity factor. That said, some challenges remain for schools who will not attract sparsity funding or where there will be other reductions in funding. However there will be a lead-in period of 3-4 years in which schools will be given transitional protection. • We will continue to contribute to the development of the NFF to ensure that the needs of schools in a diverse county such as North Yorkshire are taken into consideration. • CYPS will continue to pursue its policy of maximising delegation to schools, where school feel that is appropriate, to support school autonomy and schools' shared priorities. However this will now need to take place within the constraints being imposed upon local authorities by the government. • At the same time CYPS will ensure that there is effective management of centrally co-ordinated Dedicated Schools Grant (DSG) resources (working in partnership with the Schools Forum) and demonstrate Value for Money in traded services and also in CYPS-funded services which are free at the point of use for maintained schools, or provided on a fee basis to others (including Academies). The new SmartSolutions Unit will ensure a positive financial and educational impact of our traded services with schools is achieved.
-----------------	--	---

PRIORITY AREAS IDENTIFIED: CHILDREN & YOUNG PEOPLE'S SERVICES DIRECTORATE

Areas for improvement in 2014/15	Action proposed
	<ul style="list-style-type: none"> Finally we will, following extensive consultation, implement a new way of delivering school improvement throughout the county, building on the work undertaken in Autumn 2013 by the North Yorkshire Commission for School Improvement. This work, as with the review of centrally-coordinated DSG resources and traded services will link with the 2020 North Yorkshire programme and will help to deliver services within a reducing resource base.

D	<p>Based on the self-assessment of service areas within CYPS, and preparation for the external inspection by Ofsted, a number of specific priority areas have been identified.</p>	<ul style="list-style-type: none"> • North Yorkshire has set in train a number of actions to improve the integrity and availability of data. • We will ensure that our electronic case recording system (LCS) captures robust key information (e.g. chronologies, children being seen alone, plans for children in need). • We will improve our business intelligence capacity to augment our performance management and monitoring arrangements. This will be important in enabling managers to access real 'live' data and demonstrate impact on outcomes. This supports the wider organisational objectives of working more efficiently, simplifying processes and enabling managers to access the information they need without recourse to a central data team for routine performance information. In turn, this will promote greater managerial accountability, with a sharper focus on performance and outcomes. This will enable data and trend information to predict future outcomes and caseload management helping to direct the deployment of staffing and other resources. This will be achieved, in part, by continuing a strong collaborative approach to strategic planning, ensuring a strong interface with customers and support services and proactively engaging with the North Yorkshire 2020 vision. • We will improve our customer insight through the collection and evaluation of feedback from families and service users to inform service planning and ensure the child's voice is heard in case planning and development of services. We will also triangulate this by strengthening current scrutiny processes where Elected Members – as corporate parents – challenge officers on child protection and preventative work. This will include health checks of young people.
---	--	---

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ASSURANCE 2013/14 BY CORPORATE DIRECTOR – HEALTH & ADULT SERVICES

The 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. In discharging this accountability, all Members and senior officers of the County Council are responsible for putting in place proper risk management processes and internal controls to ensure the proper stewardship of the resources at its disposal.

As a Corporate Director and member of the Management Team, I have corporate responsibility for maintaining a system of sound internal controls and risk management processes within the County Council and service management responsibility for maintaining a system of sound internal controls and risk management processes within the Health & Adult Services Directorate that support the achievement of both Corporate and the Directorate's objectives.

The system of internal controls is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

As a Corporate Director, I have responsibility for reviewing the effectiveness of the system of internal control and risk management processes in the Health & Adult Services Directorate. My review of the effectiveness of the system of internal controls has taken into account the following:-

- adequacy and effectiveness of management review processes
- outcomes from the formal risk assessment and evaluation process (Directorate Risk Register)
- relevant self-assessments of key service areas within the Directorate
- relevant internal audit reports and results of follow ups regarding implementation of recommendations
- outcomes from reviews of services by other bodies including Inspectorates, external auditors etc
- the framework of controls that operate in relation to individual partnerships where some aspects of the necessary controls are the responsibility of the partner to operate / apply

I confirm that Health and Adult Services Directorate have a full set of service continuity plans and that they will continue to be refreshed as and when necessary and at least on an annual basis.

I am satisfied that a sound system of internal control has been in place for the financial year ended 2013/14 in the Health & Adult Services Directorate. Nevertheless, during the year my review work has identified some areas for improvement and these are set out in the *attached schedule*. I propose to take steps to address the matters so identified which should enhance the system of internal controls. I will be monitoring to ensure their effective implementation and operation.

I also understand that this Statement of Assurance will be relied upon by those Members and Officers signing the Annual Governance Statement 2013/14 (the "Document") and by the Audit Committee reporting on the Document.

I therefore confirm that I am not aware of any material statement in, or omission from, the Document which would make the Document misleading. In respect of the Directorate for which I am responsible I can confirm that I have made due and careful inquiry and that the statements relating to my Directorate, in particular those contained in Section 3 of the Document, fairly represent the key elements of the internal control environment within my Directorate. I also confirm that there are no matters relating to my Directorate omitted from Section 7 of the Document which, in my view, merited inclusion.

The assurances given above are all based upon the information that has been made available to me.

Signed:

Richard Webb
Corporate Director – Health & Adult Services

Date:

**AREAS FOR IMPROVEMENT IDENTIFIED
HEALTH & ADULT SERVICES DIRECTORATE**

Areas for improvement in 2014/15		Action proposed
A	Demand outstrips budget provision for adult social care	<p>HAS have developed a resource predictive model based on nationally approved population and demographic trend analysis. These tools and techniques have been used to create a forecasting model to predict the pattern and anticipated cost which could occur within the County. In response to this financial pressure the County Council has provided, within the Medium Term Financial Strategy, incremental budget provision of £3m per annum. This provision is held centrally and drawn down by HAS as required.</p> <p>In addition the trend information will be monitored on a quarterly basis to ensure awareness of cost and volume changes relating to service delivery.</p> <p>There are other known financial challenges relating to other authorities exercising ordinary residence rights of people receiving services and living within the North Yorkshire boundary, resulting in NYCC becoming responsible for the person's care and financial liability. HAS continues to monitor the situation with regard to ordinary residence issues and we have a provision available to meet any one-off backdated claims.</p>

**AREAS FOR IMPROVEMENT IDENTIFIED
HEALTH & ADULT SERVICES**

Areas for improvement in 2014/15	Action proposed
<p>B Implementation of Change and the Improvement Agenda and the linked budget savings</p>	<p>As an integral part of the Council’s overall 2020 North Yorkshire Programme HAS has an ambitious efficiency and transformational programme which seeks to make cost savings by improving service outcomes, reducing demand for high cost services 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 Extra Care.</p> <p>A programme approach to managing and monitoring the savings projects and significant service change within HAS has been introduced and feeds into the 2020 North Yorkshire Programme Board. This enables monitoring of the achievement of individual projects and oversight of the overall programme.</p> <p>The HAS Leadership Team is a meeting of senior management from HAS which receives monthly reports to allow the monitoring of progress and identification of interdependencies and risks. As the financial challenge increases sound arrangements for monitoring progress and delivery of the change and savings programme are important to ensure delivery against key objectives and within available resources.</p> <p>HAS also plays a key role in shaping the Councils’ approach to cross cutting issues. The ‘Stronger Communities’ approach is key to the success of the HAS change agenda as is the corporate work relating to customer services.</p> <p>Continued analysis of the evidence base for what is most effective together with continuing contact with other local authorities making similar changes will help to identify best practice and to adapt the transformation programme as necessary.</p>

AREAS FOR IMPROVEMENT IDENTIFIED
HEALTH & ADULT SERVICES DIRECTORATE

Areas for improvement in 2014/15	Action proposed
<p>C Market forces lead to increases in the price of care that cannot be contained within budgets, or threaten market disruption, and service continuity</p>	<p>HAS continue to undertake dialogue with the independent sector through the Market Development Board. This is a forum comprising representatives from the independent sector, voluntary sector, health and NYCC.</p> <p>An independent review of the costs of residential and nursing provision has been concluded and formed the basis of agreed medium term rates for residential and nursing care. This removes a significant degree of the uncertainty around the impact of market forces over the next two years and the cost of this uprating will be contained within the existing Directorate budget.</p> <p>On domiciliary care the procurement process is underway with an assumption of the first customers moving on to the new rates from January 2015.</p> <p>HAS 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. A preventative services strategy is being developed to ensure citizens of North Yorkshire are aware of the universal services which are on offer and support them to live healthily and more independently.</p>
<p>D The Care Bill</p>	<p>HAS is in the process of preparing for the changes arising from the Care Bill in 2015. The impact is to extend the remit of the Council to:-</p> <p>A larger number of people than previously assessed within HAS (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> <p>There remains a significant degree of uncertainty about the financial implications of these changes. HAS have attempted some initial modeling of potential costs and are also one of the pilot authorities trialing the 'Surrey Model' which attempts to calculate some of the key financial implications. The Council continues to be closely involved with both national and regional initiatives to progress this work through a range of networks.</p>

AREAS FOR IMPROVEMENT IDENTIFIED
HEALTH & ADULT SERVICES DIRECTORATE

Areas for improvement in 2014/15		Action proposed
E	Deprivation of Liberty (DoLs)– Supreme Court ruling	<p>A recent Supreme Court ruling has potential significant implications for operational practice and consequent costs. The ruling will significantly expand the range of individuals who will be subject to a DoLs assessment requiring the use of specialist assessment staff and external professional expertise.</p> <p>HAS managers are currently exploring the implications of this in terms of both numbers and potential operational practice. This will inform the future actions of HAS.</p>
F	Working with the NHS	<p>The Council is working with the NHS to establish new financial and operational working arrangements arising from the changes to the organization of health functions and the advent of the Better Care Fund (BCF).</p> <p>Arrangements for the management of the BCF are well advanced and relevant joint agreements are currently being drawn up.</p> <p>The local NHS continues to take action to address historic financial challenges.</p>

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ASSURANCE 2013/14 BY CHIEF EXECUTIVE FOR MANAGEMENT BOARD

REVIEW OF EFFECTIVENESS

The County Council is 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.

In accordance with the Accounts and Audit Regulations 2007, the County Council is also responsible for conducting, at least annually, a review of the effectiveness of its systems of internal control. The Corporate Governance Officer Group (which includes the Monitoring Officer, the Section 151 Officer and the Head of Internal Audit), in conjunction with the Corporate Directors and other senior officers, co-ordinates the ongoing review of the County Council's control environment. The work of the Corporate Governance Officer Group feeds into the Audit Committee.

In undertaking its work, the Corporate Governance Officer Group obtains assurance on the County Council's control environment from a number of sources, including the annual Statements of Assurance (SoA) completed by the Chief Executive, Corporate Directors and Management Board.

STATEMENT OF ASSURANCE – MANAGEMENT BOARD

The Management Board is responsible for implementing all County Council policies and decisions, providing advice to Members, and for co-ordinating the work of the Directorates.

In discharging our duties as the corporate management team, matters may come to our attention which we consider to be evidence of significant control weaknesses (see Note 1 below).

Notwithstanding the processes referred to in Review of Effectiveness (see above) some areas for improvement were identified by Management Board during the 2013/14 year, and these are set out in the *attached schedule*. I intend to ensure that, via Management Board, these matters will be addressed, and I will be monitoring their effective implementation and generation.

The contents of this Assurance Statement were formally reviewed and agreed by Management Board on

Signed on behalf of Management Board
By the Chief Executive

.....

Date

.....

Note 1

Factors considered when deciding if an issue is evidence of a significant control weakness:

- the issue has seriously prejudiced or prevented achievement of a principal County Council objective or priority
- the issue has resulted in a need to seek significant additional funding to allow it to be resolved, or has resulted in a significant diversion of resources from one service area to another
- the issue has led to a material impact on the financial standing of the County Council
- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the County Council
- the issue has resulted in formal action being taken by the S.151 Officer and / or the Monitoring Officer

Note 2

Where appropriate evidence should be available (eg action plan) to show how the identified control weaknesses have been addressed.

**AREAS FOR IMPROVEMENT IDENTIFIED
MANAGEMENT BOARD**

Areas for improvement in 2013/14		Action proposed
A	Ensuring that performance is embedded across the Council and increased productivity remains the heart of Council Plans	<ul style="list-style-type: none"> a) Implementation of a revised Workforce Strategy in line with the 2020 North Yorkshire Programme. b) Further revision to the approach on performance management across the Council with focus on team and staff contributing to innovation. c) Ensuring that there remains a focus on simplifying, standardising and sharing across the Council where best practice is universally used across the council. d) Keep under review performance issues such as Highways North Yorkshire Improvement Action Plan
B	Ensuring that the Council has the right skills, capacity and resilience in order to manage the 2020 North Yorkshire Programme and continue to deliver the best possible services for communities	<ul style="list-style-type: none"> a) Ensuring strong leadership across the Council so that all staff feel engaged and involved throughout the forthcoming years of significant change. b) On-going review of pressures and pinch points across the council and constant re-evaluation of resource, priorities and allocations where required. c) Looking for opportunities to further develop staff and open up further avenues for council such as income generation through more commercial activity. d) Management Board carrying out the functions of Programme Board for 2020 North Yorkshire.
C	Ensuring that the Council has good decision making backed up by sound advice and it works its way through a significant period of change,	<ul style="list-style-type: none"> a) Ensuring that legal, HR and financial issues are all well considered as part of decision making. b) Ensuring that Members are well informed as part of the decision making process. c) Delivering good communications and conducting the appropriate consultations in order to further develop proposals and mitigate the risks of challenge.

**AREAS FOR IMPROVEMENT IDENTIFIED
MANAGEMENT BOARD**

Areas for improvement in 2013/14		Action proposed
D	Ensuring that optimal arrangements are in place for joint working with Health Partners.	<ul style="list-style-type: none"> a) Supporting the Health and Wellbeing Board and the Integrated Commissioning Board as part of the governance for joint working. b) Monitoring progress on the planning for and implementation of the Better Care Fund. c) Ensuring that Health and Social Care issues are considered across the Council given the breadth of services provided including the Public Health function.
E	Provide effective oversight over major projects	<ul style="list-style-type: none"> a) Finalise the financial position for AWRP and put the decision before Members. b) Ensure Extra Care Programme is adequately assessed and effectively implemented if approved. c) Ensure principles of good decision making in relation to new and emerging projects
F	Ensure Economic Growth is a key focus for all services areas	<ul style="list-style-type: none"> a) Ensure a high profile for the importance of enabling economic growth across the Council. b) To support the LEP to achieve Government support for the Strategic Economic Plan c) To ensure effective co-operation between the County Council and District partners to enable strategic developments to move forward.

CORPORATE GOVERNANCE CHECKLIST

Examples of Improvements made between May 2013 and May 2014

Improvements	Reference	Requirement
	Principle 1	Focusing on the purpose of the authority and on outcomes for the community and create and implementing a vision for the local area
<ul style="list-style-type: none"> Procurement of consultation tool and support for Citizens Panel (Dec 2013) 	1.1.1	Develop and promote the authority's purpose and vision
<ul style="list-style-type: none"> Delivery of the MTFs and longer term financial planning horizon to 2019 (Dec 2013) 	1.3.1 CFO 1.3b	Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary
	Principle 2	Members and officers working together to achieve a common purpose with clearly defined functions and roles
<ul style="list-style-type: none"> Amendments to Constitution - Scheme of Delegation for Officers agreed at full Council (May2014) 	2.2.1	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required
<ul style="list-style-type: none"> Pay & Reward Group meets regularly as a key consultation forum with UNISON on terms and conditions (ongoing) 	2.3.2	Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel

	Principle 3	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
<ul style="list-style-type: none"> Members Code of Conduct fully reviewed and revised (November 2013) Training for Members on Code of Conduct (part of induction training) (May 2013) 	3.1.1	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect
<ul style="list-style-type: none"> Training on decision making provided to senior Officers (Mar 2014) Members' register of interests reviewed and revised (Nov 2013) Whistleblowing Policy and associated reporting arrangements reviewed and updated to reflect recent changes in legislation (Mar 2014) Fraud and loss risk assessment reviewed and updated (Mar 2014) Update of Information Management intranet site (ongoing) Continuing programme of information governance awareness training (ongoing) Continuing data security compliance audits across the County Council (ongoing) New Internal Audit Charter adopted (Dec 2013) Themed audits for schools introduced (April 2013) 	3.1.2	Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols
	3.2.1	Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with Members, staff, the community and partners
<ul style="list-style-type: none"> Online learning is in place, with a number of new online learning packages and 'watch and go' videos on key management issues (ongoing) Development of automated processes to support effective management eg. disciplinary procedures, developing performance, staff absence (ongoing) 	3.2.2	Put in place arrangements to ensure that procedures and operations are designed in conformity with the appropriate ethical standards, and monitor their continuing effectiveness in practice
	Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
<ul style="list-style-type: none"> Audit of risk management and service continuity completed (Mar 2014) Appropriate preparation made for the Tour de France (ongoing) 	4.3.1	Ensure that risk management is embedded into the culture of the authority, with Members and managers at all levels recognising that risk management is part of their job

	Principle 5	Developing the capacity and capability of members and officers to be effective
<ul style="list-style-type: none"> • Induction training for Members (May 2013) • Implementation of a suite of online packages (Mar 2014) • Mandatory training is now linked to increment withhold / removal (Mar 2014) • Workforce plan for 2020 developed and training plan is in place and updated regularly at Management Board (ongoing) • Blueprint of 2020 North Yorkshire Change Programme including 2020 Finance Programme produced and agreed at Management Board (Dec 2013) • Sharper focus and disciplines on procurement across Council implemented (Mar 2014) • Online appraisal process completed (Mar 2014) 	5.1.1	Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis
	5.1.2	
<ul style="list-style-type: none"> • Information Governance training for Members (July 2013) • Review of process for coordinating and responding to FOI requests (Mar 2014) • Further awareness raising of process for coordinating and responding to FOI requests in Directorates (Mar 2014) 	5.1.2	Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.
	Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability
<ul style="list-style-type: none"> • Production of governance framework for Better Care Fund and working with Health carried out (Nov 2013) 	6.2.2	Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands

Examples of Improvements to be made between May 2014 and May 2015

Improvements	Reference	Requirement
	Principle 1	Focusing on the purpose of the authority and on outcomes for the community and create and implementing a vision for the local area
	Principle 2	Members and officers working together to achieve a common purpose with clearly defined functions and roles
<ul style="list-style-type: none"> In depth review of Constitution to be carried out (BK – 2014) 	2.1.1	Set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive’s Members individually and the authority’s approach towards putting this into practice
<ul style="list-style-type: none"> Job evaluation process under review to streamline process and use benchmarking more effectively. Job Families will also be reviewed as part of this work (JB – Sept 2014) 	2.3.2	Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel
	Principle 3	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
<ul style="list-style-type: none"> Full review of Officers Code of Conduct (BK/JB – Sept 2014) Implement revised transparency arrangements (???) 	3.1.1	Ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect

<ul style="list-style-type: none"> • Review and implement an electronic Officer Register of Interests (BK/JB – Mar 2015) • Develop and implement an electronic Officer decision making training package (BK/JB – Mar 2015) • Carry out review of Code of Conduct for Planning (BK – Oct 2014) • Further data security compliance audits to be undertaken (Ongoing) • Further update of Information Management Policy Framework and Schedule (Ongoing) • Further review of Counter Fraud and Anti Money Laundering Policies and Protocols (Ongoing) • Further development of the intranet for staff information and as a means of staff discussion and engagement JB – Sept 2014) 	3.1.2	Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.
<ul style="list-style-type: none"> • Further development of intranet site for staff information and automated processes to assist in ensuring proper process in relation to key employment relations policies are followed (JB – Oct 2014) • Development of a practical engagement toolkit for managers to use so as to engage their staff and teams effectively in the Councils Vision. This links together improvements made to the intranet, day to day management tools, and learning materials (JB – Sept 2014) 	3.2.1	Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with Members, staff, the community and partners
	Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
<ul style="list-style-type: none"> • Review of Behaviour and Skills Framework will ensure the inclusion of risk management (JB – Dec 2014) • Continue to manage the multiplicity of risks (as set out in Budget report of feb 2014) (GF – ongoing) 	4.3.1	Ensure that risk management is embedded into the culture of the authority, with Members and managers at all levels recognising that risk management is part of their job
	Principle 5	Developing the capacity and capability of members and officers to be effective
<ul style="list-style-type: none"> • Review of Information Governance online training to include refresher training 	5.1.1	Provide induction programmes tailored to

<ul style="list-style-type: none"> and updating packages (JB - Dec 2014) Continue to deliver the 2020 North Yorkshire Change Programme including 2020 Finance and to meet the challenges of resilience Obtain Procurement procedure rules approvals and implement (GF – Sept 2014)) 		individual needs and opportunities for Members and officers to update their knowledge on a regular basis
<ul style="list-style-type: none"> Further review of on line appraisal process to rectify faults such as time outs and transferring targets through from one year to the next (JB – Sept 2014) 	5.1.2	Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.
	Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability
<ul style="list-style-type: none"> 'Engagement with staff' paper has been discussed at Management Board and the decision has been taken to develop a practical engagement toolkit for managers to ensure effective engagement in the Councils Vision and the 2020 North Yorkshire Change Programme (JB – Sept 2014) 	6.3.1	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

GOVERNANCE ARRANGEMENTS OF THE NORTH YORKSHIRE PENSION FUND

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

- 1.1 To provide the Committee with details of the governance arrangements of the North Yorkshire Pension Fund.

2.0 BACKGROUND

- 2.1 The Audit Commission requires that the Statement of Final Accounts of the North Yorkshire Pension Fund (NYPF) be audited as if the Pension Fund was an entity separate from the County Council.
- 2.2 Given the regulatory requirements relating to local authority Final Accounts, it is necessary:
- (a) for the Audit Committee (not the Executive) to approve Final Accounts
 - (b) for the Final Accounts to be accompanied by an Annual Governance Statement, and therefore
 - (c) the arrangements in (a) and (b) have to be applied to the NYPF.
- 2.3 This paper provides details of the NYPF governance arrangements; the draft Final Accounts for NYPF will be presented to the Audit committee on 17 July 2014 alongside those of the County Council.

3.0 GOVERNANCE ARRANGEMENTS

- 3.1 The Governance arrangements for NYPF fall into two categories:-
- (a) those that govern the processes and procedures of NYPF because it is “hosted” by the County Council. The procedural arrangements for the Pension Fund Committee (PFC) and the procurement rules for appointing fund managers, etc, are therefore all based on those operated within the County Council.

To that extent they will be covered, for year end purposes, by the Annual Governance Statement that is prepared for the County Council as a whole (**see Item 8 on the Agenda**).

- (b) those that relate specifically to the NYPF. A full set of these documents is to be found in **Appendix 1**. Subject to any issues raised by Members (see paragraph 4.1 (ii)) this set of documents will be submitted for approval by the PFC at its meeting on 10 July 2014.
- 3.2 A full set of NYPF governance documents was presented to the Audit Committee at its meeting on 27 June 2013. Since then, some of these documents have been replaced, but other remain unchanged or have received only minor amendments.
- 3.3 There have been either no or minor amendments to the Statement of Investment Principles (Part A), the Governance Compliance Statement (Part B), the Communication Policy Statement (F), the Pensions Administration Strategy (Part G) and the Treasury Management SLA (Part H). These documents usually only need significant revisions following certain events such as a major change in legislation, but no such revisions are required at this time.
- 3.4 The Risk Register (Part C) describes the key risks faced by the Fund. There are two risks ranked as red, four as amber and two as green. None of these risks have increased in category in the last year. The assessment of the highest ranked risks is primarily driven by the financial impact each could have, if each risk actually occurred.
- 3.5 Pension Fund solvency remains a red risk due to the unpredictable and volatile nature of global financial markets on which both investment returns and certain market based actuarial assumptions used to value liabilities are based. The potential consequence of the risk occurring is a significant increase in contribution rates for the Fund's employers and/or an extension to the deficit recovery period. Recently however, Fund solvency increased; from 67% at the March 2010 valuation to 73% at the March 2013 valuation, and now stands at 84%, the highest it has ever been.
- 3.6 The investment strategy remains a red risk. Although solvency has increased significantly over recent years the strategy remains focussed on generating additional outperformance over liabilities in order to recover the remaining deficit. This inevitably means that the Fund is required to invest in assets exposed to significant market risk such as equities and property which can perform poorly particularly in times of a crisis in financial markets. However the strategy has been exceptionally effective at taking advantage of the improvements in these markets over recent years. NYPF's investment performance was ranked 1st within the local authority universe (WM Performance Services) based upon the last five years.
- 3.7 The Communication Strategy 2014/15 (Part D) is a new document and was approved by the PFC on 22 May 2014. This document is produced annually and describes the strategy for communicating with members and employers for the year ahead, with a focus this time on the requirements of the new scheme which commenced on 1 April 2014.
- 3.8 The Funding Strategy Statement (Part E) was approved by the PFC on 20 February 2014 as part of the Triennial Valuation process. This document details the strategy for how pension liabilities will be best met going forward, while supporting the regulatory requirement of maintaining as nearly constant contribution rates as possible.

4.0 RECOMMENDATION

4.1 That the Committee

- (i) notes the governance arrangements for the North Yorkshire Pension Fund and
- (ii) identifies any items relating to governance that it would wish to bring to the attention of the Pension Fund Committee.

GARY FIELDING
Corporate Director – Strategic Resources

County Hall
Northallerton

16 June 2014

GOVERNANCE DOCUMENTS OF THE NORTH YORKSHIRE PENSION FUND

Part	Document Title
A	Statement of Investment Principles
B	Governance Compliance Statement
C	Risk Register
D	Communications Strategy 2014/15
E	Funding Strategy Statement
F	Communications Policy Statement
G	Pensions Administration Strategy
H	Treasury Management SLA

NORTH YORKSHIRE PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

TABLE OF CONTENTS

Section		Page
1	INTRODUCTION	2
2	INVESTMENT DECISION MAKING PROCESS	2
3	TYPES OF INVESTMENTS TO BE HELD	2
4	BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENTS	3
5	RISK	4
6	EXPECTED RETURN ON ASSETS	4
7	REALISATION OF INVESTMENTS	4
8	SOCIALLY RESPONSIBLE INVESTMENTS	5
9	SHAREHOLDER GOVERNANCE	5
10	STOCK LENDING	5
11	COMPLIANCE WITH GUIDANCE FROM THE SECRETARY OF STATE	5

1.0 INTRODUCTION

- 1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare, publish and maintain a Statement of Investment Principles (SIP). This document is the SIP of the North Yorkshire Pension Fund (NYPF) for which North Yorkshire County Council (NYCC) is the administering authority. In preparing this Statement consideration has been given to the professional advice received from the various advisers and investment managers of the Fund.

2.0 INVESTMENT DECISION MAKING PROCESS

- 2.1 The Council has delegated all its functions as the administering authority of NYPF to the Pension Fund Committee (PFC). The Corporate Director Strategic Resources, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities.
- 2.2 The PFC determines the investment policy of the Fund and has ultimate responsibility for the investment strategy. The committee undertakes its responsibilities through taking appropriate advice from external advisers. Scheduled meetings take place each quarter with additional meetings convened as required.

3.0 TYPES OF INVESTMENTS TO BE HELD

- 3.1 The following categories of investment have been approved as suitable for the NYPF.

UK Equities

provide a share in the assets and profitability of public companies floated on UK stock exchanges. Capital gains and losses arise as share prices change to reflect investor expectations at the market, sector and stock levels. Income is derived from dividends.

Overseas Equities

are similar to UK Equities but allow greater diversification amongst markets, sectors and stocks. Valuations are affected by exposure to movements in the relative value of the foreign currencies in which investments are made against sterling. Exchange rates are likely to reflect differentials in inflation so should not affect returns materially over the long term, but over the short term currency movements may significantly add to or subtract from returns. Equities are expected to provide high returns compared to other asset classes (the "equity-risk premium"); to address the NYPF deficit position a high proportion of assets will be held in equities.

UK Bonds

are debt instruments issues by the UK Government and other borrowers. Bonds provide a fixed rate of interest and are usually redeemed at a fixed price on a known future date. Valuations primarily reflect the fixed level of interest, the period to redemption and the overall return demanded by investors. They are vulnerable to rising inflation and correspondingly benefit from falling inflation.

Overseas Bonds

are similar to UK Bonds but have exposure to currency exchange rate fluctuations. As with UK bonds they are influenced by local inflation rates.

Index Linked Bonds

are bonds that provide interest and a redemption value directly linked to a measure of inflation, usually the Retail

Price Index or a similar index. The returns from this asset class act as a useful proxy for movements in liability values.

Diversified Growth Funds are an alternative way of investing in shares, bonds, property and other asset classes. These funds are managed by specialist multi-asset managers and target returns slightly below that of equities but with significantly reduced volatility due to the diversification of their constituent parts.

UK Property is an investment in buildings, indirectly through pooled vehicles. Capital gains and losses occur as prices fluctuate in line with rental levels and investor demand. Income is generated from rents collected from tenants. The nature of rental agreements gives property some of the characteristics of bonds, whilst growth and inflation provide some of the characteristics of equities. It is, therefore, a useful diversifying asset class.

Derivative Instruments such as options and futures are mechanisms through which the Fund can be protected from sudden changes in share prices or exchange rates. Although not income producing they can result in capital gains and losses. They may be used to hedge the Fund's exposure to particular markets.

Cash is invested in authorised institutions in accordance with the treasury management policy of the Council under the terms of a Service Level Agreement and attracts interest at market rates.

4.0 BALANCE BETWEEN DIFFERENT TYPES OF INVESTMENTS

- 4.1 The LGPS regulations require that administering authorities should “have regard to the need for diversification of investments” in order to reduce the risk of over concentration in one or more asset classes where performance may be highly correlated. The aim of diversification is to reduce short term volatility, particularly to mitigate the negative effects of one asset class or market performing badly. Property (2012) and Diversified Growth Funds (2013) are the most recent additions to further address this issue.
- 4.2 The Investment Strategy Review, carried out periodically, establishes a benchmark asset mix against which actual Fund performance can be measured. The last Review took place in 2013. This provides a framework designed to produce the returns the Fund requires over the long term to meet its future liabilities. Each asset class is allocated a range and rebalancing takes place when values stray beyond them due to market conditions. Further rebalancing may take place based on strategic views of the Fund's advisers.
- 4.3 The largest proportion of the Fund's investments are in equities which is aimed at growing the value of assets over the long term. Other return seeking asset classes complement this goal, with the allocation to liability matching assets providing a measure of protection against rising liability valuations.
- 4.4 The range of permitted investment in each asset class, expressed as a percentage of the Fund is as follows:

	Minimum %	Maximum %
Equities	50	75
Diversified Growth Funds	5	10
Property	5	10
Fixed Income	15	30

- 4.5 Each asset class is sub-divided into two or more mandates with different investment managers and operating to different benchmarks, further increasing the diversification of the Fund's investments.

5.0 RISK

- 5.1 The Fund's custodian, BNY Mellon, holds the assets of the Fund that are invested on a segregated basis. Assets invested through pooled funds are held by the Funds investment managers. Agreements are in place protecting the Fund against fraudulent loss and in addition regular checks are undertaken by independent auditors of the custodian's and investment managers' systems. These organisations have internal compliance teams which also monitor and report on risk. Cash balances belonging to the Fund are held and invested in accordance with a Service Level Agreement with NYCC. Risk is further controlled through continuous monitoring and periodic reviews of the custodial and investment management arrangements.
- 5.2 The LGPS Management and Investment of Funds Regulations 2009 set out certain restrictions as to individual investments, which are intended to limit the risk exposure of an LGPS Fund. The Fund's asset risk is reduced through diversifying investments within these limits, across asset classes, geographical areas, market sectors and at the stock specific level. Investment Management Agreements include further restrictions on the investment processes managers are required to follow.
- 5.3 The Investment Strategy aims to ensure that the Fund has enough Assets to pay the benefits earned by scheme members. An Asset Liability Modelling study undertaken by the Fund's Investment Consultant looked at the risk and reward of the current (and possible alternative) asset allocations compared with the actual liabilities of the Fund arising from the 2013 Triennial Valuation. The associated workshops explored the risk/reward relationship and the most appropriate asset allocation strategy. The results of this exercise form the basis of the investment benchmark.
- 5.4 Ongoing monitoring of the Fund's risk profile takes place including reassessing its appropriateness when the Investment Strategy is reviewed at the quarterly PFC meetings or as appropriate. Close regard is paid to the ongoing risks which may arise through a developing mismatch, over time, between the assets of the Fund and its liabilities, together with the risks which may arise from any lack of balance/ diversification of the investment of those assets.

6.0 EXPECTED RETURN ON ASSETS

- 6.1 The long-term objective of the Investment Strategy is to have sufficient money available to meet the cost of future pension payments. The Asset Liability Modelling study described in **paragraph 5.3** establishes an expected level of return and is incorporated into each Triennial Valuation and the associated Funding Strategy Statement (FSS).
- 6.2 The expected return on assets at the Fund level is a blend of the benchmarks for the individual investment managers and their mandates. All of the Fund's assets are actively managed by external investment managers, each with their own performance target. This equates to an out-performance target over liabilities (calculated on a gilts basis) of 2.4%; this return expectation is one of the key assumptions used in determining employer contributions at the Triennial Valuation.

7.0 REALISATION OF INVESTMENTS

- 7.1 The majority of the Fund's investments are in fixed interest securities, equities and other investments that are quoted on recognised stock markets and may quickly be realised if required. Less than 1% of investments are in illiquid asset classes.

8.0 SOCIALLY RESPONSIBLE INVESTMENTS

- 8.1 The PFC takes the view that its overriding obligation is to act in the best financial interests of the Scheme and its beneficiaries.
- 8.2 However, as a responsible investor, NYPF wishes to promote corporate social responsibility, good practice and improved performance amongst all companies in which it invests. The Fund therefore monitors investee companies to ensure they meet standards of best practice in relation to their key stakeholders.
- 8.3 The Fund considers that the pursuit of such standards fully aligns the interests of Fund members and beneficiaries with those of stakeholders and society as a whole over the long term. In furtherance of this policy, the Fund supports standards of best practice on disclosure and management of corporate social responsibility issues by companies and pursues constructive shareholder engagement with companies on these issues consistent with the Fund's fiduciary responsibilities.
- 8.4 In accordance with this policy, the Fund will seek where necessary to use its own efforts, those of its investment managers, and alliances with other investors, to pursue these goals. To this end the Fund is a member of the Local Authority Pension Fund Forum (LAPFF).
- 8.5 In addition, the Fund continues to pursue an active corporate governance policy, including using its voting rights, in accordance with its own policies, as determined from time to time (see **paragraph 9** below).

9.0 SHAREHOLDER GOVERNANCE

- 9.1 The policy on corporate governance is that NYPF has instructed Pension Investment Research Consultants Limited (PIRC) to execute voting rights for all segregated UK Equities held by the Fund, and non UK where practicable. Votes are executed by PIRC according to predetermined Shareholder Voting Guidelines agreed by the PFC, available on www.nypf.org.uk.
- 9.2 The scope of the policy described in **paragraph 9.1** above is periodically reviewed with the intention of extending the geographical range where NYPF's interest can be voted.

10.0 STOCK LENDING

- 10.1 The Fund has not released stock to a third party under a stock lending arrangement within a regulated market during the financial year 2013/14 or in any previous years.

11.0 COMPLIANCE WITH GUIDANCE FROM THE SECRETARY OF STATE

- 11.1 The original Myners Review in 2001 established 10 principles of investment for defined benefit schemes. In October 2008, the Government published their response to consultation on updating the Myners Review and restructured the original principles into 6 new high level principles, provided guidance to pension funds on recommended best practice for applying the principles, and identified tools to provide practical help and support to trustees and their advisers.
- 11.2 NYPF carried out a self-assessment of its position, supported by a review by an independent professional observer, and implemented arrangements in order to address the principles. The extent to which NYPF has adopted the investment principles is described in the following paragraphs.

Effective decision making – full compliance

- 11.3 Administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation, and those persons or organisations should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Clear objectives – full compliance

- 11.4 An overall investment objective(s) should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Risks and liabilities – full compliance

- 11.5 In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Performance assessment – full compliance

- 11.6 Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Responsible ownership – full compliance

- 11.7 Administering authorities should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents, include a statement of their policy on responsible ownership in the Statement of Investment Principles, and report periodically to scheme members on the discharge of such responsibilities.

Transparency and reporting – full compliance

- 11.8 Administering authorities should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives, and provide regular communication to scheme members in the form they consider most appropriate.

June 2014

NORTH YORKSHIRE PENSION FUND

GOVERNANCE COMPLIANCE STATEMENT

TABLE OF CONTENTS

Section		Page
1	INTRODUCTION	2
2	GOVERNANCE ARRANGEMENTS	2
3	REPRESENTATION AND MEETINGS	4
4	OPERATIONAL PROCEDRES	5
5	KEY POLICY / STRATEGY DOCUMENTS	6
5	ASSESSMENT OF COMPLIANCE WITH BEST PRACTICE PRINCIPLES	6

1.0 INTRODUCTION

- 1.1 This Statement has been prepared by North Yorkshire County Council (NYCC, or “the Council”) as administering authority of the North Yorkshire Pension Fund (NYPF, or “the Fund”) in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment) (No.3) Regulations 2007.
- 1.2 These Regulations describe the governance arrangements of the Fund and assess them against a set of best practice principles, either confirming compliance or providing an explanation of the reasons for non-compliance as appropriate.

2.0 GOVERNANCE ARRANGEMENTS

Pension Fund Committee

- 2.1 Overall responsibility for the governance of the LGPS, as it is organised and operated in North Yorkshire resides with the Pension Fund Committee (PFC), a committee of the Council, which has been delegated the following powers:
 - 2.1.1 To exercise the powers of the Council to invest monies forming part of the Pension Fund, including:
 - to determine and periodically review the Investment Strategy of the Fund
 - to appoint managers to manage and invest Fund monies on the Council's behalf
 - to receive reports from the appointed managers, at least once every three months, setting out the action they have taken under their appointment
 - to receive reports, at least once every three months from the Investment Adviser, Investment Consultant and the Performance Measurer, regarding the investment performance of the appointed investment managers and the Fund overall
 - from time to time to consider the desirability of continuing or terminating the appointments of any organisations involved in the investment of the monies of the Fund and / or advising / reporting thereon
 - to approve a Statement of Final Accounts and associated governance statements for submission to the Audit Committee
 - from time to time reporting to the Executive
 - 2.1.2 To exercise all the Council's powers as administering authority for the North Yorkshire Pension Fund, subject to any specific instructions that might be given from time to time by the Council.
 - 2.1.3 To carry out the Council's functions relating to local government pensions scheme (LGPS) under the regulations.

Advisory Panel

2.2 NYPF has established an Advisory Panel with its own terms of reference which widens representation amongst the Fund's stakeholders. The Panel's terms of reference as follows:

- to represent all stakeholders of the North Yorkshire Pension Fund, in particular the contributing Employing Bodies to the Fund
- to express the views of stakeholders to the PFC on matters of policy
- to liaise with the North Yorkshire Pension Fund Officers Group (NYPFOG)

Independent Professional Observer

2.3 In order to provide an independent assessment of the Fund's governance arrangements the PFC has appointed an Independent Professional Observer (IPO). The IPO reports annually to the PFC on the level of compliance of the Fund against the CLG's best practice principles, and also offer advice on governance related matters.

Functions Delegated to Officers

2.4 The Council's constitution sets out the duties of the Corporate Director – Strategic Resources in relation to the Fund. Essentially, the Corporate Director acts as the Treasurer of the Fund (and is referred to as such in the remainder of this Statement) providing information and advice to the Committee whilst also managing the day to day affairs of the Fund.

2.5 In particular the Treasurer is required to manage from day to day the Fund, including:

- the exercise of the Council's function as administering authority, where such exercise does not involve use of discretion
- the power to seek professional advice and to devolve day to day handling of the Fund to professional advisers within the scope of LGPS regulations
- to change the mandate of a fund manager, in consultation with the Chairman and at least one other Member of the PFC, in circumstances when not to do so would lead to a real, or potential, loss in value of the Fund's investments. Any such action to be reported to the PFC as soon as practicable

2.8 In undertaking these duties detailed above, the Treasurer is not empowered to change the fund manager structure of the Fund without the approval of the PFC.

NYPFOG

2.7 The North Yorkshire Pension Fund Officer Group (NYPFOG) meets periodically to provide an opportunity for officer representatives of all employers to meet NYPF officers and address any issues related to the administrative arrangements of the Fund.

3.0 REPRESENTATION AND MEETINGS

Representation

- 3.1 The current membership of the PFC is as follows (as at June 2014)
- (a) seven elected Members representing the administering authority who each hold one vote on the Committee.
 - (b) two further elected Members representing the Fund's other largest employing bodies each holding one vote. One Member represents the City of York Council, the other is the District Councils' representative of Local Government North Yorkshire and York
 - (c) in addition, a number of substitute Members have been nominated to attend in the absence of each of the main Committee Members
 - (d) an invitation is also extended to allow three union representatives to attend every Committee Meeting. No voting rights are allocated to these positions
 - (e) the Chairman of the Advisory Panel is invited to attend all PFC meetings, in a non-voting capacity
 - (f) the quorum required for Committee Meetings is three.
- 3.2 Advisory Panel membership consists of representatives of each employer group, pensioner members, and union representatives on behalf of active members.

Meetings

- 3.3 The PFC is governed by the decision making procedures defined in the Constitution of the Council, being a full Committee of the Council. These are fully compliant with the terms of the Local Government Act 2000. In addition, the PFC complies with the procedural requirements defined in LGPS regulations.
- 3.4 Papers for all meetings of the PFC are provided to all the Members identified in **paragraph 3.1** above, including substitute members, union representatives and Advisory Panel Members. In addition, the Investment Adviser and Investment Consultant (who also attend every meeting), Fund Managers and the Fund Actuary are given the opportunity to view all items on the public agenda of each meeting.
- 3.5 PFC papers are also publicly available on the Council's website. The Communication Policy Statement explains in more detail the arrangements for engagement with all stakeholders.
- 3.6 The PFC convenes once each quarter, at County Hall in Northallerton. The Fund's investment managers are scheduled to attend additional meetings where the PFC specifically considers fund manager performance and related matters. Six supplementary meetings a year are normally held for this purpose. In attendance at each meeting are the Investment Adviser, the Investment Consultant, the Treasurer and representative members of his staff involved with the NYPF (eg Operations Manager, Fund Accountant), an observer from City of York Council and a Committee Clerk (NYCC).

- 3.7 The PFC has also included a specific meeting in July in its programme. This is in order to consider the draft Statement of Final Accounts and the set of updated governance documents, in addition to any other business requiring attention at that time.
- 3.8 Advisory Panel meetings are synchronised with PFC meetings and consider the same quarterly agenda plus any other relevant information. There is no formal voting procedure, rather each member of the Panel is entitled to express their view. The Chairman of the Panel attends PFC meetings to pass on these views and then reports back to the Panel resulting comments and actions, as appropriate.

4.0 OPERATIONAL PROCEDURES

Training

- 4.1 Myners first principle recommends that “decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively”. There are also legal requirements set out in the LGPS regulations and other relevant legislation, as well as best practice guidance published by CIPFA and other professional and regulatory bodies.
- 4.2 The Fund arranges a programme of internal and external training events and access to other resources such as the on-line CIPFA Knowledge and Skills Toolkit designed to meet these requirements, recommendations and best practice guidance principles for Members of the PFC. A register of all training events is maintained and reported at each PFC meeting.
- 4.3 The costs incurred by Members of the PFC in attending training sessions are met by the Fund in accordance with the policies of the administering authority.
- 4.4 Advisory Panel members are afforded the same training opportunities as are members of the PFC. Costs and expenses are met in accordance with the policy described in the County Council’s “Guidance and Toolkit for Managers and Head-teachers on Recruiting and Working with Volunteers”.

Reporting and Monitoring

- 4.5 The PFC has a clearly defined Work Plan that is agreed at the start of each financial year which is reviewed regularly and is included in the Agenda papers for each meeting.
- 4.6 In relation to investment matters, the Investment Adviser, Investment Consultant and each Investment Manager for the Fund is required to submit a quarterly report to the PFC summarising the investment activities within the Fund’s portfolios during the preceding quarter and reporting the value and performance of the investments at the end of each such quarter. In addition, the Fund Custodian presents an independent report on the overall investment performance of the Fund, together with details relating to individual managers and different classes of asset.
- 4.7 In addition, the Treasurer will present reports to every PFC meeting detailing performance in relation to the administration activities of the Fund and other

significant matters for Members' attention as determined by the Work Plan; topics will include reports on the budget position, updates on the Regulations, communication with stakeholders, training events and Admission Agreements, etc.

4.8 Outside of this periodic reporting to the PFC

- (a) the activities of the Benefits Administration Team are regularly monitored by the Treasurer as part of the ongoing performance monitoring arrangements operated with the Central Services directorate of the Council. In addition, the Fund participates in benchmarking and related value for money exercises with other Funds
- (b) the performance of the investment managers is monitored on an ongoing basis by the Investment Consultant, Investment Adviser and the Treasurer. Meetings are held with the investment managers on a routine basis and/or when particular issues arise (eg staff changes) that may affect the performance of that manager on behalf of the Fund.

5.0 KEY POLICY / STRATEGY DOCUMENTS

5.1 In addition to the range of documents produced by the Fund explaining the benefits of the LGPS for scheme members and employers, the Fund publishes on www.nypf.org.uk a number of other key documents relating to the administration and governance of the Fund. In addition to this Governance Compliance Statement, these additional documents are as follows:

- Funding Strategy Statement (FSS)
- Statement of Investment Principles (SIP)
- Communications Policy Statement
- Annual Communication Strategy + related Action Plan
- Pensions Administration Strategy
- Risk Register
- Treasury Management SLA
- Annual Report

6.0 COMPLIANCE WITH BEST PRACTICE PINCIPLES

6.1 **Structure**

a	The Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council	Fully compliant
b	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Fully compliant

c	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Fully compliant
d	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Fully compliant

6.2 Representation

a	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, eg admitted bodies ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers iv) expert advisers	Fully compliant
b	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights	Fully compliant

6.3 Selection and Role of Lay Members

a	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully compliant
---	--	-----------------

6.4 Voting

a	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	Fully compliant
---	---	-----------------

Voting rights on the PFC are limited to representatives of the administering authority which is answerable for the effective and prudent management of the Scheme, and to representatives of the Fund's major employers. This arrangement provides an optimal number in terms of decision making effectiveness, therefore voting rights have not been extended to other stakeholders.

6.5 Training / Facility Time / Expenses

a	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Fully compliant
b	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Fully compliant

6.6 Meetings (Frequency/Quorum)

a	That an administering authority's main committee or committees meet at least quarterly	Fully compliant
b	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Fully compliant
c	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully compliant

6.7 Access

a	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Fully compliant
---	---	-----------------

6.8 Scope

a	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Fully compliant
---	--	-----------------

6.9 Publicity

a	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements	Fully compliant
---	--	-----------------

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed

Report Date: 4th June 2014 (pwr)

Phase 1 - Identification												
Risk Number	44/4	Risk Title	44/4 - Pension Fund Solvency				Risk Owner	CD SR	Manager	CSD SR Int Fin PA		
Description	Solvency deteriorates due to liability growth exceeding expectations and / or underperforming investment returns, over optimistic actuarial assumptions, or adverse market conditions requiring a review of employer contributions, additional payments or extended recovery period					Risk Group	Financial	Risk Type	CSD SR 32/24			
Phase 2 - Current Assessment												
Current Control Measures			Deficit recovery period, adopt prudent actuarial assumptions, all assumptions reviewed every 3 years, measure liabilities against investment returns on a quarterly basis, regular reports to PFC,					Effectiveness				
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2	
Phase 3 - Risk Reduction Actions												
							Action Manager	Action by	Completed	%		
Reduction	44/5 - Carry out triennial valuation of the fund						CSD SR Int Fin PA	Fri-28-Feb-14	Fri-28-Feb-14	100%		
Reduction	44/6 - Regular consultation with Actuary re assumptions used and discuss and carry out action plan for outcomes positively (ongoing)						CSD SR Int Fin PA	Tue-30-Jun-15		0%		
Reduction	44/7 - Regular review of investment strategy to maximise investments (ongoing)						CSD SR Int Fin PA	Tue-30-Jun-15		0%		
Reduction	44/8 - Regular consultation with employers re cost of the scheme (ongoing)						CSD SR Int Fin PA CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/145 - Introduction of revised scheme ie. LGPS 14						CSD SR Pensions Mgr	Tue-1-Apr-14	Tue-1-Apr-14	100%		
Phase 4 - Post Risk Reduction Assessment												
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2	
Phase 5 - Fallback Plan												
										Action Manager		
Fallback Plan	44/428 - Increased contribution rate from employers and/or extend recovery period									CSD SR Int Fin PA CSD SR Pensions Mgr		

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed
Report Date: 4th June 2014 (pww)

Phase 1 - Identification											
Risk Number	44/8	Risk Title	44/8 - Investment Strategy				Risk Owner	CD SR		Manager	CSD SR Int Fin PA
Description	Failure of the investment strategy to maximise returns from investments				Risk Group	Strategic		Risk Type			
Phase 2 - Current Assessment											
Current Control Measures		Strategy reviewed through asset/liability modelling, risk budgeting, experience and knowledge of the market and suitable forms of investment, Member training, Independent Investment Adviser and Consultant reports, PFC workshops and sign off of strategy, regular monitoring of investment performance						Effectiveness			
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1876 - Continual review of the investment strategy and implement the recommendations				CSD SR Int Fin PA		Tue-30-Jun-15			0%	
Reduction	44/1877 - Monitor the risk budget				CSD SR Int Fin PA		Tue-30-Jun-15			0%	
Reduction	44/1878 - Monitor appropriateness of strategy against prevailing market conditions				CSD SR Int Fin PA		Tue-30-Jun-15			0%	
Reduction	44/1879 - Monitor the Advisor and Consultants reports and act on professional advice				CSD SR Int Fin PA		Tue-30-Jun-15			0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
							Action Manager				
Fallback Plan	44/430 - Review the strategy and implement changes as necessary based on the forward assessment of financial markets						CSD SR Int Fin PA				

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed
Report Date: 4th June 2014 (pww)

Phase 1 - Identification											
Risk Number	44/7	Risk Title	44/7 - Investment Manager				Risk Owner	CD SR		Manager	CSD SR Int Fin PA
Description	Failure of a pension fund investment manager to meet adequate performance levels resulting in reduced financial returns, re-tendering exercise					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures		Qrtly review of investment mgr targets, std terms and conds re termination of contract, ext advisers monitor mgrs perf, qrtly rept to Pension Fund Comm, benchmarking against other approp comparators, investment strategy review, risk budgeting exercise via Aon, reporting by Custodian, fund mgr attend at PFC, Member training, best practice procurement process,						Effectiveness			
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/1873 - Continue to monitor and report on investment returns on a regular basis					CSD SR Int Fin PA		Tue-30-Jun-15		0%	
Reduction	44/1874 - Continue to meet/report to PFC by Fund Managers and assess critical analysis by independent advisers					CSD SR Int Fin PA		Tue-30-Jun-15		0%	
Reduction	44/1875 - Carry out when appropriate, a tender exercise and use best practice procurement process to ensure positive outcome re new investment manager(s)					CSD SR Int Fin PA		Tue-30-Jun-15		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/429 - Change Fund Manager and redistribute funds, potentially transfer to temporary passive Fund Manager								CSD SR Int Fin PA		

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed
Report Date: 4th June 2014 (pvr)

Phase 1 - Identification											
Risk Number	44/20	Risk Title	44/20 - Fraud				Risk Owner	CD SR		Manager	CSD SR Int Fin PA
Description	Internal and/or external fraud as a result of inappropriate pension administration, investment activity and cash reconciliation results in financial loss, loss of reputation					Risk Group	Pers/Capacity		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Internal Audit, internal checking and authorisation procedures and levels in both pension section and finance, split between administration and finance, all third parties have regular audits and regulated by FCA, legally binding contracts in place, governance arrangements for the delegation of duties, use of BACS payments, monthly mortality monitoring, participate in National Fraud Initiative					Effectiveness			
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/1887 - Continually review processes and procedures including authorisation levels					CSD SR Int Fin PA CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/1888 - Ongoing internal audit assessment and annual review by external auditors					CSD SR Int Fin PA CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/1890 - Annual independent external audit of pension fund (separate from County Council) and carry out appropriate recommendations					CSD SR Int Fin PA CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	44/434 - Review incident and update procedures/processes accordingly							Action Manager			
								CSD SR Pensions Mgr CSD SR Int Fin PA			

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed
Report Date: 4th June 2014 (pv)

Phase 1 - Identification											
Risk Number	44/10	Risk Title	44/10 - LGPS Regulations and Employer Related Legislation				Risk Owner	CD SR	Manager	CSD SR Pensions Mgr	
Description	LGPS Regulations and Employer Related Legislation not interpreted and implemented correctly including implementation of the LGPS 2014 resulting in legal challenge					Risk Group	Performance	Risk Type	Int Fin 30/189		
Phase 2 - Current Assessment											
Current Control Measures		Specialist knowledge, designated members of staff, regular updates & comms with CLG, LGPC, Actuarial advice, Employers Forums, NEPOF, section training by specialist staff, specialist software, advice on calculations interpretations, investment mgmt agreement, awareness of overriding legislation, broadening of knowledge across MT, LGE advice, nat. technical pension group provide advice, Trustees knowledge and understanding toolkit.					Effectiveness				
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/157 - Enhance staff training programme					CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/158 - Implement the communication strategy to ensure continued customer awareness of LGPS 2014					CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/322 - Review the structure of the Pensions Administration team					CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/1897 - Work with supplier to achieve business as usual position on use of pensions administration system					CSD SR Pensions Mgr	Tue-30-Sep-14		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	L	Services	L	Reputation	M	Category	5
Phase 5 - Fallback Plan											
Fallback Plan	44/437 - Review existing interpretations, take legal advice and amend procedures as required							Action Manager	CSD SR Int Fin PA CSD SR Pensions Mgr		

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed
Report Date: 4th June 2014 (pv)

Phase 1 - Identification											
Risk Number	44/11	Risk Title	44/11 - Benefit Payments				Risk Owner	CD SR		Manager	CSD SR Pensions Mgr
Description	Incorrect/late benefits and payments to members resulting in criticism, customer dissatisfaction, under/over payments					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Up to date procedures and procedural checking, pension software up to date, workflow system, authorisation procedures, pro formas, staff training, audit trail, internal and external audits, Pensions Administration Strategy, Manuals available for calculation procedure, action plan for clean data requirements					Effectiveness			
Probability	M	Objectives	L	Financial	L	Services	L	Reputation	M	Category	4
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/1893 - Effective communication with employers					CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Reduction	44/1895 - Development of Task Management checklists					CSD SR Pensions Mgr	Mon-30-Jun-14	Sat-31-May-14	100%		
Reduction	44/1896 - Regular liaison with ESS regarding operational arrangements					CSD SR Pensions Mgr	Tue-30-Jun-15		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	L	Services	L	Reputation	M	Category	5
Phase 5 - Fallback Plan											
Fallback Plan	44/435 - Correct errors and review and amend existing procedures								Action Manager		CSD SR Pensions Mgr

CSD SR Pension Fund

Risk Register: June 2014 Review – detailed

Report Date: 4th June 2014 (pwr)

Phase 1 - Identification											
Risk Number	44/14	Risk Title	44/14 - IT Systems				Risk Owner	CD SR		Manager	CSD SR Pensions Mgr
Description	Failure of IT Pension system or other IT systems including transfer to 2020 Finance for more than 2 days (or a critical time) resulting in backlog, incorrect payments, increased overtime, criticism					Risk Group	Technological		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Manual payments, DR plan and tested, contracts for server maintenance, backups off site, major external providers have DR plans, manual calculation procedures, administration manuals, annual financial check, contingency plan in place,					Effectiveness			
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed	%	
Reduction	44/1884 - Regular review of contingency planning arrangements					CSD SR Pensions Mgr		Tue-30-Jun-15		0%	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	M	Category	5
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	44/433 - Recourse to manual calculations and payments, Liaise with software provider to restore system, find alternative supplier								CSD SR Pensions Mgr		



CSD SR Pension Fund

Risk Register: June 2014 Review – detailed
Report Date: 4th June 2014 (pww)

Phase 1 - Identification											
Risk Number	44/16	Risk Title	44/16 - Key Personnel				Risk Owner	CD SR	Manager	CSD SR Pensions Mgr	
Description	Loss and unavailability of key personnel e.g. Treasurer, Pensions Manager, leading to incorrect interpretation of regulations, incorrect calculations/data, incorrect payments, resulting in complaints, compensation claims					Risk Group	Capacity/performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Procedure notes, knowledge sharing, file management, deputies, co-operation between departments, pensions management meetings, comprehensive training matrix, PFC action notes, professional advisors,				Effectiveness				
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	L	Category	5
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed	%		
Reduction	44/1907 - To forward plan with managers/CD SR on a regular basis to share ideas and strategy from both sides (on going)					CSD SR Int Fin PA CSD SR Pensions Mgr	Tue-30- Jun-15		0%		
Reduction	44/1908 - Ensure inclusion of key managers with relevant external advisers or feedback from such meetings/telephone calls (on going)					CSD SR Int Fin PA CSD SR Pensions Mgr	Tue-30- Jun-15		0%		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	L	Services	M	Reputation	L	Category	5
Phase 5 - Fallback Plan											
Fallback Plan	44/441 - Identify temporary cover arrangements plus additional resources where required							Action Manager			
								CSD SR Int Fin PA CSD SR Pensions Mgr			



North Yorkshire Pension Fund

North Yorkshire Pension Fund Communications Strategy

2014 / 2015

Index

Section	Page
Introduction	3
Goals	4
Stakeholders	5
Summary of progress against 2013/14 Strategy	6
Items for Action in 2014/15	7

Introduction

The Local Government Pension Scheme (LGPS) underwent a fundamental change on 1 April 2014, from a final salary pension scheme to a career average pension scheme. Through its communications strategy, the NYPF has been building towards this moment and preparing all its stakeholders for the change. In 2014/2015, NYPF's strategy will reflect the changing needs of stakeholders throughout the transition period as the new landscape is established by the following means:

- continuing to raise awareness of the benefits of the new scheme generally amongst stakeholders, while going into much greater detail with those Fund members who are approaching and planning their retirement
- establishing a communications framework that provides timely, pertinent messages which are meaningful for the different groups of stakeholders and will often be communicated in partnership with NYPF employing authorities
- continuing the drive to encourage 'self-service', to use electronic communications and to use the NYPF website as the 'hub' for providing communications material, and for supporting employing authorities with employee processes around auto-enrolment and switching to and from the new 50/50 scheme
- monitoring the cost-effectiveness of all communication, and developing our activities accordingly
- continuing our commitment to regional and national initiatives, taking advantage of partnership working and innovative communication methods developed and tested elsewhere, and sharing our own experience in return

The theme for this year's NYPF Communications Strategy, therefore, will be **'Establishing the new communication framework to support the new LGPS'**.

Goals

Goals have been set in relation to the categories of LGPS stakeholders.

Theme A – ‘Establishing the new communication framework for active members’:

The aim is to establish a structure, working with employing authorities, which allows the NYPF membership generally to understand the main changes to the LGPS and the continuing / improving benefits, while targeting those close to retirement with information and assistance to help with the range of options now available. A key message will be that the ‘cliff edge’ need no longer be the norm, and that a managed, phased retirement may have benefits for all parties. The NYPF ‘self-service’ facility, housed on the NYPF website, will be key to this aim, but face-to-face appointments will also have a role to play.

Theme B – ‘Establishing the new communication framework for employers’:

The new scheme puts much greater onus on employing authorities, so the intention is to support them to meet those responsibilities. This will be achieved by working directly with their representatives, as well as providing timely, pertinent, issue-specific messages and supporting with on-line initiatives via the NYPF website. The employers’ ability to meet the requirements of the new scheme will be key to its successful introduction, so we have identified the establishment of a more collaborative relationship with employers as a top priority.

Theme C – ‘Establishing the new communication framework for pensioners’

Having withdrawn the costly ‘Everybody Benefits’ facility and advertised some alternate options, established the Pensioners’ Representative’s website page and issued the new annual newsletter in March, the 2014/15 strategy will focus mostly on active members and employers. However, efforts to further promote retired members’ on-line facilities, as well as pursuing an initiative around better communication with pensioners abroad, are on the agenda.

Theme D – ‘Establishing the new communication framework for deferred members’

The goal will be to put in place methods of communicating the changes for these members and providing guidance on accessing pension benefits early. It is also intended to assess a national initiative to help people who have moved jobs, locations and even industries to find any missing ‘pension pots’ that belong to them.

The action points relating to these goals are set out at the end of this document under ‘Items for Action 2014/2015’.

Review of this Strategy

This Strategy is prepared and considered by the Pension Fund Committee on an annual basis. However, within the spirit of the Pensions Administration Strategy, employers are at liberty, at any time, to suggest improvements to the Communications Strategy of the Fund.

Stakeholders

This Communications Strategy applies to all the NYPF stakeholders who are defined as follows:

- Employers
 - Scheduled Bodies
 - Admitted Bodies
- Scheme Members (including councillor scheme members)
 - Active members (contributors)
 - Retired members and Dependents
 - Deferred members
- Eligible employees working for Fund employers but not currently contributing
- AVC provider (Prudential)
- Actuary
- Legal Adviser
- Pensions Administration Software Provider
- Members of the Pension Fund Committee
- Members of the Advisory Panel
- Officers in the Pension Section
- Other NYCC officers undertaking work on behalf of the Fund

Summary of progress against 2013/14 Strategy

Items in 2013/14 Strategy	Summary of 2013/14 Progress	Year End Status
<p>Theme A ‘Building a new communications framework’ for active members:</p>	<ol style="list-style-type: none"> 1. Identify processes, collaboration with partners, for delivering timely, succinct and pertinent messages. 2. A communication campaign focussing on ‘Your Pensions and Your Retirement – Understanding Your Choices’ 3. A continual drive to encourage the use of the NYPF website to carry out ‘self-service’ calculations and make use of the information on the website. 4. Tailor communication methods in relation to needs of active members based on ability to use the website, how complex their circumstances are and how close a member is to retirement 5. Use of national innovations such as podcasts and DVDs 6. Ties-ins with national websites e.g. national LGPS 2014 website, State Pension age calculator, Money Advice Service Financial Health Check facility 	<p>All targets achieved, other than 2 and 4 which were dependent upon the provision of the delayed Transitional Regs. They are now built in to 2014/15 and progress is now being made.</p>
<p>Theme B ‘Building a new communications framework’ for employers:</p>	<ol style="list-style-type: none"> 1. Use employers’ internal emailing facilities to communicate with active members 2. Agree with employers joint, appropriate, communications regarding the LGPS to go out to Scheme members 3. Issue regular electronic ‘News Alert’ communications to employers to deliver timely, succinct and pertinent messages rather than a regular ‘round-up’ employer newsletter. 4. Obtain employers’ views on developments to the NYPF website which employers will find useful for their own administration purposes 5. Monitor effectiveness of communications methods via regular contact with employers such as ‘keep in touch’ phone calls 	<p>All targets achieved</p>
<p>Theme C ‘Building a new communications framework’ for pensioners:</p>	<ol style="list-style-type: none"> 1. Send out a simplified version of the annual pensioner newsletter (posted to those without access to online methods of communication) 2. Advertise lifestyle and other helpful websites for pensioners via pensioners’ newsletter and NYPF website 3. Encourage e-communications where possible 4. Include specific information on the NYPF website in Pensioner Representative area 	<p>All targets achieved</p>

Items for Action 2014/2015

The focus for this year's Strategy will be **'Establishing the new communication framework'**. Key actions will be –

Theme A – 'Establishing the new communication framework for active members':

- Establish the a process developed last year for providing, in conjunction with employers and other partners such as The Prudential, targeted, regular communications which utilise electronic means wherever possible to deliver timely, succinct and pertinent messages.
- Roll out a communication campaign focussing on 'Your Pensions and Your Retirement – Understanding Your Choices' to provide positive messages about the LGPS and the benefits of planning for retirement at a time when the State Pension age is increasing
- Maintain the drive to encourage the use of the improved NYPF website to carry out 'self-service' calculations, building in the LGPS 2014 changes, and make use of the information on the website.
- Tailor communication methods in relation to needs of active members based on ability to use the website, how complex their circumstances are and how close a member is to retirement, potentially including on site 'surgeries'
- Communicate directly with councillor members of the LGPS about the phased withdrawal of access to the scheme
- Improve the Pension Helpline call management facilities to ensure that Fund members receive prompt and relevant responses
- Develop an on-line version of the feedback form completed by leavers going through the retirement process
- Continue to provide on-line Annual Benefit Statements, with the option for paper if requested
- Continue to benefit from tie-ins with LGA and DCLG websites and others e.g. LGPS 2014 website, State Pension age calculator, Money Advice Service Financial Health Check facility

Theme B – 'Establishing the new communication framework for employers':

- Issue regular electronic 'News Alert' communications to employers to deliver timely, succinct and pertinent messages rather than a regular 'round-up' employer newsletter. The News Alerts will be stored on the NYPF website for future reference by employers

- Work with employers' to communicate key messages to Fund members in their employment via their internal emailing facilities, chief officer messages and their e-magazines
- Support employers to deliver general communications events and presentations to Fund members in their employment themselves.
- Run extra NYPFOG workshop events, at which employers will be more involved in actively sharing and discussing their experience with LGPS 2014 and learning from each other
- Obtain employers' views and feedback on developments in NYPF communications methods in order to continually improve what we do

Theme C – 'Establishing the new communication framework for pensioners'

- Continue with the simplified version of the annual pensioner newsletter, posted to those without access to online methods of communication
- Look to increase the database of email addresses to save further on printing and postage costs
- Maintain the Retired Members' are of the website, particularly ensuring through collaboration with the Pensioners' Representative that his page is kept relevant and up to date
- Pursue, in collaboration with NYCC Business Support Services, an alternative method of paying pensioners abroad that builds in more robust continued eligibility checks

Theme D – 'Establishing the new communication framework for deferred members'

- Communicate the changes in the LGPS 2014 which are relevant to deferred members via a newsletter
- Develop a process for deferred members to access personal calculations of the pension benefits available from age 55 onwards and put in place a process for applying for the payment of pension benefits before age 60, using electronic means as far as possible
- Assess a national initiative to help people who have moved jobs, locations and even industries to find any missing 'pension pots' that belong to them
- Continue to provide on-line Annual Benefit Statements, with the option for paper if requested

NORTH YORKSHIRE PENSION FUND (NYPF)

2013 Funding Strategy Statement (FSS)

This Statement has been prepared by North Yorkshire County Council (the Administering Authority) to set out the funding strategy for the North Yorkshire Pension Fund (the NYPF), in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the guidance paper issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. INTRODUCTION

The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (“the Administration Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund, the Administering Authority will prepare and publish their funding strategy.
- In preparing the FSS, the Administering Authority must have regard to :-
 - the guidance issued by CIPFA for this purpose; and
 - the Statement of Investment Principles (SIP) for the NYPF published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the NYPF are guaranteed by statute (s.29 LGPS (Administration) Regulations, as amended) and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also the introduction of a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution.

The benefits provided by the NYPF are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) (“the BMC Regulations”) and the Administration Regulations referred to above. New legislation contained in the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”) governs the NYPF from 1 April 2014. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 Regulations.

Employer contributions are determined in accordance with the Administration Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the NYPF should be set so as to “secure its solvency”, whilst the actuary must also have regard to maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. PURPOSE OF THE FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the NYPF as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. AIMS AND PURPOSE OF THE NYPF

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income,
- and pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as

amended), the 2013 Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the NYPF's actuary
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- monitor all aspects of the NYPF's performance and funding and amend FSS/SIP.

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters,
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

To meet the requirements of the Administration Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "**funding target**") assessed on an ongoing past service basis including allowance for projected final pay. In the long term, the employer rate would ultimately revert to the Future Service Rate.

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix 1.

Underlying these assumptions are the following two tenets:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan the following:-

- some allowance for changes in market conditions that have occurred since the valuation date;
- some further allowance for interest rates and bond yields to revert to higher levels over the medium to long term.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Scheme.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole (except where an employer adopts a bespoke investment strategy – see below).

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2013 actuarial valuation:

- A default recovery period of 21 years will apply.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 27 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- In the current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply compared to the 2010 funding plan where substantial deficits remain. Contribution reductions may only apply if an employer's deficit recovery period is at most 15 years.
- For any open employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is used (ie run-off) over a 15 year period (if surpluses are sufficiently large, contribution requirements

will be set to a minimum nil total amount). The current level of contributions will be phased down as appropriate.

- The employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of the future accrual of benefit
 - a schedule of lump sum amounts over 2014/17 in respect of the past service deficit subject to the review from April 2017 based on the results of the 2016 actuarial valuation.

- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. **The full termination policy is set out in Appendix 3.**

However, the Administering Authority has ultimate discretion where the particular circumstances of any given Employer warrant a variation from these objectives.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit Recovery Plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period to apply for any particular employer to employer grouping, the Administering Authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the Employer; and the security of future income streams

- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

The assumptions to be used in these Recovery Plan calculations are set out in Appendix 2.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore, after specific agreement has been obtained by Fund Officers from the North Yorkshire Pension Fund Committee, would be willing to use its discretion to negotiate an **evidence based** affordable level of contributions for the organisation for the three years 2014/17. Any application of this option is at the ultimate discretion of the Administering Authority and will only be considered after the provision of the appropriate evidence.

The Normal Cost of the Scheme (Future Service Contribution Rate)

In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “normal cost”). The method and assumptions for assessing these contributions are also set out in Appendix 1.

6. LINK TO INVESTMENT POLICY SET OUT IN THE STATEMENT OF INVESTMENT PRINCIPLES

The results of the 2013 valuation show the liabilities at 31 March 2013 to be 73% covered by the current assets, with the funding deficit of 27% being covered by future deficit contributions.

In assessing the value of the NYPF’s liabilities in the valuation, allowance has been made for asset out-performance as described in Appendix 1, taking into account the investment strategy adopted by the NYPF, as set out in the SIP.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the NYPF’s assets in line with the least risk portfolio would minimise fluctuations in the NYPF’s ongoing funding level between successive actuarial valuations.

Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current benchmark investment strategy, as set out in the SIP, is:

Asset Class (Summary)	%
Equities	50-75
Liability matching	15-30
Alternatives(excluding property)	5-10
Property	5-10
TOTAL	100

The funding strategy adopted for the 2013 valuation is based on an assumed asset out-performance of 1.6% per annum.

Bespoke Investment Strategy

The Investment Strategy adopted by NYPF is determined for the Fund as a whole. This Strategy takes into account the characteristics of NYPF as a whole, and therefore those of the constituent employers as an aggregated entity - it does not seek to distinguish between the individual liability profiles of different employers. The Strategy adopted to date, as reflected in the current SIP, is to invest a significant proportion of the assets in equities. Such investments offer a higher expected return, but also carry a higher level of risk.

NYPF is prepared to offer any employer the opportunity to adopt a Bespoke Investment Strategy (eg 100% bonds). However, to the extent that any Bespoke Investment Strategy will necessitate different investment return assumptions to those used by the Actuary for NYPF overall, there may be a consequential impact on the contribution rate calculated for that employer.

In addition, if an employer opts for a Bespoke Investment Strategy, NYPF reserves the right to determine the most appropriate way of arranging for the investment of the relevant share of the assets according to that Bespoke Strategy.

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the NYPF is based on both financial and demographic assumptions. These assumptions are specified in the Appendices and the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the NYPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall out performance assumed in the long term.

What are the Risks?

Financial

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

Demographic

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)

Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Regulatory

- Further changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees
- Changes to national pension requirements and/or HMRC rules

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)
- Administering Authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes in Committee membership.

8. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the NYPF membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy e.g. closure to new entrants
- if there have been any significant special contributions paid into the NYPF

**North Yorkshire County Council
as administering authority for the North Yorkshire Pension Fund**

ACTUARIAL VALUATION AS AT 31 MARCH 2013**Method and assumptions used in calculating the funding target****Method**

The actuarial method to be used in the calculation of the funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted (the Attained Age method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group.

Financial assumptions***Investment return (discount rate)***

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") 1.6% per annum .

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index, The overall reduction to RPI inflation implied by the market at the valuation date is 1.0% per annum.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) in the long term will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for all employers in the fund. This results in a total salary increase of 1% per annum for 2 years and in line with assumed CPI Inflation of 2.6% per annum for 3 years.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the RPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions***Mortality***

The mortality in retirement assumptions will be based on up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting NYPF specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of retirement in normal health and in ill health and the proportions married/civil partnership assumption have been modified from the last valuation. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.4% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.0% per annum, with a long term average assumption for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Common Rate” of contributions. In market conditions at the effective date of the 2013 valuation this approach gives rise to a slightly more optimistic stance (i.e. allows for a higher AOA) in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the “normal cost”) for the 2013 actuarial valuation

Long-term gilt yields	
Fixed interest	3.2% p.a.
Index linked	-0.4% p.a.
Past service Funding Target financial assumptions	
Investment return/Discount Rate	4.8% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
Future service accrual financial assumptions	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.

Demographic assumptions

The post retirement mortality tables adopted for this valuation are as follows:

Life expectancy at 65 in 2013		Base table	Adjustment	Improvement model	Long term rate
CURRENT ANNUITANTS	Normal health	S1PxA	97% / 96%	CMI_2012	1.5%
	Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA/S1DFA	156% / 109%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	109% / 99%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	97% / 96%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	97% / 96%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	109% / 99%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Withdrawal	As for 2010 valuation
Other demographics	Based on LG scheme specific experience.
50:50 Option	No allowance

APPENDIX 2**Assumptions used in calculating contributions payable under the recovery plan**

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the funding target, with the exception that, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous funding plan), an allowance may be made as part of the recovery plan for interest rates and bond yields to revert to higher levels over a period of 10 years.

In isolation, the effect of this increase in yields is to reduce the funding deficit by primarily lowering the value of the fund's liabilities over time, thus reducing the level of deficit contributions required by the employer during the recovery period.

Increases in yields on fixed and index linked gilts

A maximum increase in fixed and index linked gilt yields of 0.4% p.a. reflecting expected increases in gilt yields over a 10 year period.

As indicated above, this variation to the assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high financial covenant to support the anticipation of increased gilt yields over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where a funding deficit exists the impact of the anticipated increases in gilt yields will be limited so that the total employer contributions emerging from the valuation will be no less the 2014/15 levels that would have been payable under the previous funding plan.

North Yorkshire Pension Fund

Admissions and Terminations Funding Policy

1 Introduction

- 1.1 This document details the North Yorkshire Pension Fund's (NYPF) policy on admissions into the Fund, the methodology for assessment of a termination payment on the cessation of an admission body's participation in the NYPF, and considerations for current admission bodies. It supplements the general funding policy of the Fund as set out in the Funding Strategy Statement (FSS).
- 1.2 Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.
- 1.3 A standard data base of all current admission bodies participating in the NYPF, recording relevant details of the admission agreement and funding arrangements for each body, is maintained by the Fund. This data base is a live document and will be updated as new bodies are admitted to the NYPF.
- 1.4 This document is reviewed periodically and updated where changes are required, either in line with statutory requirements or where pragmatic solutions have been identified to deal with new scenarios or approaches.

2 Principles

Termination of an admission agreement

- 2.1 When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.
- 2.2 In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.
- 2.3 In the event that unfunded liabilities arise that cannot be recovered from the admission body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.
- 2.4 The NYPF's policy is that a termination assessment will be made based on a least risk (i.e. "matched") funding basis, **unless** the admission body has a guarantor within the Fund or a successor body exists to take over the admission body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the admitted

body's liabilities will become "orphan liabilities" within the Fund, and there will be no recourse to the admission body if a shortfall emerges in the future (after the admission has terminated).

- 2.5 If, instead, the admission body has a guarantor within the Fund or a successor body exists to take over the admission body's liabilities, the NYPF's policy is that the Triennial Valuation funding basis will be used for the termination assessment. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the admission body within the Fund (sometimes known as the "novation" of the admission agreement). This may, if agreed by the successor body, include the novation to the successor of any funding deficit on closure, in place of a termination payment being required of the admission body itself.
- 2.6 The LGPS (Miscellaneous) Regulations 2012 allow for Scheme Employers to be subject to a deficit payment on termination. The Administering Authority will decide the actuarial funding basis to apply for such a termination assessment after taking advice from the actuary to the NYPF and considering the particular circumstances of the Scheme Employer.

Funding basis / Controlled Flexibility

- 2.7 An admission body may choose to pre-fund for termination i.e. to amend their funding approach to a matched methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the matched basis.
- 2.8 For any admission bodies funding on such a matched strategy a notional investment strategy will be assumed as a match to the liabilities. In particular the admission body's notional asset share of the Fund will be credited with an investment return in line with the matched funding assumptions adopted rather than the actual (largely equity related) investment return generated by the actual asset portfolio of the Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

Administering Authority options

- 2.9 The preference of the NYPF is for the Administering Authority to commission a risk assessment from the actuary to the NYPF on behalf of the potential admitted body, in line with the LGPS (Miscellaneous) Regulations 2012, effective from 1 October 2012, which requires a risk assessment to be carried out to the satisfaction of the Administering Authority. Where the potential admission body instead insists on carrying out the risk assessment (either themselves or by commissioning a third party), this must be done to the satisfaction of the Administering Authority (and the transferring employer where appropriate).
- 2.10 In order to protect other Fund employers, when considering applications for admission body status the Administering Authority's clear preference is that there should be a guarantor within the Fund. However, where there is no

guarantor within the Fund, the Administering Authority will consider other applications on a case-by-case basis and can determine that:

- The admission body must pre-fund for termination with contribution requirements assessed using the matched methodology and assumptions; and/or
- The admission body must have a bond or indemnity from an appropriate third party in place. The actuary to the NYPF will be asked to carry out a risk assessment as per paragraph 2.9, with the level of any bond requirement being determined by the Administering Authority; and/or
- The admission body may be subject to any other requirements, such as monitoring specific factors, as the Administering Authority may decide; or
- The admission body's application may be refused.

2.11 Some aspects that the Administering Authority may consider when deciding whether to apply any of the options under 2.10 above, in the absence of a guarantor, are:

- Uncertainty over the security of the organisation's funding sources e.g. the admission body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admission body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

3 Implementation

New admissions (admitted on or after 26/5/2011)

3.1 With effect from 26 May 2011 the NYPF will apply the above principles to the admission of new bodies into the Fund and to the methodology for assessment of a termination payment on the cessation of such an admission body's participation in the NYPF.

Transferee admission bodies (TABs)

- 3.2 Transferee admission bodies generally will have a guarantor in the Fund since the Regulations require that, in the event of any unfunded liabilities on the termination of the admission, the contribution rate for the relevant Scheme Employer should be revised. Accordingly, in general, the matched approach to funding and termination will not apply for TABs.
- 3.3 On termination of a TAB admission, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.
- 3.4 An assessment of the level of risk on premature termination of the contract will be carried out, as detailed in paragraph 2.9. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the NYPF the

decision over the level (if any) of any bond requirement for the transferee admission body is the responsibility of the Scheme Employer, and should be agreed by the contractor and Scheme Employer as part of the commercial negotiation, to the satisfaction of the Administering Authority.

- 3.5 Deficit recovery periods for TABs will be set in line with the Fund's general policy as set out in the FSS.
- 3.6 An exception to the above policy applies if the guarantor is not a participating employer within the NYPF, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the NYPF the Administering Authority may in this case treat the admission body as if it has no guarantor.

Community admission bodies (CABs)

- 3.7 From 1 October 2012, as per the requirements of the LGPS (Miscellaneous) Regulations 2012, paragraph 2.9 will apply for the admission of a CAB.
- 3.8 The NYPF's policy is to consider applications on a case-by-case basis, in line with the principles set out above. In general, a guarantor will be required to the Admission Agreement. If a guarantor (of sufficient standing acceptable to the Fund) is not forthcoming the admission will either not be approved or the Administering Authority may, if it deems appropriate, accept the admission subject to the requirements as described in paragraph 2.10 above. If required, any bond amount will be subject to review on a regular basis.

In the case of some bodies such as housing management or leisure facilities which are set up under a trust arrangement and effectively have a council as a guarantor under the Admission Agreement, then the admission will be approved and no risk assessment will be required.

- 3.9 In a similar way, with effect from 1 April 2008, new town and parish councils entering the Fund will be treated as follows:
- If a guarantor (of sufficient standing acceptable to the Fund) is forthcoming then the admission will be approved with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements.
 - If there is no guarantor then the admission body must pre-fund for termination with contribution requirements assessed using the matched methodology and assumptions.
- 3.10 Deficit recovery periods will be determined consistent with the policy set out in the FSS. Alternatively, the Administering Authority may determine an employer specific deficit recovery period will apply.

Existing admissions (admitted prior to 26/5/2011)

- 3.11 A review of all current admission bodies participating in the NYPF has been conducted with the relevant details documented in the data base maintained by the Fund.

- 3.12 The NYPF policy is that these existing admissions will be notionally “ring-fenced” with the valuation funding basis used for the termination assessment and calculation of ongoing contribution requirements. In the event that unfunded liabilities arise that cannot be recovered from the admission body at termination and in the absence of a guarantor or successor body, these will fall to be met by the Fund as a whole.

Notification of Termination

- 3.13 In many cases, termination of the admission is an event that can be foreseen, for example, because the organisation’s operations may be planned to be discontinued. In this case admission bodies are required to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of the admission. Effectively, this will be achieved by “locking in” to financial conditions for the termination prior to that date, and the hypothecation of a notionally matched investment strategy. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

Grouped bodies

- 3.14 The NYPF currently groups the following types of employers for contribution rate setting purposes:

- Grouped Scheduled Bodies (Town and Parish Councils admitted prior to 31 March 2008).
- NYCC - Local Management of Schools (NYCC LMS) Pool
- City of York – Local Management of Schools (COY LMS) Pool

Further details of these groupings are set out below.

Grouped Scheduled Bodies

- 3.15 The NYPF policy is that, on termination of participation within the grouped scheduled bodies, the termination assessment is based on a simplified share of deficit approach. This involves disaggregating the outgoing body from the group by calculating the notional deficit share as at the last actuarial valuation of the Fund, in proportion to the respective payrolls for the body and the group as a whole, and then adjusting to the date of exit. The adjustment to the date of exit will normally be made in line with the assumptions adopted as at the last actuarial valuation unless the actuary and Administering Authority consider that the circumstances warrant a different treatment, for example, to allow for actual investment returns over the period from the last actuarial valuation to exit.
- 3.16 In line with the NYPF’s policy for existing admission bodies, the share of deficit will be assessed based on the ongoing valuation funding basis for the group as a whole at the last actuarial valuation.

- 3.17 Any unfunded liability that cannot be reclaimed from the outgoing body will be underwritten by the group and not all employers in the Fund.
- 3.18 Following the termination of a grouped body, any residual liabilities and assets in respect of that body will be subsumed by any guarantor body for the group, or in the absence of a guarantor, subsumed by the Fund as a whole.

Local Management of Schools (LMS) Pool

- 3.19 The LMS pool refers to the grouping of some transferee admission bodies relating to catering and cleaning contracts within schools. On the admission of each such body to the Fund, the Assistant Director, Finance & Central Services for CYPS appropriate assistant director at North Yorkshire County Council will determine whether they should be included in the LMS pool.
- 3.20 Employers in the LMS pool will pay the same contribution rate as that payable by North Yorkshire County Council or City of York depending on which pool they are in.
- 3.21 At each triennial actuarial valuation, for the purpose of determining the contributions, the Actuary will pool together the assets and liabilities in respect of the Council and all other employers included in that Council's LMS pool. The contribution rate so determined will be payable by all the employer members of that Council's LMS pool.
- 3.22 On termination of an admission body within the LMS pool, no termination valuation will be calculated. The assets and liabilities relating to the employees will be subsumed by North Yorkshire County Council or City of York depending on which pool they are in.

Communications Policy Statement June 2014

If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335

INDEX

Section Content

1 Background

2 Objectives

3 Stakeholders

4 Methods of Communication

5 Annual Communications Strategy

6 Key Policy / Strategy documents

7 Review of this Policy Statement

8 Further information

COMMUNICATIONS POLICY STATEMENT

1.0 BACKGROUND

1.1 All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement under the LGPS (Amendment) (No 2) Regulations 2005 relating to the Communications Strategy for the Fund.

1.2 The key requirements for preparing the Statement are summarised as follows:

(a) the Administering Authority will prepare, publish and review a policy statement setting out its communication strategy for communicating with members, members' representatives, prospective members and employing authorities; and for the promotion of the Scheme to prospective members and their employing authorities.

(b) the statement must be revised and published whenever there is a material change in the policy.

1.3 North Yorkshire County Council (NYCC) as the administering authority for the North Yorkshire Pension Fund (NYPF) has published this Statement in accordance with these Regulations. This Statement has been prepared in consultation with appropriate interested parties.

2.0 OBJECTIVES

2.1 The Fund's objectives in communicating with stakeholders (as defined in **Section 3** below) are:

- to keep all stakeholders informed about the management and administration of the NYPF
- to inform stakeholders to enable them to make the decisions they need to make regarding pensions and the NYPF
- to consult major stakeholders on changes to regulations, policies and procedures that affect the NYPF
- to promote the Local Government Pension Scheme as an important tool in recruitment and as a benefit to scheme members
- to use the most effective ways of communicating with stakeholders
- to seek continuous improvement in the way we communicate

2.2 The Fund also needs to ensure that Stakeholders find it easy and convenient to communicate with the Fund.

3.0 STAKEHOLDERS

3.1 The key stakeholders for the NYPF are:

- **the County Council's Pension Fund Committee** who make decisions about the way the Pension Fund and pension benefits are managed and administered
- the **Advisory Panel** of employer representatives and other stakeholders which has been established to advise the Pension Fund Committee on policy matters as well as provide a scrutiny function
- **scheme employers** who use the scheme to help recruit, retain and support employees and who themselves contribute to the Fund
- **scheme members** (current contributors, deferred and retired members) and their representatives who are ultimately the recipients of the benefits of the pension scheme
- **prospective scheme members** who are eligible to benefit from the scheme but have not yet joined
- **staff employed by the County Council and other employers who are responsible for the management and operation** of the Pension Fund and pension benefits

3.2 Other stakeholders who contribute to the NYPF include –

- the Fund Actuary
- the Investment Adviser
- the Investment Consultant
- the Independent Professional Observer

- investment managers
- the asset custodian
- the AVC provider
- the Fund Solicitor

3.3 Because the stakeholders referred to in **paragraph 3.2** above are the providers of services to the Fund, it is important that communication with them exists both to and from the Fund. Thus they must be made aware of changes affecting the Fund as well as have the ability and the means to provide advice / feedback, etc, to the Fund.

4.0 METHODS OF COMMUNICATION

4.1 There are a variety of methods of communication adopted by the Fund. These are identified below with reference to each of the key stakeholders listed in **Section 3** above.

4.2 The items marked with an * are available on the NYPF website.

Pension Fund Committee

4.3 The following are used to provide information to Committee Members:

- agenda papers – these are prepared for each Committee meeting and cover all matters (ie benefit administration and investment of the Fund’s assets) relating to policy and performance of the Fund
- newsletters* - Committee Members receive copies of all newsletters issued by NYPF
- workshops – organised for specific purposes usually linked to the review of a major piece of NYPF policy (eg Investment Strategy)
- third party training sessions – details are circulated to all Members on a regular basis

Advisory Panel

4.4 The Panel receives the same information as provided to Committee members (see **paragraph 4.3** above)

Scheme Employers

4.5 The following will be provided to all Scheme Employers:

- newsletter* – updates delivered electronically
- technical material – any information connected with the Scheme and its administration is issued to Employer nominated liaison officer(s)
- consultation – opportunities for NYPF/Employer consultation wherever a collaborative approach is appropriate or policy changes are proposed or required

- website – including discrete area for ‘employer only’ information
- Pension Fund Officer Group (NYPFOG) – regular meetings held between NYPF and Employer representatives
- one to one employer meetings – dealing with any matters arising between NYPFOG meetings including training employers’ staff engaged in pension administration activities
- Employers Guide* – detailing pension administration processes
- Pensions Administration Strategy* – agreed protocol setting out the respective responsibilities of NYCC (as the administering authority of the Fund) and the Fund’s Employing Authorities
- Communications Strategy setting out the current communication arrangements and future developments
- Employer access to employee data – a means of providing data on line including starters, leavers, amendments and contributions
- Admission Agreements – provide advice, process management and data analysis for any prospective employer pursuing admitted body status

Scheme Members

4.6 The following will be provided to active, deferred and retired members –

- Scheme Guide (short guide)* – downloaded by new members of the Scheme or provided in hard copy on request by employers
- Scheme Guide (full)* - provided on request
- Membership Certificate (Statutory Notice) – confirmation of participation in the LGPS following the commencement of employment
- estimate of benefits* – calculated by members online or provided on request in appropriate cases
- annual benefit statement* – provided on-line for active and deferred members or can be provided in hard copy on request
- newsletter* – as appropriate for active members (but not less frequently than annual) and once per year for retired members
- pre-retirement courses – support for employer led courses as required up to 6 times per year
- membership data on-line* – personal data securely available to active and deferred members
- satisfaction surveys – conduct surveys for qualitative assessments on such matters as payment of retirement benefits, satisfaction with call-handling etc
- pay advice (sent to pensioners)
- replies to any correspondence by letter or e-mail
- helpline – contact available via telephone during office hours or voicemail out of office hours
- website – including online benefits calculator and other self-service facilities

Prospective Scheme Members

4.7 The following will be available to prospective members:

- Scheme Guide (short guide)* - distributed via the employers to all new employees or downloaded from the website
- direct promotion – will assist the employer in promoting the Scheme via employer communication systems eg pay advice, newsletters, induction seminars, etc
- helpline – contact available via telephone during office hours or voicemail out of office hours
- website – including Scheme guides to the LGPS

5.0 ANNUAL COMMUNICATIONS STRATEGY (incorporating Action Plan)

5.1 In consultation with Scheme employers and other stakeholders, via the Advisory Panel and NYFPOG, the County Council prepares an **Annual Communications Strategy** for the NYPF detailing the current arrangements for communication with its stakeholders together with future communication developments. The Communications Strategy is subject to annual review and is presented to the Pension Fund Committee for approval at the start of each financial year.

5.2 The Strategy includes the following -

- commentary on current operating context for the Fund
- progress on actions included in previous Annual Strategy
- details of proposed actions for next year with costs
- details of any Satisfaction Surveys undertaken in previous year and proposed for next year

6.0 KEY POLICY / STRATEGY DOCUMENTS

6.1 In addition to the range of documents produced by the Fund explaining the benefits of the LGPS, for Scheme members and employers (see **paragraphs 4.5 to 4.7 above**), the Fund publishes a number of other key documents relating to the administration and governance of the Fund. These are as follows -

- Funding Strategy Statement (FSS)
- Statement of Investment Principles (SIP)
- Annual Report
- Annual Communications Strategy
- Pensions Administration Strategy
- Governance Compliance Statement

6.2 All of these documents are available on the NYPF website.

7.0 REVIEW OF THIS POLICY STATEMENT

7.1 The Policy Statement will be reviewed annually to coincide with the approval of the **Annual Communications Strategy** as referred to in **Section 5**.

8.0 FURTHER INFORMATION

8.1 If you would like to know more about our communications, or have a query about any aspect of the North Yorkshire Pension Fund, you can contact us in the following ways:

in writing

North Yorkshire Pension Fund
County Hall
Northallerton
North Yorkshire
DL7 8AL

by telephone

Pensions Help and Information Line
01609 536335

by email

pensions@northyorks.gov.uk

8.2 Further information can also be found on the NYPF website at **<http://www.nypf.org.uk>**



North Yorkshire Pension Fund

Pensions Administration Strategy

February 2013



If you require this information in an alternative language or another format such as large type, audio cassette or Braille, please contact the Pensions Help & Information Line on 01609 536335

INDEX

Section	Content
1	Purpose of Strategy
2	Regulatory Background
3	Review of the Strategy
4	Performance Levels
5	Responsibilities and duties of the Employer
6	Responsibilities and duties of NYPF
7	Contribution Rates and Administration Costs
8	Communications
9	Agreement



PENSIONS ADMINISTRATION STRATEGY

1.0 PURPOSE OF STRATEGY

- 1.1 This Strategy sets out the administration protocols that have been agreed between employers and the North Yorkshire Pension Fund (NYPF). The protocols aim to ensure the smooth running of the Local Government Pension Scheme (LGPS) in North Yorkshire and must be followed at all times.
- 1.2 For the purpose of this Strategy no practical distinction is drawn between the statutory role of North Yorkshire County Council as the Administering Authority for the NYPF, its Pension Fund Committee, the Pension Administration Section or other sections of the Central Services Directorate all of whom play a role in the administration of NYPF – the term NYPF is used collectively to reflect all of the above roles within NYCC.

2.0 REGULATORY BACKGROUND

- 2.1 The protocols are concerned with routine yet important responsibilities and duties and they cannot override any provision or requirement in the Regulations outlined below or in any other relevant legislation.
- 2.2 The principal Regulations underpinning this document are:
 - The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
 - The Local Government Pension Scheme (Administration) Regulations 2007
 - The Local Government Pension Scheme (Transitional Provisions) Regulations 2007
 - The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
 - The Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
 - The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (and any amendments thereto)
 - The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (and any amendments thereto).

3.0 REVIEW OF THE STRATEGY

- 3.1 This Strategy will be kept under ongoing review by NYPF.
- 3.2 Employers may submit suggestions to improve any aspect of this Strategy at any time.
- 3.3 NYPF OG will be asked by NYPF to formally review the Strategy from time to time.

4.0 PERFORMANCE LEVELS

- 4.1 Performance level agreements are set out in this document for both employers and NYPF; these will be reviewed from time to time and only changed with agreement of employers via NYPF OG meetings and the agreement of NYPF.
- 4.2 This Strategy is the agreement between NYCC and employers about the levels of performance and associated matters

5.0 RESPONSIBILITIES AND DUTIES OF THE EMPLOYER

Contact Person

- 5.1 The employer will nominate a person to act as the primary contact with NYPF. The employer will notify the Pensions Manager of NYPF who that person is and ensure that changes of nominated person are notified to NYPF immediately.

Member details – Employer performance levels

- 5.2 The employer must forward notifications (or approved alternatives) to NYPF as follows:
 - (i) New starters (Form PEN11) – within one month of the employee joining
 - (ii) Change in member details – within 6 weeks of the event
 - (iii) Early leavers (Form SU5) – within 6 weeks of the employee leaving
 - (iv) For retirements, NYPF aims to pay lump sums to the member on the first Friday after retirement. Due to changes in the Regulations that govern the operation of the LGPS, certain decisions on the nature of benefits to be taken have to be made prior to retirement. To enable this to happen, retirement notifications (Form ADNOT) should be received by NYPF at least 30 days before the last day of employment. When the Form SU5 is not provided prior to retirement, it should be forwarded no later than 2 weeks following retirement.

The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 require that Form SU5 for a retirement before age 65 must be received no later than one month after retirement and for retirements at age 65 no later than 10 working days after the date of retirement. Great care must be taken to avoid contravening these regulations (see **paragraph 5.20** below).

- (v) Death in membership must be notified by the employer to the NYPF within 3 working days of the death of the member.

Employee's Guide

- 5.3 Under the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 the employer must ensure that all new employees eligible to join the LGPS receive a copy of the Employees' Guide to the Scheme within 1 month¹ of becoming employed.

Year-end information

- 5.4 The employer (or their payroll contractor/agency for which the employer is responsible) shall provide NYPF with year-end information as at 31 March each year in a notified format no later than 31 May or the next working day. When it is a Triennial Valuation year, the deadline will be 30 April or the next working day.
 - 5.4.1 NYPF's Accountancy Department also require separate information . After completion of the March contribution sheets, Employers are required to review their full year contribution summary (contained within the same Excel document). All contributions for the year should be reconciled back to the organisational payroll and the relevant declaration is to be signed and dated before being returned to pension.contributions@northyorks.gov.uk
 - 5.4.2 Employers still operating older contribution sheets will be required to compile the full year contribution summary themselves and return it with a relevant declaration to the same email address. The year-end information should be accompanied by a statement, duly signed by an authorised officer, balancing the amounts paid over during the year with the totals on the year-end return certifying that the amounts paid reflect the contributions deducted from employees during the year. The information should identify separately those amounts representing deductions for voluntary contributions and the standard deductions for basic scheme contributions.

Contribution deductions

- 5.5 The employer will ensure that member and employer contributions are deducted at the correct rate, including contributions due on leave of absence with reduced or no pay, maternity, paternity and adoption leave and any additional contributions NYPF request the employer to collect.

Payment of contributions to NYPF

- 5.6 Contributions (but not Prudential Additional Voluntary Contributions) should be paid each month to NYPF.

Payment dates

- 5.7 All funds due to the NYPF in respect of employees and employers contributions must be cleared in the NYPF Bank Account by 19th of the month (or the last working day before where the 19th is not a working day) following the month the contributions relate to. Any employer wishing to pay by cheque must therefore ensure the cheque is received by NYPF by the 14th of the month (or the last working day before where the 14th is not a working day).

Late Payment

- 5.8 A penalty system will apply for employers failing to meet the deadlines, as stated in **paragraph 5.7** with a one month grace period for a 'first offence'. The penalty will be based on the number of days after the 19th of the month that the payment due is received in the NYPF bank account. This will take the form of a fixed penalty (£50) plus a daily interest surcharge for the period the amount is outstanding. The interest rate to be used will be 1% above the bank base rate as prescribed in the Regulations. For persistent breaches of this protocol, the employer would be reported to the Pensions Regulator.

Payment method

- 5.9 The employer can choose to pay either by cheque, payable to "North Yorkshire Pension Fund" or preferably by BACS direct to NYPF's bank account subject to the payment date guidance outlined above.

Remittance Advices

- 5.10 The employer must submit an advice form, preferably in an electronic format, in advance of their payment. The form must state the employers name and reference number, the period and the amount of the payment split between employees and employers contributions. In addition, it should include the total pensionable pay, details of added-years contributions and any other payroll related adjustments.

AVC Contributions

- 5.11 The employer will pay additional voluntary contributions to the AVC Provider within one week of them being deducted. Under the Pensions Act 1995 the Pensions Regulator may be notified if contributions are not received before the 19th of the month following that in which they were deducted. The employer will submit the schedule of AVCs in an agreed format directly to Prudential ahead of the actual remittance.

Discretionary Powers

- 5.12 It is a mandatory requirement that each employer is responsible for exercising

the discretionary powers given to them by the Regulations. These Regulations extend to requiring the employer to publish its policy in respect of the key discretions as described by the Regulations to its employees. Copies of the relevant employer policies should also be lodged with the NYPF.

Employer Decisions

- 5.13 Certain aspects of the Regulations require an employer decision. The employer is responsible for implementing such areas correctly, (eg deduction of contributions at the correct rate).

Independent Medical Practitioner

- 5.14 The employer is responsible for determining and employing their own appropriately qualified independent medical practitioner and providing details of those practitioners to the NYPF (see also **paragraph 6.9**).

Employer responsibility for information provided to NYPF and/or work undertaken internally

- 5.15 NYPF is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests solely with the employer.
- 5.16 Any over payment made by NYPF resulting from inaccurate information supplied by the employer shall be recovered by NYPF from the employer.
- 5.17 The employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (eg Pay or Human Resource sections).

Data Protection

- 5.18 Under the Data Protection Act 1998, the employer will protect from improper disclosure any information about a member contained (where applicable) on any item sent from NYPF. It will also only use information supplied or made available by NYPF for the operation of the Local Government Pension Scheme.

Internal Dispute Procedure

- 5.19 The employer must identify a 'nominated person' for any instances where an Internal Dispute Resolution Procedure (IDRP) application is submitted against the employer and meet the associated costs.

Fines imposed on NYPF

- 5.20 In the event of NYPF being fined by the Pensions Regulator, this fine will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits described above), caused the fine.

Charges to the employer

- 5.21 NYPF will under certain circumstances consider giving written notice to employing authorities under regulation 43(2) on account of the authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under **paragraph 5.2** above. The written notice may include charges imposed by NYPF for chasing employing authorities for outstanding information as detailed in **paragraph 7.5**.

6.0 RESPONSIBILITIES AND DUTIES OF NYPF

Regulatory Issues

- 6.1 NYPF will administer the Pension Fund in accordance with the LGPS Regulations and any overriding legislation including employer discretions.
- 6.2 NYPF will issue a membership certificate to members; this provides notification to members that they have joined NYPF.
- 6.3 NYPF is responsible for exercising the discretionary powers given to it by the regulations. NYPF is also responsible for publishing its policy in respect of the key discretions as required by the regulations.

NYPF Performance Levels

- 6.4 NYPF agrees to meet the following performance targets in relation to the day to day administration of the fund:

Letter detailing transfer in	10 days
Letter detailing quote of transfer out value	10 days
Letter notifying estimated retirement benefit amount	10 days
Letter notifying actual retirement benefit amount	10 days

Support to Employers

- 6.5 NYPF will support employers in running the Local Government Pension Scheme by:
- providing information, advice and assistance on the scheme and its administration
 - distributing regular technical information

See the **Communications Policy Statement** and **Annual Communications Strategy** for full details.

- 6.6 NYPF will supply any information to employers necessary to ensure the smooth running of the pension fund.
- 6.7 NYPF will work with employers to ensure that retirement is as smooth a process for the member and employer as possible.

Independent Medical Practitioner

- 6.8 NYPF will verify the individuals nominated by the employer (in accordance with **paragraph 5.14**) as independent medical practitioners are appropriately qualified to deal with ill health retirement cases.

Services to Members

- 6.9 NYPF will produce benefit statements for members each year where the employer has submitted useable and accurate year-end financial data.
- 6.10 NYPF will provide a service to members that meets the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.
- 6.11 In addition, NYPF will communicate with members through appropriate media and encourage at all times the development and use of self-service facilities. Full details are provided in the **Communications Policy Statement** and **Annual Communications Strategy**.

Multiple Language Literature

- 6.12 The process for providing multiple language literature has been established and certain NYPF documents have been amended to include reference to how to obtain an alternative version. In response to the need to work towards achievement of the Local Government Equalities Standard additional documents used by the NYPF will be amended to refer to the availability of alternative versions.

Data Protection

- 6.13 Under the Data Protection Act 1998, NYPF will protect from improper disclosure any information held about a member. Information held will only be used by NYPF for the operation of the Local Government Pension Scheme.

Internal Dispute Resolution

- 6.14 NYPF must identify a 'nominated person' for any instances where an Internal Dispute Resolution Application (IDRP) application is submitted against the Administering Authority and meeting the associated costs.

7.0 CONTRIBUTION RATES AND ADMINISTRATION COSTS

- 7.1 The Members' contribution rates are fixed within bands by the Regulations.
- 7.2 Employers contribution rates are determined by a triennial valuation process. Employers are required to pay whatever is necessary to ensure that the portion of the Fund relating to that employer is sufficient to meet its liabilities over the agreed term.
- 7.3 NYPF is valued every 3 years by the Fund Actuary. The Actuary balances the assets and liabilities in respect of each employer and assesses the necessary

contribution rate for each employer. Employer contribution rates apply for 3 years except that an Admission Agreement may determine that reassessment should take place on a more frequent basis.

7.4 The administrative costs of running NYPF are charged by NYCC directly to the Fund and the Actuary takes these costs into account in assessing the employer contribution rate.

7.5 If NYPF undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work e.g.

- Non receipt of new entrant documentation requiring NYPF to set up temporary data and/or complete documentation on behalf of the employer
- Non receipt of leaver details requiring NYPF to interrogate payroll or other systems on the employers behalf
- Chasing outstanding information following one reminder
- FRS17 valuations
- ad hoc actuarial & legal advice (eg TUPE transfer)
- ad hoc technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)

8.0 **COMMUNICATIONS**

8.1 In accordance with the Fund's Communications Policy Statement and its Annual Communications Strategy, NYPF will work with employers to communicate relevant information to members.



North

Yorkshire County Council

Service Level Agreement

North Yorkshire County Council

And

North Yorkshire Pension Fund

Provision of Treasury Management Services

May 2010

1.0 **This Agreement is made on 1 April 2010**

1.1 **Between**

Central Services, **North Yorkshire County Council**, County Hall, Racecourse Lane, Northallerton, North Yorkshire, DL7 8AL (“NYCC”)

and

North Yorkshire Pension Fund, North Yorkshire County Council, County Hall, Racecourse Lane, Northallerton, North Yorkshire, DL7 8AL (“NYPF”)

1.2 **It Is Agreed** as follows:

Services Provided

The treasury management team of Integrated Finance (IF) will provide treasury management services (see **Appendix A**) for the NYPF; IF is part of the Central Services Directorate of NYCC. NYCC is the Administering Authority for the NYPF.

Term of the Agreement

The agreement will commence on 1 April 2010 and will be reviewed annually as part of the governance arrangements of the NYPF.

Fees and Charges

The charge for treasury management services, subject to annual review, will be £2,500 p.a. with effect from 1st April 2010.

2.0 **Authorised Officers**

- 2.1 The Authorised Officers are the people nominated by the NYPF to act on its behalf and may issue instruction to NYCC on any matter related to this Service Level Agreement.

3.0 **Agreement Manager**

- 3.1 NYCC shall appoint a Service Agreement Manager for the purposes of issuing any notice or instruction or other information regarding the overall Service Level Agreement. It is envisaged that day to day conduct of the services will be made through designated service delivery officers.

4.0 **Designated Officers and Staffing**

- 4.1 NYCC shall provide sufficient staff, the designated officers, to provide the Services specified in **Appendix A**. All Services specified in **Appendix A** will be provided Monday to Friday during normal office hours. Normal office hours are Monday - Thursday 09.00 – 1700, Friday 0900 – 1630. The Service will be provided from County Hall, Northallerton.
- 4.2 NYCC will ensure that all staff employed for the purpose of providing the Services as specified in **Appendix A** are appropriately qualified and have the necessary knowledge, skills and competencies to provide the Services. NYCC will also ensure that such staff are provided with appropriate ongoing learning and development to ensure up to date advice and quality of service is maintained (see **paragraph 5.1** below).
- 4.3 If the NYPF has grounds for concern about the actions, behaviour or record of any person involved in the provision of the Services by the County Council, those concerns should be notified to the Service Agreement Manager who will take any necessary action, to the satisfaction of both parties to the Agreement.

5.0 **Service Performance Standards and Monitoring**

- 5.1 NYCC will deliver the services specified in **Appendix A** in accordance with the Treasury Management Policy and its associated documents as approved by the County Council at the time. In entering into this agreement NYPF therefore accept the Treasury Management Policy and Strategies of NYCC. These documents are reviewed and approved by the County Council on an annual basis, with any required in year changes being submitted to the County Council's Executive and full Council as appropriate.
- 5.2 A regular dialogue will be maintained between authorised and designated officers to discuss service requirements as any issues arise. Should matters not be resolved the matter is to be escalated to the Service Agreement Manager.

5.3 NYCC will maintain appropriate records to enable NYPF to verify the work carried out in accordance with this Service Level Agreement.

6.0 Risk Management and Contingency Planning

6.1 It is the responsibility of NYCC to ensure that comprehensive disaster recovery arrangements to restore data in the event of a complete system failure are in place. These arrangements will be made known to the Authorised Officers who will also be informed of any changes to these arrangements.

6.2 NYCC will use all reasonable endeavours to ensure that the disaster recovery arrangements described at **paragraph 6.1** above are in place.

7.0 Modifications / Variations

7.1 NYCC may agree to vary the terms of this Agreement upon such terms as may be agreed with the NYPF and, where appropriate, the variation will include provision for the adjustment of any charges (as defined in **paragraph 1.2** above).

7.2 All variations shall be recorded in writing and attached to this Agreement.

8.0 Assignment and Sub-Contracting

8.1 NYCC will not assign or sub-contract this Agreement or any part of it without the prior written consent of the NYPF.

9.0 Indemnity

9.1 NYCC will indemnify the NYPF from and against all actions, proceedings, costs, claims and demands whatsoever arising from the negligence of NYCC, its servants or agents in connection this contract.

10.0 Breach of Agreement and Termination

10.1 Where the Service is not provided in accordance with this Agreement NYPF may, by written notice, request that NYCC should remedy the failure.

10.2 If either party is in material breach and/or persistent breach of the Agreement the other party may terminate the Agreement.

11.0 **Data Protection and Freedom of Information**

- 11.1 NYCC will comply with all obligations equivalent to those imposed on a Data Controller in accordance with the seventh principle under The Data Protection Act 1998.
- 11.2 All information provided by NYCC to NYPF will be provided in accordance with the requirements of the Freedom of Information Act 2000.

12.0 **Equal Opportunities**

- 12.1 NYCC will comply with employers' statutory obligations under the Race Relations Act 1976, the Sex Discrimination Act 1975, the Disability Discrimination Act 1995 and the Employment Act 2002 and will not discriminate directly or indirectly against any person because of their race, colour, nationality or national or ethnic origin, religious beliefs or sexual orientation in relation to decisions to recruit, train, promote, discipline or dismiss employees.

Treasury Management Services to be provided

Principles

- 1.0 Subject to appropriate risk controls the policy of NYPF is to maximise the interest receivable on surplus cash balances through NYCC's Treasury Management service.
- 1.1 The ability of NYCC to achieve this will depend on the size and duration of the 'surplus' cash in the NYPF bank account.
- 1.2 NYPF's practice is to automatically sweep all surplus cash into NYCC's bank account on a daily basis. NYPF therefore has
 - near instant access to required funds for cash flow purposes; and
 - any surplus cash is automatically invested at a higher rate of interest than would normally be available to the Fund due to the limited size of balances; and
 - has much greater flexibility with regard to minimum length of deposit rules, whilst
 - any short term 'overdraft' requirement is automatically provided by NYCC at its market rates rather than at the rates otherwise available to NYPF
- 1.3 NYCC will calculate an average rate of interest earned for all the cash it manages. This rate will be applied to NYPF's balances ensuring that it will enjoy the same rates as achieved by NYCC (and its other treasury management clients). This rate will be applied to NYPF's balance on a daily basis.
- 1.4 The current daily sweep arrangement will be maintained as long as the NYPF bank account is with the same bank as NYCC. NYPF is therefore included within the 'umbrella' of the current NYCC bank contract with Barclays Bank.
- 1.5 The umbrella of the NYCC's banking contract provides the following value added benefits to NYPF:
 - (i) the fee tariff per item is the same as for NYCC. Transaction charges are generally geared to scale (i.e. the more transactions the lower the unit costs); and
 - (ii) it enables effective daily 'sweeping' into the NYCC bank account for treasury management purposes, and
 - (iii) it avoids the need for the NYPF to undertake a separate tendering exercise and contract negotiation/renegotiation re banking arrangements.

2.0 **Security of Investments and Approved Lending List**

- 2.1 The County Council has adopted the CIPFA Code of Practice on Treasury Management (as updated in 2009). 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.
- 2.2 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
 - 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.
- 2.3 NYCC invests funds as cash deposits with institutions either on the money market or direct with banks and financial institutions. NYCC recognises that credit risk arises from deposits with banks and financial institutions and, as a result, deposits are not made with institutions unless they meet the minimum requirements of the investment criteria outlined in the County Council's Treasury Management Strategy.
- 2.4 The County Council relies on credit ratings and "ratings watch" and "outlook" notices published by the three credit rating agencies (Fitch, Moodys and Standards & Poor) to establish the credit quality of counterparties and investment schemes. All three credit rating agencies also produce a Sovereign Rating which assesses a country's ability to support a financial institution should they get into difficulty.
- 2.5 No combination of ratings can be viewed as entirely fail-safe and all credit 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 together with other criteria such as market intelligence, press speculation and rumoured mergers etc.
- 2.6 This data is collated and interpreted using the Credit Worthiness Service provided by the County Council's Treasury Management advisor, Sector Treasury Services Limited. This service uses a sophisticated modelling system to allocate a credit "score" for each organisation. Each score is then related to a series of colour codes which indicate the relative credit worthiness of counterparties and consequential maximum duration investment.
- 2.7 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).

- 2.8 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, but kept under review throughout the year with any required changes being approved as part of the County Council's quarterly reporting arrangements for Treasury Management Activities.
- 2.9 The Approved Lending List is monitored on an on going daily basis and changes made as appropriate by the Corporate Director – Strategic Resources to reflect credit rating downgrades etc. Institutions are removed or temporarily removed or suspended from the list if there are any significant concerns about their financial standing or stability.
- 2.10 The County Council's investment policy has two fundamental objectives
- the security of capital (protecting the capital sum from loss); and then
 - liquidity (keeping the money readily available for expenditure when needed).
- 2.11 The County Council will also aim to seek the highest return (yield) on its investments provided that proper levels of security and liquidity are achieved. The risk appetite of the County Council is low in order to give priority to the security of its investments.
- 3.0 **Policy in relation to risk sharing in relation to investments and borrowings**
- 3.1 NYCC's policy is that responsibility under 3rd party arrangements, for both investments and borrowing, are shared pro rata to the relative levels of investments and borrowing by the various parties.
- 3.2 The arrangements (as agreed with other clients including NYPF under this Agreement) in respect of a Default Loan are detailed below:

NYCC collects all available balances from those parties using the County Council's Treasury Management Service and merges them with its own balances (the so-called 'sweep' arrangement). These aggregated balances are then loaned out on the Money Markets. For practical purposes therefore every such loan contains an element of the balance of each party and no individual loans are earmarked as being solely the funds of one particular party.

In the event of counterparty default on an individual loan, each party shall bear a share of the consequential loss. The extent of that loss for each party will be calculated pro rata on the balance of that party on the day on which the default occurs. For example:

£1m defaulted loan

	<i>Balance on the day of default £</i>	<i>%</i>	<i>Share of Loss £</i>
NYCC	25,000,000	83.1	831,000
NYPF	1,800,000	6.0	60,000
Authority A	550,000	1.8	18,000
Authority B	750,000	2.5	25,000
Authority C	1,650,000	5.5	55,000
Authority D	<u>350,000</u>	<u>1.1</u>	<u>11,000</u>
Total	<u>30,100,000</u>	<u>100.0</u>	<u>1,000,000</u>

3.3 In addition, NYCC

- (i) will provide details of those organisations to which loans are made
- (ii) agrees that the Default Loan procedure will ***not*** apply if the actions of NYCC in the money market are clearly proven to have been contributory to any loss(es) of NYPF funds managed under the terms of this Agreement.

Mr R Flinton
 Chief Executive
 North Yorkshire County Council
 County Hall
 Northallerton
 NE1 8BR

23 April 2014

Dear Richard

Annual audit fee 2014/15

We are writing to confirm the audit work that we propose to undertake for the 2014/15 financial year at North Yorkshire County Council. The fee has been set by the Audit Commission to reflect the work programme auditors are required to deliver and our assessment of audit risk.

In March 2014 the Audit Commission announced the results of their procurement of audit services for 2015/16 onwards. Deloitte was not successful in being awarded a contract, but we remain your auditors for the 2013/14 and 2014/15 audits, and we will therefore continue to work with you for these years and provide a high quality service. The Audit Commission will shortly be starting the appointment process for new auditors, with new appointments being made by the end of 2014 for the 2015/16 audits onwards.

Audit Commission standing guidance on the rotation of audit partners means that a new engagement lead should be appointed for the 2014/15 audit. As 2014/15 will be our last year of appointment we have requested and received permission from the Audit Commission to a one year extension. We consider this is the best way of providing our clients with a high level of audit quality and continuity in our final audit year, given that there will be a change of auditor in the following year.

The planned fee for the audit for 2014/15, as set by the Audit Commission, and excluding the audit of the pension scheme and the certification of claims and returns, is £125,987 (exclusive of VAT), which is consistent with the base audit fee for 2013/14.

As already communicated to you in our 2012/13 fee letter, the 2014/15 scale fees that the Audit Commission has set include reductions of up to 40% on 2011/12 fees. These result from savings generated from the outsourcing of the Audit Commission's in-house Audit Practice and internal efficiency savings that the Commission is passing on to audited bodies.

The audit planning process for 2014/15, including our risk assessment will commence in early 2015 and any potential impact on fees will be reviewed and discussed with you as necessary. Any revision to the fee must also be approved by the Audit Commission prior to being finalised.

The fee is analysed as follows:

Audit area	Planned fee 2013/14	Planned fee 2014/15
	£	£
Financial statements (inc Whole of Government Accounts)	97,152	97,152
VFM conclusion	28,835	28,835
Total planned audit fee [note 1]	125,987	125,987
Certification of claims and returns [note 2]	-	-

Note 1: The total 2014/15 fee agrees to the scale fee set by the Audit Commission. The scale of fees set by the Audit Commission for the Council can be found at: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/>

Note 2: From 2012/13 onwards, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work. The scale fee for 2013/14 and 2014/15 is based on indicative changes to the certification requirements whereby the Teachers' Pension Return will be done under a tri-partite agreement directly between the Teachers' Pension Scheme, Local Authorities and Auditors.

The fee excludes:

- any additional work required to address questions and objections raised by local government electors which, due to uncertainty of timing and resource required, will be agreed separately;
- any work in relation to providing any specific accounting opinions, for example on PFI projects. Given the uncertainty of timing and input required, we will agree the scope of work and associated fee with you when you request the opinion;
- the cost of the National Fraud Initiative which is determined and billed by the Audit Commission;
- any work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you;
- value added tax; and
- our audit of the North Yorkshire Pension Fund. A separate annual audit fee letter will be provided to you in respect of this.

Work programme and risk assessment

The work programme has been published and copies sent directly to you by the Audit Commission. The programme includes:

- audit of the Authority's financial statements;
- work to support the value for money conclusion. This will be based on two criteria specified by the Commission covering the Authority's arrangements for:
 - securing financial resilience; and
 - prioritising resources within tighter budgets;
- work specified by the Commission on Whole of Government Accounts; and
- certification of individual claims and returns above £125,000, with only limited tests undertaken for claims up to £500,000.

Our audit is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. The fee reflects our current assessment of audit risk but as we have not yet completed our detailed audit planning process for 2014/15, this assessment could change. This process will continue as the year progresses and fees will be reviewed as necessary. Any significant variation in the assessment of risk may impact on the fee.

If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with Gary Fielding. We will prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee. Any variation in fee must be approved by the Audit Commission as they are responsible for setting audit fees.

The scale fee assumes that good quality working papers and records will be provided to support the financial statements within agreed timeframes. We have also assumed that Internal Audit undertakes appropriate work on all key systems, and good quality working papers and records will be provided within the agreed timeframes.

A separate plan detailing our assessment of audit risk and proposed response to those risks will be issued following completion of our detailed audit planning in March - April 2015. Within this, we will set out a timetable of deliverables required from you which will ensure a timely and efficient audit process, and therefore minimise the fees charged to you. As part of our detailed planning discussions we will seek to identify with you any further areas where efficiency can be achieved in the year end reporting and audit process.

We will issue a number of reports relating to our work over the course of the audit:

Planned output	Indicative date
Audit plan	July 2015
Auditors' report giving the opinion on the financial statements and value for money conclusion	30 September 2015
Annual audit letter	October 2015
Annual certification letter (if applicable)	January 2016

Audit Team

The key members of the audit team for the 2014/15 are:

Team member	Role	Telephone number
Chris Powell	Engagement Partner	0113 292 1288
Celia Craig	Audit Director	0191 202 5345
Alistair Lince	Audit Senior Manager	0113 292 1615

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Chris Powell in the first instance.

Yours sincerely

Deloitte LLP

Deloitte LLP

cc Gary Fielding
cc Audit Committee

Mr R Flinton
Chief Executive
North Yorkshire County Council
County Hall
Northallerton
NE1 8BR

23 April 2014

Dear Richard

Annual audit fee 2014/15

We are writing to confirm the audit work that we propose to undertake for the 2014/15 financial year at North Yorkshire Pension Fund. The fee has been set by the Audit Commission to reflect the work programme auditors are required to deliver and our assessment of audit risk.

In March 2014 the Audit Commission announced the results of their procurement of audit services for 2015/16 onwards. Deloitte was not successful in being awarded a contract, but we remain your auditors for the 2013/14 and 2014/15 audits, and we will therefore continue to work with you for these years and provide a high quality service. The Audit Commission will shortly be starting the appointment process for new auditors, with new appointments being made by the end of 2014 for the 2015/16 audits onwards.

Audit Commission standing guidance on the rotation of audit partners means that a new engagement lead should be appointed for the 2014/15 audit. As 2014/15 will be our last year of appointment we have requested and received permission from the Audit Commission to a one year extension. We consider this is the best way of providing our clients with a high level of audit quality and continuity in our final audit year, given that there will be a change of auditor in the following year.

The planned fee for the audit for 2014/15, as set by the Audit Commission, is £24,943 (exclusive of VAT), which is consistent with the base audit fee for 2013/14.

As already communicated to you in our 2012/13 fee letter, the 2014/15 scale fees that the Audit Commission has set include reductions of up to 40% on 2011/12 fees. These result from savings generated from the outsourcing of the Audit Commission's in-house Audit Practice and internal efficiency savings that the Commission is passing on to audited bodies.

The audit planning process for 2014/15, including our risk assessment will commence in early 2015 and any potential impact on fees will be reviewed and discussed with you as necessary. Any revision to the fee must also be approved by the Audit Commission prior to being finalised.

The fee is analysed as follows:

Audit area	Planned fee 2013/14	Planned fee 2014/15
	£	£
Total planned audit fee [note 1]	24,943	24,943

Note 1: The total 2014/15 fee agrees to the scale fee set by the Audit Commission. The scale of fees set by the Audit Commission for the Council can be found at: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/>

The fee excludes:

- any additional work required to address questions and objections raised by local government electors which, due to uncertainty of timing and resource required, will be agreed separately;
- any work in relation to providing any specific accounting opinions. Given the uncertainty of timing and input required, we will agree the scope of work and associated fee with you when you request the opinion;
- value added tax; and
- any work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

Work programme and risk assessment

Based on guidance issued by the Audit Commission, auditors have been requested, for audit purposes, to treat Local Government Pension Schemes as stand-alone bodies.

Our audit is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission and in accordance with additional guidance issued by the Commission in relation to the audit of pension schemes. However, this only extends to the audit of the accounts and there is no requirement for a separate value for money conclusion on the pension fund accounts.

The fee reflects our current assessment of audit risk but as we have not yet completed our detailed audit planning process for 2014/15, this assessment could change. This process will continue as the year progresses and fees will be reviewed as necessary. Any significant variation in the assessment of risk may impact on the fee.

If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with Gary Fielding. We will prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee. Any variation in fee must be approved by the Audit Commission as they are responsible for setting audit fees.

The scale fee assumes that good quality working papers and records will be provided to support the financial statements within agreed timeframes. We have also assumed that Internal Audit undertakes appropriate work on all key systems, and good quality working papers and records will be provided within the agreed timeframes.

A separate plan detailing our assessment of audit risk and proposed response to those risks will be issued in July 2015 following a discussion with Officers on the development of the Fund during 2014/15. Within this, we will set out a timetable of deliverables required from you which will ensure a timely and efficient audit process, and therefore minimise the fees charged to you. As part of our detailed planning discussions we will seek to identify with you any further areas where efficiency can be achieved in the year end reporting and audit process.

We will issue a number of reports relating to our work over the course of the audit:

Planned output	Indicative date
Audit plan	July 2015
Auditors' report giving the opinion on the financial statements (incorporated within the auditors' report on the Council accounts) and on the Pension Fund Annual Report	30 September 2015

Audit Team

The key members of the audit team for the 2014/15 are:

Team member	Role	Telephone number
Chris Powell	Engagement Partner	0113 292 1288
Alistair Lince	Audit Senior Manager	0113 292 1615

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Chris Powell in the first instance.

Yours sincerely



Deloitte LLP

cc Gary Fielding
cc Audit Committee

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

PROGRESS ON 2014/15 INTERNAL AUDIT PLAN

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the progress made to date in delivering the 2014/15 Internal Audit Plan and any developments likely to impact on the Plan throughout the remainder of the financial year.

2.0 BACKGROUND

- 2.1 Members approved the 2014/15 Audit Plan on the 6 March 2014. The total number of planned audit days for 2014/15 is 1,495 (plus 1,085 days for other work such as counter fraud and information governance). The performance target for Veritau is to deliver 93% of the agreed Audit Plan.
- 2.2 This report provides details of how work on the 2014/15 Audit Plan is progressing.

3.0 INTERNAL AUDIT PLAN PROGRESS BY 31 MAY 2014

- 3.1 The internal audit performance targets for 2014/15 have been set by the County Council's client officer. Details of these targets are given in the annual report of the Head of Internal Audit (which is a separate item on this agenda). Progress against these performance targets, as at 31 May 2014, is detailed in **Appendix 1**.
- 3.2 Audit work has been focussed on concluding all the outstanding reviews from 2013/14. Most of those audits have now been completed and the relevant reports issued in final. Only one audit from the 2014/15 audit plan has so far been completed and the final report issued. This report relates to the North Yorkshire County Local Transport Body.

Contingency and Counter Fraud Work

- 3.3 Veritau continues to handle cases of suspected fraud or malpractice. Such assignments are carried out in response to issues raised by staff or members of the public via the Whistleblower Hotline, or as a result of management raising concerns. Since the start of the current financial year, 6 cases of suspected fraud or malpractice have been referred to Veritau for investigation, 4 of which were internal cases and 2 social care cases.

Information Governance

- 3.4 Veritau's Information Governance Team (IGT) continues to handle a significant number of information requests submitted under the Freedom of Information and Data Protection Acts. The number of FOI requests received continues to grow with a total of 233 requests received between 1 April and 31 May 2014 compared with 188 requests received during the corresponding period in 2013/14 (a 24% increase). The IGT is currently attaining the performance response target of 95% for 2014/15 with 97.8% of requests so far being answered within the statutory 20 day deadline. The IGT also coordinates the County Council's subject access requests (excluding social care) and has received 12 such requests between 1 April and 31 May 2014.
- 3.5 Veritau is also assisting with the implementation of the County Council's information governance framework. The Council's Corporate Information Governance Group (CIGG) continues to meet frequently to discuss policy development and implementation. The Head of Internal Audit attends these meetings and the Information Governance Manager works closely with the Directorate Information Governance Champions to implement the decisions made by CIGG. Encouraging progress continues to be made to address information governance matters at both a corporate and directorate level. Veritau auditors are also continuing with a programme of unannounced audit visits to County Council premises in order to assess staff awareness of the need to secure personal and sensitive information. The results of these compliance visits are reported back to CIGG and to the Audit Committee.

Variations to the 2014/15 Audit Plan

- 3.6 All proposed variations to the agreed Audit Plan arising as the result of emerging issues and/or requests from directorates are subject to a Change Control process. Where the variation exceeds 5 days then the change must be authorised by the client officer. Any significant variations will then be communicated to the Audit Committee for information. No variations had been requested as at 31 May 2014.

4.0 **RECOMMENDATION**

- 4.1 Members are asked to note the progress made by Veritau Ltd in delivering the 2014/15 Internal Audit Plan.

Report prepared and presented by Roman Pronyszyn, Client Relationship Manager.

Max Thomas
Head of Internal Audit
Veritau Limited
County Hall
Northallerton

6 June 2014

Background Documents: None

PROGRESS AGAINST 2014/15 PERFORMANCE TARGETS (AS AT 31/05/2014)

<i>Indicator</i>	<i>Milestone</i>	<i>Position at 31/05/2014</i>
To deliver 93% of the agreed Internal Audit Plan.	93% by 30/4/15	2.34%
To achieve a positive customer satisfaction rating of 95%	95% by 31/3/15	100%
To ensure 95% of Priority 1 recommendations made are agreed.	95% by 31/3/15	100%
To ensure 95% of FOI requests are answered within the Statutory deadline of 20 working days.	95% by 31/3/15	97.85%

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

INTERNAL AUDIT WORK FOR THE CHILDREN AND YOUNG PEOPLE'S SERVICES
DIRECTORATE

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the **internal audit work** performed during the period from 1 March 2013 to 30 May 2014 for the Children and Young People's Services Directorate (CYPS) and to give an opinion on the systems of internal control in respect of this area.

2.0 BACKGROUND

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to the Children and Young Peoples Services (CYPS), the Committee receives assurance through the work of internal audit (as provided by Veritau Ltd), as well as receiving a copy of the latest directorate risk register and the relevant Statement of Assurance.
- 2.2 In line with recent practice, this agenda item is considered in two parts. This part considers the work carried out by Veritau and is presented by the Head of Internal Audit. The second part is presented by the Corporate Director – Children and Young Peoples Services and considers the risks relevant to the directorate and the actions being taken to manage those risks.

3.0 WORK CARRIED OUT DURING THE PERIOD MARCH 2013 TO MAY 2014

- 3.1 A summary of the results of audit visits made to schools during the period is provided in **Appendix 1**. Details of the internal audit work undertaken within the directorate are provided in **Appendix 2**.
- 3.2 Veritau has also been involved in a number of other areas of work in respect of the directorate. This work has included:
- (a) providing a series of training courses for school governors on financial controls and the School Financial Value Standard (SFVS);
 - (b) Monitoring and reviewing SFVS returns, producing a report for the School's Forum and drafting the DfE return;

- (c) reviewing LMS Procedure Rules, in conjunction with school representatives and officers from Finance and Management Support, Legal Services, and the Corporate Property Landlord Unit;
 - (d) contributing to training sessions at the termly school bursar conferences;
 - (e) offering advice to schools on tendering and quotation procedures in connection with devolved capital works;
 - (f) publishing Schools' Audit Newsletters to keep schools informed of best practice and recent developments;
 - (g) offering advice to schools and officers in Finance and Management Support during the pilot scheme for paying suppliers by BACS from school bank accounts;
 - (h) publishing advice for schools on counter-fraud arrangements to enable them to comply with the requirements of the recently amended LMS Scheme;
 - (i) carrying out a number of other special investigations that have either been communicated via the Whistleblowers' hotline or have arisen from issues and concerns raised with Veritau by CYPs management.
- 3.3 As with previous audit reports an overall opinion has been given for each of the specific systems or areas under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in control identified. Where weaknesses are identified then remedial actions will be agreed with management. Each agreed action has been given a priority ranking. The opinions and priority rankings used by Veritau are detailed in **Appendix 3**.
- 3.4 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau now formally follow up all agreed actions on a quarterly basis, taking account of the timescales previously agreed with management for implementation. **On the basis of the follow up work undertaken during the year, the Head of Internal Audit is satisfied with the progress that has been made by management to implement previously agreed actions necessary to address identified control weaknesses.**
- 3.5 All internal audit work undertaken by Veritau is based on an Audit Risk Assessment. Areas that are assessed as well controlled or low risk are reviewed less often and in our experience continue to be satisfactory between audits. Veritau's audit work therefore focuses on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern. The scope of many audits means that a large number of processes are reviewed with many of these being found to be satisfactory or better.
- 4.0 **AUDIT OPINION**
- 4.1 Veritau performs its work in accordance with the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant standard (2450)

states that the chief audit executive (CAE)¹ should provide an annual report to the board². The report should include:

- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
- (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
- (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
- (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
- (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
- (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

4.2 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Children and Young People's Services Directorate is that it provides **Substantial Assurance**. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching that opinion.

5.0 RECOMMENDATION

5.1 That Members consider the information provided in this report and determine whether they are satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.

MAX THOMAS
Head of Internal Audit

Veritau Ltd
County Hall
Northallerton

26 June 2014

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau Ltd at 50 South Parade, Northallerton.

Report prepared by Ian Morton, Audit Manager, Veritau and presented by Max Thomas, Head of Internal Audit.

¹ For the County Council this is the Head of Internal Audit.

² For the County Council this is the Audit Committee.

SCHOOL AUDITS UNDERTAKEN DURING THE PERIOD

(1) Audit Visits

Type of School	Audit Opinion					Total
	High Assurance	Substantial Assurance	Moderate Assurance	Limited Assurance	No Assurance	
Primary / Nursery	11	6	8	3	0	28
Secondary	1	1	1	0	0	3
Special	1	0	2	0	0	3
Pupil Referral Service	2	1	0	0	0	3
Total 2013/14	15	8	11	3	0	37
Percentage 2013/14	40.6%	21.6%	29.7%	8.1%	0	100
Percentage 2012/13	34.8%	37.9%	15.2%	12.1%	0	100

1. The Audit Opinions expressed are defined in **Appendix 3**.
2. There has been a reduction in the number of individual school audit carried out during the year following the introduction of “themed school audits”. Themed audits review a particular issue across a range of schools to identify common issues and best practice. Two of these themed audits were only finalised in early June and have therefore not been included in the list of completed audits in Appendix 2
3. Where the standards of control in a school or other establishment have been assessed as limited or no assurance follow-up visits are made within six months to review the progress that has been made to implement actions and improve controls. As will be seen above, 3 limited assurance opinions have been issued during the year and follow up visits have already been made to two of the schools that fell into that category. These schools have made significant improvements and their systems. One was subsequently reassessed as offering high assurance and the other substantial assurance. A follow-up visits is scheduled for the other schools in this category during the summer term.
4. Common themes identified during many of the audit visits include:
 - evidence not being retained that checks had been carried out to ensure contractors or third parties have the required levels of public liability and employer’s liability insurance (where applicable);
 - contract review schedules not being maintained and/or no evidence in any minutes that governors are reviewing the school’s procured services and contracts;
 - evidence not being retained that the school has completed the appropriate checks of qualifications or the right to work in the UK when making

appointments;

- laptops and memory sticks used by members of staff not being encrypted;
- key policies not being reviewed and updated appropriately or being updated but without reference to the latest guidance;
- people, including staff with financial responsibilities not completing registers of business interests.

(2) Post 16 funding reviews at schools with Sixth Forms

1. Since April 2010, local authorities have been responsible for providing assurance on sixth form funding to the Young Peoples Learning Agency (YPLA) and the Skills Funding Authority. The assurance requirements are set out in a Joint Audit Code of Practice drawn up by the YPLA.
2. During the last year, visits were made to two schools with sixth forms and one was assessed as providing substantial assurance and the other moderate assurance.

Appendix 2

FINAL AUDIT REPORTS ISSUED RELATING TO AUDITS CARRIED OUT IN THE PERIOD MARCH 2013 TO MAY 2014

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken	
A	Family & Friends Care	Moderate	A review of the system for processing payments in respect of Family & Friends Care.	30/10/2013	<p>The main issues identified in this audit related to:</p> <ul style="list-style-type: none"> • the adequacy of financial assessments • the failure to provide adequate guidance to applicants and members of staff • the failure to ensure applicants were made aware of the appeals procedure • the failure to keep social workers properly informed of the decisions made • the retention of key documents on files • the inability to predict the budget for as long as back payments are made 	<p>Six P2 actions and eleven P3 actions were agreed.</p> <p>Responsible Officer: Assistant Director - Children's Social Care Finance officer - CSC Head of Safeguarding</p> <p>Guidance and documentation will be updated for applicants and members of staff</p> <p>Consideration will be given to the role of social workers in the application process for financial support.</p> <p>The standard letter sent to the applicant to inform them of their entitlement will include details of how to appeal</p> <p>A checklist will be created to ensure all documents are retained</p> <p>The policy review will determine eligibility for back dated payments.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
B	Children's Direct Payments	Moderate	A review of the systems for processing and monitoring Children's Direct Payments.	5/11/2013	<p>The main issues identified in this audit related to:</p> <ul style="list-style-type: none"> the DPSS is a dedicated service for the monitoring of direct payments but it is not being used for the monitoring of direct payments within CYPS. best practice is not being shared across the area teams members of staff in the area teams are not fully utilising the information on ICS as part of the checking and monitoring process for direct payments. the controls and processes in place surrounding the payment, reconciliation and monitoring of direct payments within finance and the area teams are not sufficient to prevent and detect when a service user has been overpaid. 	<p>Six P2 actions and two P3 actions were agreed.</p> <p>Responsible Officers: Assistant Director - Strategic Resources, Finance and Management</p> <p>Action will be taken to address the findings although this will, by necessity, be a whole-system review which supports the principles established through the One Council programme in terms of standardisation, removing duplication etc. To this end, we will include colleagues from DPSS, HAS, Health, CYPS and Strategic Resources to achieve a sound and cost-effective solution that meets the needs of parents, disabled children and the Council. Within this context of significant change, there are two fundamental challenges to consider over the next 6-12 months. Firstly, the extent to which compliance is required from parents balancing probity, reputation, complaints with delivering effective care packages. Secondly, the drive for personalisation, both in HAS and CYPS, for integrated assessments for education, health and social care</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
						for 0-25 years. The implications of the report will therefore be carefully considered in the design of the new system.
C	Forest Lane Children's Home	High	A review to validate financial and operational controls including those covering cash security, amenity fund, budgetary control, assets, Human Resources, purchasing and petty cash procedures.	14/02/2014	The audit concluded that risks were well managed and that an effective control environment was being operated in the home. No significant issues were identified.	<p>Four P3 actions were agreed.</p> <p>Responsible Officer: Registered Manager</p> <p>The necessary changes and/or improvements to procedures have been made.</p>
D	Nidderdale CRC & Beck House	Substantial	A review to validate financial and operational controls including those covering cash security, amenity fund, budgetary control, assets, human resources, purchasing and petty cash procedures.	20/02/2014	<p>A small number of issues were identified, including:</p> <ul style="list-style-type: none"> the failure to ensure that pre-employment checks are adequately completed the failure to ensure that checks are carried out on contractors' insurance cover. 	<p>Seven P3 actions were agreed.</p> <p>Responsible Officer: Registered CRC Manager Deputy CRC Manager</p> <p>A new safe has been purchased. The inventory stock check will be undertaken by the Business Support Team.</p> <p>A new system for tracking pre-employment checks has been introduced.</p> <p>Appropriate checks on insurance cover will be made and recorded in future.</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
E	County Music Service	Moderate	A review of the systems operated by the County Music Service for making payments to peripatetic music teachers	26/02/2014	<p>The main issues identified in this audit related to:</p> <ul style="list-style-type: none"> the Music Service system is unable to calculate payments without significant manual intervention system access permissions are not sufficiently robust and therefore members of staff are not prevented from accessing confidential information and/or having the ability to amend details the failure to ensure sickness was monitored in accordance with procedures, access to confidential sickness information was restricted and ensuring key HR and payroll records were maintained 	<p>Three P2 actions and five P3 actions were agreed.</p> <p>Responsible Officer: Assistant Director – Strategic Resources</p> <p>A new computer system (Paritor) is being introduced over the next few months. The system has a new in built staff pay section, passwords protection process that may isolate levels of authorisation, school log on facility and live registering by staff.</p> <p>As part of the review, the nature and implementation of variable hours contracts will also be explored.</p> <p>The recording of sickness data on the central spreadsheet has been stopped.</p> <p>Tighter systems for monitoring sickness absence will be introduced.</p> <p>The failure by members of staff to sign in and out is a potential safeguarding issue. The service will therefore work with schools to address this issue.</p>
F	Young People in Custody	Moderate	The audit assessed how effectively the financial	26/03/2014	The issues identified in this audit related to:	Four P2 actions and four P3 actions were agreed.

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
		risks relating to the Young People in Custody budget were being managed following the transfer of the function from the Ministry of Justice in April 2013.		<ul style="list-style-type: none"> the level of expenditure compared to the original funding allocation for youth detention accommodation (YDA) with the budget fully committed within the first six months of the financial year; the full cost surrounding YDA not being accounted for or adequately monitored; the current processes in place not being sufficiently robust to enable packages for Remand to Local Authority Accommodation to be prepared and presented to the Court in a timely manner; the limited opportunity for the use of Remand to Local Authority Accommodation due to the lack of suitable alternatives. 	<p>Responsible Officer: Assistant Director – Strategic Resources, Finance & Management Support Assistant Director - Children's Social Care Head of Safeguarding, Children's Social Care Head of Youth Justice Service Assistant Director – Strategic Resources</p> <p>YDA placement numbers will be reported to CYPLT on a monthly basis alongside the overall child placement forecast outturn and numbers. Budget monitoring to be reviewed. Consideration will be given to alternative provision including remand fostering to reduce the cost to the Authority.</p> <p>All Children's Social Care staff will be reminded as to the need for statutory visits to be made to young people who become Looked After Children (LAC) by virtue of a Legal Aid Sentencing and Punishment of Offenders (LASPO) arrangement. These visits must be undertaken within the appropriate timescales and recorded on the Integrated Children's Systems (ICS).</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
						<p>The operation of the Placement Panel has recently been reviewed. Where a LAC status needs to be agreed in an emergency outside of the panel process there is now clear line management decision making.</p> <p>Children's social care will review cases where bail packages have been refused due to court concerns about alternative accommodation. The Head of Youth Justice Service is to determine timescales for review of bail packages when bail has been refused.</p>
G	Schools Funding Formula	High	A review of the schools funding formula to ensure that funding allocations are being calculated in a consistent manner and that the schools have received the correct amount of funding for which they are entitled.	28/04/2014	The audit concluded that risks were well managed and that an effective control environment operated in the area. No issues were identified in this audit.	No actions were raised in the audit report.
H	The Ghyll Children's Home	High	A review to validate financial and operational controls including those covering cash security, amenity fund, budgetary control, assets, human resources, purchasing and petty cash	30/04/2014	The audit concluded that risks were well managed and that an effective control environment was being operated in the home. No significant issues were identified.	<p>Five P3 actions were agreed.</p> <p>Responsible Officer: Children's Centre Manager</p> <p>The necessary changes and/or</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			procedures.			improvements to procedures have been made.
I	Fostering & Adoption Service	Moderate	A review of the systems for handling and investigating allegations made against foster carers.	1/05/2014	<p>The issues identified in this audit related to:</p> <ul style="list-style-type: none"> • differing practices in the area teams for the filing, recording and updating of key information. As a result in some cases a full audit trail was not available and there was no evidence that all relevant information was being made available to the key people at the relevant strategy and evaluation meetings. • the failure to provide information and support to the foster carer under investigation • documentation not being retained on file for outcomes meetings • the number of available foster carers on the EDT list not being sufficient to meet needs. 	<p>Three P2 actions and three P3 actions were agreed.</p> <p>Responsible Officer: Head of Fostering and Adoption</p> <p>The Fostering Service will agree a consistent filing procedure, a checklist of all those to be informed and actions taken will be agreed, to be completed and signed off before the allegation is closed.</p> <p>Procedures to be updated and reinforced amongst all managers involved, particularly regarding the timeliness of meetings being held and investigations completed.</p> <p>Team Managers are to ensure the Foster Carer is informed in writing of the outcomes and conclusion meeting.</p>
J	Themed Audit - ParentPay	High	An audit of the controls put in place to manage key risks relating to ParentPay. The audit also assessed whether schools are gaining the maximum benefits from using the system.	20/05/2014	<p>It was noted that only a third of the users of ParentPay from the sample selected had attended a ParentPay User Group. Users may therefore not be aware of how to use the system to its full potential. The majority of the schools visited</p>	<p>Four P3 actions were agreed.</p> <p>Responsible Officer: Finance Officer & Schools ICT</p> <p>Not all schools were aware of the dates of the ParentPay meetings so a review will be conducted to see</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					had also not ensured that they had a ParentPay policy in place.	<p>how these can be communicated to schools in the future.</p> <p>The School Finance Manual provides guidance re the development of a fees and charges policy which should incorporate the operation of ParentPay. Consideration will be given as to how this could be incorporated into a regular newsletter or covered at the next User Group meetings.</p>
K	Traded Services for Schools	Moderate	A review of the arrangements for providing the grounds maintenance service.	24/02/2014	<p>The issues identified in this audit included:</p> <ul style="list-style-type: none"> • costs could have been reduced if the approach to the tender exercise and award had been different • the lack of a formal basis for charging individual schools within the Hambleton and Richmondshire area • schools may not be fully aware of the service they are paying for and as such may not be undertaking sufficient monitoring to ensure it is fully received • the inspection visits to sites as part of the client role are not of a sufficient frequency to be able to adequately assess the service being provided 	<p>Three P2 actions and one P3 action were agreed.</p> <p>Responsible Officer: Assistant Director – Strategic Resources, Finance and Management Support</p> <p>There will be a full review of the service as part of the Traded Services offer and in time for the next contract from April 2016.</p> <p>Costing and pricing arrangements will be considered as part of the review of Traded Services during its transformation to SmartSolutions.</p> <p>Monitoring arrangements will also be considered as part of the review of Traded Services during its</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
						transformation to SmartSolutions.
L	BAFEY System	High	A review of the BAFEY system for making payments to early years providers are accurate	20/8/13	The audit concluded that risks were well managed and that an effective control environment was being operated. No significant issues were identified.	<p>Three P3 actions were agreed.</p> <p>Responsible Officers: Senior Accounting Technician Finance Manager Early Years Education Officer</p> <p>The necessary changes and/or improvements to procedures have been made.</p>

Audit Opinions and Priorities for Actions

Audit Opinions	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
Opinion	Assessment of internal control
<i>High Assurance</i>	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
<i>Substantial Assurance</i>	<i>Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.</i>
<i>Moderate assurance</i>	<i>Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.</i>
<i>Limited Assurance</i>	<i>Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.</i>
<i>No Assurance</i>	<i>Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.</i>

Priorities for Actions	
<i>Priority 1</i>	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</i>
<i>Priority 2</i>	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
<i>Priority 3</i>	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

INTERNAL CONTROL MATTERS FOR THE CHILDREN AND YOUNG PEOPLE'S
SERVICES DIRECTORATE

Report of the Corporate Director - CYPS

1.0 PURPOSE OF THE REPORT

- 1.1 To note the position on the Children and Young People's Directorate's **Statement of Assurance**
- 1.2 To receive details of the new **Risk Register** for the Children and Young People's Directorate

2.0 BACKGROUND

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to the Children and Young Peoples Services (CYPS), the Committee receives assurance through the work of internal audit (detailed in a separate report to the Committee), details of the combined Statement of Assurance provided by the Chief Executive and appropriate Corporate Director, together with the Directorate Risk Register.

3.0 STATEMENT OF ASSURANCE

- 3.1 Management Board, the Chief Executive and each Corporate Director produce a **Statement of Assurance** (SoA) at the end of each financial year. In this Statement the Chief Executive/Corporate Director identifies those items that may give rise to internal control or performance risk issues for the Directorate in the forthcoming year. These issues feed into the process that enables the Annual Governance Statement (AGS) to be prepared for the County Council as a whole.
- 3.2 The SoA for CYPS identified some areas for further action to ensure that there is a sound system of internal controls within the Directorate. These areas for improvement and the latest position on the action proposed were reviewed at the last meeting of this Committee in 18 April 2013.
- 3.3 Rather than update the previous Statement of Assurance, headline information on key actions is detailed below. The new Statement of Assurance for CYPS is included elsewhere on the agenda so there is little point in updating last year's Statement as it is 12 months old and the new Statement effectively picks up on-going issues.

2020 North Yorkshire

A savings programme targeting £16m budget reductions had been identified. Planning the first year of the savings programme (2015/16) is well advanced – for example, the review of preventative services. Arrangements are supported by sound project management arrangements including formal project teams, regular senior management oversight and active monitoring of benefits.

Troubled Families

Despite a delayed start to the Troubled Families programme, North Yorkshire rank 30th out of 152 local authorities in terms of outcome claims. Performance has been most successful on anti-social behaviour and educational attendance indicators as well as reducing offending rates. The key challenge in 2014-15 will be working with partners to increase performance on tackling worklessness within identified families.

Ofsted Inspection

CYPS services for children in need of help and protection, children looked after and care leavers were inspected during May 2014. A post-inspection action plan will be developed to respond to any key challenges arising from the inspection. Although the final report has not yet been published, North Yorkshire is well placed to deliver against any recommendations within an appropriate timescale.

Preventative Services

The transformation of current preventative services provision will enable early help to be delivered within a single, county-wide integrated 0-19 service. This will change the current service delivery model for children centres, the youth support service and education social work. More targeted work with those young people and families most in need will ensure geographic coverage. The implementation of the proposed structure will be linked with the re-commissioning of the Healthy Child Programme which will offer further opportunities for integration of services.

Commission for School Improvement

A new collaborative approach to school improvement has been developed to ensure that every North Yorkshire school is good or outstanding. Implementation will be undertaken in Autumn 2014. Proposed changes in the governance arrangements for school improvement will see the development of a small number of commissioning groups which will effectively challenge and broker support for local schools. At a county level, a sector-led Education Partnership will embrace statutory responsibilities and leadership to raise standards and ensure a coherent approach to school funding, organisation and improvement.

- 3.4 Plans are in place for all of the above but there are significant challenges to delivering both internal and external. These plans also need to be seen in the context of whole Council change through the 2020 North Yorkshire Programme.

4.0 **DIRECTORATE RISK REGISTER**

4.1 The **Directorate Risk Register (DRR)** is the end product of a systematic process that initially identified risks at Service Unit level and then aggregates these via a sieving process to Directorate level. A similar process sieves Directorate level risks into the Corporate Risk Register.

4.2 The Risk Prioritisation System used to drive all Risk Registers across the County Council categorises risks as follows:

Category 1 and 2 are high risk (RED)

Following assessment of current control measures and risk reduction actions, these include:

- Inspection Outcomes: a failure to avoid adverse outcomes from statutory inspections. This links with comments outlined in section 3.3
- Joint Planning & delivery with Health: an inability to develop effective partnerships with CCGs and achieve good health outcomes for children and young people
- LAC & Family and Friends Care: a failure to achieve a sufficient supply of appropriate places resulting in poor care and budgetary pressures

Category 3 and 4 are medium risk (AMBER)

Following assessment of current control measures and risk reduction actions, these include:

- High Need Funding: failure to contain expenditure within the High Needs Block
- School Organisation – Place Planning and Funding: failure to assess and manage the combined effect of changes in national funding arrangements, demographics and fragmentation of schools
- Budget and National Funding: failure to meet MTFs savings targets or manage changes in national funding developments
- Review of Preventative Services: failure to reconfigure preventative services, including physical infrastructure resulting in fragmented service delivery. This refers to the headline statement of assurance description outlined in section 3.3
- Children’s Social Care: failure to meet the duties contained with the Children and Families Act and failure to undertake a post-implementation review of the Children’s Social care transformation resulting in ineffective provision or unmet need

Category 5 is low risk (GREEN) – detailed information on low risks are outlined in the detailed Directorate Risk Register.

These categories are of course relative not absolute assessments – equally the Risk Register at Directorate level is designed to identify the dozen or so principal risks that may impact on the achievement of performance targets etc for the Directorate as a whole in the year – it is not a full Register of all the risks that are managed in the Directorate.

4.3 There are two reports available for risk registers. These are a detailed risk register and a summary risk register. A detailed risk register shows current controls at Phase 2 and the proposed actions to manage the risks at Phase 3, as

well as the ranking of risks both at the present time and in the future. The summary risk register provides a quick overview of the risks, their ranking and changes in ranking.

- 4.4 The detailed DRR is shown at **Appendix A**. This shows a range of risks and the risk reduction actions which have been put in place to minimise them.

The Register was updated and agreed by the CYPS Leadership Team on 8 April 2014.

- 4.5 A summary of the DRR is also attached at **Appendix B**. As well as providing a quick overview of the risks and their ranking, it also provides details of the change or movement in the ranking of the risk since the last review in the left hand column. Please note the key at the bottom of the summary provides an explanation of the change advised.

5.0 **RECOMMENDATION**

5.1 That the Committee:

- (i) note the position on the CYPS Directorate Statement of Assurance
- (ii) note the updated risk register for the CYPS Directorate; and
- (iii) provide feedback and comments on the CYPS Directorate Risk Register

Pete Dwyer
Corporate Director – CHILDREN AND YOUNG PEOPLE'S SERVICES

CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/15	Risk Title	24/15 - Inspection Outcomes				Risk Owner	CD CYPS		Manager	CYPS AD Q&I CYPS AD CSC CYPS AD P&C
Description	Failure to avoid adverse outcomes from statutory inspections of provision of local authority safeguarding, schools and settings, children's centres, adult learning, school improvement services, adoption and fostering, looked after children and children's homes resulting in reputational damage, school closure or centrally imposed interventions, disruption of children, requirement for additional resources					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Systematic monitoring, regular termly monitoring in Schools and Settings, intervention in inverse proportion to success, use of a repertoire of interventions, including local and national leaders in education as appropriate. Service Planning focussing on improvement, monitor/evaluate current support, timely use of statutory powers, early identification and rigorous response to schools causing concern. "Annual conversations" with Children's Centres, regular monitoring of data, programme of self-evaluation. Ofsted prep SMT sub group, proactive approach to improvement, seconded Manager, CD CYPS oversees inspection readiness, partnership inspection reference group established,					Effectiveness			
Probability	M	Objectives	M	Financial	M	Services	H	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed			
Reduction	22/160 - Improve knowledge and awareness of Inspection Frameworks					CYPS AD CSC		Mon-30-Jun-14	Tue-31-Dec-13		
Reduction	22/161 – For Safeguarding and Looked After Children : Complete a self assessment, produce action plans based on the self assessment and ensure pre inspection readiness by carrying out identified actions, monitoring outcomes and assessing their impact					CYPS AD CSC		Mon-30-Jun-14			
Reduction	27/227 - For School Improvement Service : Complete a self assessment, produce action plans based on the self assessment and ensure pre inspection readiness by carrying out identified actions, monitoring outcomes and assessing their impact					CYPS AD Q&I		Mon-30-Jun-14			
Reduction	22/1051 - Continual review of policies and procedures and update as required to ensure new guidance and procedures are embedded					CYPS AD CSC		Mon-30-Jun-14			
Reduction	22/1052 - Ensure consultation with and participation of service users to inform service delivery and design					CYPS AD CSC		Thu-31-Jul-14			
Reduction	22/1053 - Implement post Ofsted inspection plans as appropriate					CYPS AD CSC CYPS AD P&C CYPS AD Q&I		Thu-31-Jul-14			
Reduction	24/1165 - Provision of comprehensive data set to CCSMs, together with training to enable them to understand performance and develop appropriate responses					CYPS AD P&C		Thu-31-Oct-13	Thu-31-Oct-13		

CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Reduction	24/1204 - Develop self help materials to enable schools to work collaboratively in keeping with the outcome of the Schools Commission	CYPS AD P&C	Tue-30-Sep-14								
Reduction	27/78 - Review and revise the LA role and systems to support improvement of schools and settings (School Improvement Commission)	CYPS AD Q&I	Sun-31-Aug-14								
Reduction	27/226 - Ensure continuation of effective delivery of service to schools and settings whilst the local and national picture of provision of school improvement services is changing	CYPS AD Q&I	Sat-31-Jan-15								
Reduction	27/1401 - Ensure accurate school self evaluation and effective school development plans, on going.	CYPS AD Q&I	Sat-31-Jan-15								
Reduction	27/1404 - Further develop competencies of Advisers, Consultants and team, through effective performance management and CPD, increasing number of Ofsted accredited advisors	CYPS Q&I PASP	Sat-31-Jan-15								
Reduction	27/1405 - Commission external support as required	CYPS AD Q&I	Sat-31-Jan-15								
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	M	Financial	M	Services	H	Reputation	H	Category	2
Phase 5 - Fallback Plan											
Fallback Plan										Action Manager	



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/221	Risk Title	24/221 - Joint Planning & Delivery with Health				Risk Owner	CD CYPS	Manager	All CYPLT members	
Description	Inability, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations and to ensure that legislative requirements are met and the necessary health related outcomes for children and young people are achieved					Risk Group	Partnerships	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			H&W Board, Children's Trust Board, Public Health team in place, CYPLT, principal officer working jointly with CYPS and Public Health on commissioning of the Healthy Child Programme					Effectiveness			
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	24/1149 - Secure appropriate engagement with CCGs and PCU for commissioning children and maternity services.					Dir Public Health Janet Probert		Tue-31-Mar-15			
Reduction	24/1152 - Embed children's health priorities within the Health and Well-being Strategy and ensure strategic alignment between that strategy and the Children and Young People's Plan.					CD CYPS		Mon-31-Mar-14			
Reduction	24/1153 - Contribute to the development and delivery of the workplan for the Health and Well-being Board in relation to children's health priorities and ensure strategic decision making in Health is influenced through alignment with the JSNA and Health planning framework					CD CYPS		Mon-31-Mar-14			
Reduction	24/1161 - Commission services to ensure the (0-5) and the (5-19/25) Healthy Child Programmes are delivered					CYPS P&C PYSSO		Tue-31-Mar-15			
Reduction	24/1162 - Review children's health performance at the Children's Trust Board to monitor the impact of changes on children's health outcomes in North Yorkshire.					CD CYPS		Thu-31-Jul-14			
Reduction	24/1163 - Work with the Director of Public Health to ensure effective integration of public health functions as they affect children and young people.					CD CYPS		Thu-31-Jul-14			
Reduction	24/1198 - Ensure specialist health services (speech and language therapy) are in place for children					CD CYPS		Mon-31-Mar-14			
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	M	Category	2
Phase 5 - Fallback Plan											
Fallback Plan									Action Manager		



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**

Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/228	Risk Title	24/228 - High Need Funding				Risk Owner	CD CYPS	Manager	CYPS AD A&I	
Description	Failure to contain expenditure in the High Need block of the dedicated schools grant resulting in increased bureaucracy, negative impact on schools budgets and loss of reputation, internal and external criticism					Risk Group	Performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Experienced team, capable and experienced leaders, full understanding of schools forum, significant support from NYPACT and Flying High Group, robust data available					Effectiveness			
Probability	M	Objectives	M	Financial	M	Services	H	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed			
Reduction	21/987 - Implement Government's funding reforms for High Needs top-ups					CYPS AD A&I	Wed-30-Apr-14				
Reduction	21/990 - Publish Local Offer setting at expectation of all mainstream schools in relation to Elements 1 and 2					CYPS AD A&I	Wed-30-Apr-14				
Reduction	21/994 - Review the thresholds for Element 3 funding					CYPS AD A&I	Thu-31-Jul-14				
Reduction	24/1187 - Implement strategy for containing costs within High Needs block					CYPS AD A&I	Thu-31-Jul-14				
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	M	Services	H	Reputation	M	Category	3
Phase 5 - Fallback Plan											
								Action Manager			
Fallback Plan	21/212 - Divert money from Schools Funding Block to High Needs Block							CYPS AD A&I			

CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/27	Risk Title	24/27 - Looked After Children placements / Friends and Family arrangements				Risk Owner	CD CYPS	Manager	CYPS AD CSC	
Description	Failure to establish robust Looked After Children Placement Commissioning processes and appropriate Family and Friends arrangements, ensure sufficient foster carer pool and ensure that only those that really need to enter the Looked After Children system and are accommodated for the minimum period of time needed to ensure protection and safety; failure to do so leads to inefficient use of resources, budgetary pressures across Children's Social Care and potential for costly legal challenges					Risk Group	Performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures	Entry to Care panel, CSC Placement Commissioning Panel, and Placement Matching Panel, CSC placement commissioning team, monitoring of external placements, Young people's accom strategy, Financial scrutiny, monitoring of permanency planning, maximise use of adoption and SGO, foster carer recruitment campaign, independent identification of foster carer training needs, [F&F: initial audit of cases, working group, officer panel, independent panel], support from Outreach and FIT services considered unless there are child protection concerns, LAC strategy,						Effectiveness				
Probability	M	Objectives	M	Financial	H	Services	M	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
Reduction	Action	Action Manager	Action by	Completed							
Reduction	22/149 - Produce a Commissioning Strategy	CYPS AD CSC	Tue-31-Dec-13	Tue-31-Dec-13							
Reduction	22/154 - Except where there are child protection concerns, no child should be brought into the LAC system without first having considered support from the Outreach and FIT services	CYPS AD CSC	Mon-30-Jun-14								
Reduction	22/156 - Develop and implement a Permanence Strategy	CYPS AD CSC	Fri-28-Feb-14								
Reduction	22/164 - Produce an Adoption and Fostering Strategy	CYPS CSC HoF&A	Wed-30-Apr-14								
Reduction	22/271 - Increase the number of foster carers recruited	CYPS CSC HoF&A	Mon-30-Jun-14								
Reduction	22/272 - Ensure revised WD arrangements preserve the quality of foster carer training	CYPS CSC HoF&A	Mon-30-Jun-14								
Reduction	22/273 - Look to reduce the number of LAC who are NEET	CYPS AD CSC	Mon-30-Jun-14								
Reduction	22/274 - Effectively monitor drift in children and young people's care plans	CYPS AD CSC	Mon-30-Jun-14								
Reduction	22/345 - Complete assessment of cases currently in the system to scope the potential legal and financial impact of Friends and Family issues	CYPS CSC HoS	Sat-30-Nov-13	Tue-31-Dec-13							
Reduction	22/346 - Fully embed the Family and Friends Policy by continued training and production of social worker guidance on implementation	CYPS CSC HoS	Mon-31-Mar-14								
Reduction	22/347 - Annual review of the Family and Friends Policy to ensure robustness to legal challenges (in view of current potential judicial review)	CSD Leg Mgr PS CYPS CSC HoS	Wed-30-Apr-14								



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Reduction	22/348 - Continue to do effective budget monitoring and predictions		CYPS AD CSC	Mon-30-Jun-14	
Phase 4 - Post Risk Reduction Assessment					
Probability	L	Objectives	M	Financial	H
				Services	M
				Reputation	H
				Category	3
Phase 5 - Fallback Plan					
					Action Manager
Fallback Plan	24/245 - Review to strengthen commissioning strategy, system controls				CYPS AD CSC



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/211	Risk Title	24/211 - Schools Organisation: Place Planning and Funding				Risk Owner	CD CYPS	Manager	AD SR & Prop CYPS AD Q&I CYPS AD P&C	
Description	Failure to assess and manage the combined effects of changes in the national school policy and funding framework, demographics and national and local political circumstances, resulting in a fragmentation of the network of services for children, growing numbers of unsustainable and/or failing schools, fragmentation due to academisation, increased public dissatisfaction, and loss of confidence in the County Council as local authority.					Risk Group	Strategic	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Consistent monitoring of forecast numbers. Links with District Councils and developers over major housing developments (including ISDG work). Small Schools policy, collaboration guidance and toolkit, Cross-directorate "Strategic Priority Schools" approach. Work with the Schools Forum, Keep up to date with current publications, email, etc. Reg review of DfE and other critical websites. Liaison with other LAs. Early assessment of resource implications on new development. Advocacy of NYCC case for funding, new procedures for grant & award acceptance, involvement in appropriate national conferences, participation in DfE priorities when possible, review of planning areas to explore the level of need					Effectiveness			
Probability	M	Objectives	M	Financial	H	Services	M	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	24/208 - Carry out modelling of a range of scenarios to understand implications of funding and demographic changes						AD SR & Prop CYPS AD P&C	Wed-30-Apr-14			
Reduction	24/209 - Continue to work with and use effective lobbying channels						AD SR & Prop	Mon-31-Mar-14			
Reduction	24/283 - Assess likely capital implications of providing school places and develop strategy for funding						AD SR & Prop CYPS AD P&C	Mon-31-Mar-14	Tue-31-Dec-13		
Reduction	24/1184 - Develop a framework for prioritisation of school organisation issues						AD SR & Prop CYPS AD P&C	Mon-31-Mar-14			
Reduction	24/1199 - Provision of briefings for elected Members and Schools Forum to enable them to see the range of implications						CYPS AD P&C	Thu-31-Jul-14			
Reduction	24/1204 - Develop self help materials to enable schools to work collaboratively in keeping with the outcome of the Schools Commission						CYPS AD P&C	Tue-30-Sep-14			
Reduction	27/1375 - Closer collaboration and planning between all CYPS services						CYPLT	Sat-31-Jan-15			
Reduction	27/1385 - Continue to promote alternative models of school leadership and resolve HR issues around such models						CYPS AD Q&I	Sat-31-Jan-15			
Reduction	28/235 - Provide appropriate advice to management board in the context of changing council developments to ensure that schools continue to receive specialist capital advice firmly embedded in Children and Young People's services						CYPS P&C SPM	Tue-31-Dec-13	Tue-31-Dec-13		



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	M	Reputation	M	Category	3
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan											



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/213	Risk Title	24/213 - Budget				Risk Owner	CD CYPS		Manager	AD SR & Prop
Description	Unforeseen budget overspend/underspend resulting in unfunded overspend, the need to re-prioritise and increase spend, including the risk of exposure to costs due to Central Government policies passing responsibility for areas without adequate budget, legal and national changes (eg LMS vs Equal Pay) or the failure to meet MTFS Project targets.					Risk Group	Financial		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Detailed budget preparation, cost centre monitoring including monthly budget reviews, training of cost centre managers and support staff, guidance materials, experienced staff work on most demanding budgets, collective responsibility for budget, maximum use of technology, trends used for budget monitoring, enhanced procurement profile, data system review, review presentation of info to ensure needs are met, annual budget risk assessment, induction training for Directorate staff with financial responsibility, ongoing review of risk based approach to budget, and reallocation of headroom funding through tight budget management, budget monitoring arrangements incl role of Directorate staff (phase 1) reviewed as part of "2020 North Yorkshire".						Effectiveness		
Probability	M	Objectives	M	Financial	H	Services	H	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	24/312 - Ensure regular monitoring and report to CYPLT of progress on all outstanding MTFS projects					AD SR & Prop		Thu-31-Jul-14			
Reduction	24/353 - On equal pay issue; assist in carrying out annual equal pay audit, liaising with schools where issues are discovered and raising concerns with DfE					AD SR & Prop		Sun-31-Aug-14			
Reduction	24/1000 - Focus on individual high risk areas of concern for monitoring processes and systems including assessment of staff involvement					AD SR & Prop		Thu-31-Jul-14			
Reduction	24/1146 - Promoting ownership of budgets within leadership team					AD SR & Prop		Thu-31-Jul-14			
Reduction	24/1148 - Ensure CYPS FMT are aware of and involved in budget issues					SR & Prop MT		Thu-31-Jul-14			
Reduction	24/1168 - Contribute to ongoing Budget Manager, support staff and BSO Training sessions					SR & Prop MT		Thu-31-Jul-14			
Reduction	24/1188 - Contribute to update of Financial Services guidance					SR & Prop MT		Thu-31-Jul-14			
Reduction	25/210 - As part of "2020 North Yorkshire", complete implementation of budget monitoring arrangements including role of Directorate staff					SR & Prop FM		Mon-31-Mar-14			
Reduction	25/1227 - Clarify roles and responsibilities for all staff in services, business support and new budget managers					AD SR & Prop		Mon-31-Mar-14			
Reduction	25/1233 - Continue to enhance procurement profile within service and ensure forward procurement plan is regularly reviewed					SR & Prop MT		Sat-31-May-14			



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	H	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	24/246 - Re-prioritise CYPS Spending plans and current procedures									Action Manager	AD SR & Prop



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/5	Risk Title	24/5 - Review of Preventative Services				Risk Owner	CD CYPS	Manager	CYPS CYPLT	
Description	Failure to reconfigure preventative services including physical infrastructure across CYPS with strong linkages into other agency work specifically the recommissioning of the Health Child programme (0-5) (5-19/25) resulting in failure to meet MTFS savings targets and fragmented service delivery					Risk Group	Strategic	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			Principle behind review agreed as part of MTFS, secondment of senior officer into public health team to support commissioning of the Healthy Child Programme, school nursing, visit to other authorities to assess alternative provision, widespread early consultation on principles, senior team approach to developing proposals, informal consultation with staff					Effectiveness			
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed			
Reduction	24/356 - Alignment of the commissioning of the Healthy Child Programme (0-5) (5-19/25) with the implementation of revised preventative service structure					CYPS AD P&C	Thu-30-Apr-15				
Reduction	28/349 - Reports to CYPLT, Children's Trust, Exec Members and Health & Wellbeing Board					CYPS AD P&C	Mon-31-Mar-14				
Reduction	28/350 - Formal consultation with staff					CYPS AD P&C	Sat-31-May-14				
Reduction	28/351 - Formal consultation with partner agencies and service users					CYPS AD P&C	Sat-31-May-14				
Reduction	28/352 - Implementation of reconfigured services					CYPS AD P&C	Thu-30-Apr-15				
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	H	Financial	H	Services	H	Reputation	H	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan											



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/30	Risk Title	24/30 - National Funding Developments and Local Priorities				Risk Owner	CD CYPS	Manager	AD SR & Prop	
Description	Inability to manage major changes in national funding developments (such as the impact on the local authority of school funding reform), local priorities and grants resulting in inadequate response to these developments, poor advice to Members, Officers and schools, and potential loss of income. This includes additional cost burdens being imposed with the transfer of responsibilities to the LA from other agencies, such as: • Remand • Responsibility for 16-25 year olds • Friends and family foster care • Troubled families • School funding reform • Increased pressure to perform to mitigate threat of the loss of service arising from the National Action Plan for Adoption It also encompasses the impact of other policy changes, such as Welfare Reform, loss of benefits, etc on more vulnerable young people and families which will place higher demands on the Council.					Risk Group	Financial	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures	Keep up to date with current publications, new corresp, email, etc. Reg review of DfE and other critical websites. Liaison with other LAs. Early assessment of resource implications on new development. Ensure ext funds include fin admin, team briefing. experienced staff, advocacy of NYCC case for funding, new procedures for grant & award acceptance, involvement in appropriate national conferences, participation in DfE priorities when possible, action plan to consider and respond to potential change in funding arrangements developed, the ability to maximise headroom available for these pressures reviewed through Cost Centre Monitoring & base budget ,							Effectiveness			
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
Reduction						Action Manager	Action by	Completed			
Reduction	24/1176 - Maximising funding opportunities from national initiatives which complement preventative work already undertaken by the LA					AD SR & Prop	Thu-31-Jul-14				
Reduction	25/90 - Continue to work with and use effective lobbying channels					AD SR & Prop	Sat-31-May-14				
Reduction	25/1245 - Ensure good communication within team and NYCC, promoting shared ownership of key issues					AD SR & Prop	Sat-31-May-14				
Reduction	25/1246 - Promote changes and encourage discussion with partners, independent and third sector providers					AD SR & Prop	Sat-31-May-14				
Reduction	25/1247 - Make effective use of grant register for all aspects of monitoring external funding.					AD SR & Prop	Sat-31-May-14				
Reduction	25/1248 - Ensure there is a clear specification of developments and financial inputs					AD SR & Prop	Sat-31-May-14				
Reduction	25/1249 - Ongoing effective work prioritisation					AD SR & Prop	Sat-31-May-14				
Reduction	25/1250 - Ongoing review of structures in place					AD SR & Prop	Sat-31-May-14				
Reduction	25/1251 - Support for the Directorate in modelling of potential funding cuts scenarios to assist in forward planning					AD SR & Prop	Sat-31-May-14				



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	H	Financial	H	Services	M	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	25/261 - Respond to Corporate priorities and guidance									Action Manager	AD SR & Prop



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/2	Risk Title	24/2 - Children's Social Care Implementation Review				Risk Owner	CD CYPS		Manager	CYPS AD CSC
Description	Failure to carry out an effective post implementation review of all aspects of the CSC Transformation results in unmet needs, inefficient service provision, budgetary pressure, criticism					Risk Group	Change Mgt		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures			Robust data available, controls and monitoring arrangements in place						Effectiveness		
Probability	L	Objectives	H	Financial	H	Services	M	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	22/159 - Redesign management structures in Skipton						CYPS AD CSC	Mon-30-Sep-13	Sat-31-Aug-13		
Reduction	22/1046 - Evaluate FIT in relation to impact on children/young people becoming Looked After						CYPS AD CSC	Fri-30-Jun-17			
Reduction	22/1048 - Review and evaluate the Hub model						CYPS AD CSC	Tue-31-Dec-13	Tue-31-Dec-13		
Reduction	22/1049 - Develop Edge of Care as a county wide service						CYPS AD CSC	Mon-30-Jun-14			
Reduction	24/357 - Review performance in relation to contact, referral and assessment						CYPS AD CSC	Tue-31-Dec-13	Tue-31-Dec-13		
Reduction	24/358 - Review fostering and adoption service						CYPS AD CSC	Mon-30-Jun-14			
Reduction	24/359 - Review team manager role across the whole service						CYPS AD CSC	Wed-30-Apr-14			
Reduction	24/360 - Review quality and practice across the whole service						CYPS AD CSC	Wed-30-Apr-14			
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	M	Reputation	M	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	22/529 - Review failing areas								CYPS AD CSC		



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/31	Risk Title	24/31 - Children and Families Bill relating to SEN				Risk Owner	CD CYPS		Manager	CYPS AD A&I
Description	Failure to deliver the duties of the Children and Families Bill relating to SEN and the SEN Code of Practice resulting in inability to meet statutory requirements					Risk Group	Strategic		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures		Approved strategy, Project Governance Arrangements, Project Lead Team and Controls in place, Communications Strategy, strategy implementation plan, completion of returns to DfE project controls refreshed, self evaluation tool (provided by DfE),						Effectiveness			
Probability	L	Objectives	L	Financial	H	Services	M	Reputation	H	Category	3
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed			
Reduction	24/206 - Provide monitoring reports to CYPLT, Executive Overview & Scrutiny Committee and the Children's Trust					CYPS AD A&I		Mon-31-Mar-14			
Reduction	24/1151 - Ensure robust and able staffing capacity					CYPS AD A&I		Wed-30-Apr-14			
Reduction	24/1155 - Establish a joint work plan with the Partnership Commissioning Unit in Health					CYPS AD A&I		Wed-30-Apr-14			
Reduction	24/1156 - Ensure partnership approach to personal budgets and direct payments, continuing health care and an integrated transitions service					CYPS AD A&I		Tue-30-Sep-14			
Reduction	24/1189 - Continuing close liaison and work with NYPACT on all developments					CYPS AD A&I		Tue-30-Sep-14			
Reduction	24/1203 - Ensure authority meets the statutory target date for introduction of Education, Health and Care Plans					CYPS AD A&I		Sun-31-Aug-14			
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
										Action Manager	
Fallback Plan	24/249 - Reduce service levels								CYPS AD A&I		



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/222	Risk Title	24/222 - Business Support Arrangements for CYPS				Risk Owner	CD CYPS		Manager	CYPS CYPLT
Description	The new 2020 North Yorkshire business support arrangements fail to provide the required levels of support to enable Service Groups to deliver their services effectively.					Risk Group	Performance		Risk Type		
Phase 2 - Current Assessment											
Current Control Measures		2020 North Yorkshire vision and approach, Design document, governance arrangements through Client Group, Head of Business Support (CYPS), ongoing consultations with Leadership Team and senior managers, consultation exercise, structure revised based on feedback, business support managers and team leaders appointed, retained expertise and knowledge of key staff,						Effectiveness			
Probability	L	Objectives	H	Financial	L	Services	H	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	24/1166 - Continue to engage with the Business Support Service Review developments						CYPS CYPLT	Thu-31-Jul-14			
Reduction	24/1179 - Ensure the Business Support Service menus continue to meet the needs of the Directorate to enable the linking in with Service Group needs						CYPS CYPLT	Thu-31-Jul-14			
Reduction	24/1180 - Continue to ensure Directorate concerns are fed back to the Client Group						CYPS CYPLT	Thu-31-Jul-14			
Reduction	24/1182 - Monitor the performance of the new Business Support Service against specified targets						CYPS CYPLT	Thu-31-Jul-14			
Reduction	24/1185 - Ensure a balance between self serve principles and the availability of business support						CYPS CYPLT	Thu-31-Jul-14			
Reduction	24/1197 - Re introduce highlight reports						Kevin Tharby	Sat-30-Nov-13	Sat-30-Nov-13		
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	H	Financial	L	Services	M	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	24/252 - Continue to prioritise resources to ensure continuity of service for front line service users								Action Manager		CD CYPS



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – detailed**
 Report Date: 17th June 2014 (cpc)

Phase 1 - Identification											
Risk Number	24/178	Risk Title	24/178 - Health and Safety (including High Risk Activities)				Risk Owner	CEO	Manager	CD CYPS	
Description	Failure to meet H&S statutory requirements in relation to staff, pupils/students, contractors and members of the public including learning beyond the classroom activities and high risk curriculum areas of PE, Sport and Science resulting in people suffering from harm, possible prosecution, claims, media attention, prohibition notice, fines					Risk Group	Legislative	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures	Policy docs, Training ,Personnel initiatives, Monitoring systems (inc curriculum), guidance documents, financial investment (e.g. asbestos fund),designated staff, traded service with schools, Conditions survey, Educational visits database, Q&I advisers, 2RMGs, Quarterly reports and performance indicators to CYPLT, policy and guidance updated incl H&S manual, H&S advice at briefing stage, tech fire audits, legionella monitoring, Radon monitoring and mitigation, glazing filming, RM conference, HANDS newsletter, health and safety inspections of live construction sites, review of schools RMG, directorate and schools RM action plans, monthly meeting between AD and H&S advisor, Half termly meetings between AD and chairs of the directorate and outside the classroom groups. Strategic directorate group at AD level, structure and function of CYPS Risk Mgt Groups and roles and responsibilities of lead officers reviewed, CYPS H&S manual published,							Effectiveness			
Probability	L	Objectives	M	Financial	H	Services	M	Reputation	H	Category	3
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	28/1427 - Work with H&SRM to ensure all necessary risk assessments are complete and up to date						CYPS AD P&C	Thu-31-Jul-14			
Reduction	28/1430 - Develop CYPS school related response to Corporate requirements around Radon management, monitoring and mitigation, working at height and roof lights						AD SR & Prop	Thu-31-Jul-14			
Reduction	28/1444 - Reassess responsibilities and reporting requirements around H&S and Risk Management for Directorate in the light of changing environment						CYPS AD P&C	Fri-28-Feb-14			
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	M	Reputation	H	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	24/527 - Early legal input, form the emergency task team, media management, provide support services, investigation, Member briefings								CD CYPS		



CYPS Directorate

Risk Register: **month 6 (Jan 2014) – summary**

Report Date: 17th June 2014 (cpc)

Identity		Person	Classification														Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	24/15 - Inspection Outcomes	Failure to avoid adverse outcomes from statutory inspections of provision of local authority safeguarding, schools and settings, children's centres, adult learning, school improvement services, adoption and fostering, looked after children and children's homes resulting in reputational damage, school closure or centrally imposed interventions, disruption of children, requirement for additional resources	CD CYPS	CYPS AD Q&I CYPS AD CSC CYPS AD P&C	M	M	M	H	H	2	13	30/06/2014	M	M	M	H	H	2	N	
◀▶	24/221 - Joint Planning & Delivery with Health	Inability, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations and to ensure that legislative requirements are met and the necessary health related outcomes for children and young people are achieved	CD CYPS	All CYPLT members	M	H	H	H	M	2	7	31/03/2014	M	H	H	H	M	2	N	
◀▶	24/228 - High Need Funding	Failure to contain expenditure in the High Need block of the dedicated schools grant resulting in increased bureaucracy, negative impact on schools budgets and loss of reputation, internal and external criticism	CD CYPS	CYPS AD A&I	M	M	M	H	M	2	4	30/04/2014	L	M	M	H	M	3	Y	CYPS AD A&I
◀▶	24/27 - Looked After Children placements / Friends and Family arrangements	Failure to establish robust Looked After Children Placement Commissioning processes and appropriate Family and Friends arrangements, ensure sufficient foster carer pool and ensure that only those that really need to enter the Looked After Children system and are accommodated for the minimum period of time needed to ensure protection and safety; failure to do so leads to inefficient use of resources, budgetary pressures across Children's Social Care and potential for costly legal challenges	CD CYPS	CYPS AD CSC	M	M	H	M	H	2	12	28/02/2014	L	M	H	M	H	3	Y	CYPS AD CSC

CYPS Directorate

Risk Register: **month 6 (Jan 2014) – summary**

Report Date: 17th June 2014 (cpc)

Identity		Person	Classification														Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	24/211 - Schools Organisation: Place Planning and Funding	Failure to assess and manage the combined effects of changes in the national school policy and funding framework, demographics and national and local political circumstances, resulting in a fragmentation of the network of services for children, growing numbers of unsustainable and/or failing schools, fragmentation due to academisation, increased public dissatisfaction, and loss of confidence in the County Council as local authority.	CD CYPS	AD SR & Prop CYPS AD Q&I CYPS AD P&C	M	M	H	M	M	2	9	31/03/2014	L	M	H	M	M	3	N	
◀▶	24/213 - Budget	Unforeseen budget overspend/underspend resulting in unfunded overspend, the need to re-prioritise and increase spend, including the risk of exposure to costs due to Central Government policies passing responsibility for areas without adequate budget, legal and national changes (eg LMS vs Equal Pay) or the failure to meet MTFs Project targets.	CD CYPS	AD SR & Prop	M	M	H	H	H	2	10	31/03/2014	L	M	H	H	M	3	Y	AD SR & Prop
◀▶	24/30 - National Funding Developments and Local Priorities	Inability to manage major changes in national funding developments (such as the impact on the local authority of school funding reform), local priorities and grants resulting in inadequate response to these developments, poor advice to Members, Officers and schools, and potential loss of income. This includes additional cost burdens being imposed with the transfer of responsibilities to the LA from other agencies, such as: • Remand • Responsibility for 16-25 year olds • Friends and family foster care • Troubled families • School funding reform • Increased pressure to perform to mitigate threat of the loss of service arising from the National Action Plan for Adoption It also encompasses the impact of other policy changes, such as Welfare Reform, loss of benefits, etc on more vulnerable young people and families which will place higher demands on the Council.	CD CYPS	AD SR & Prop	M	H	H	H	M	2	9	31/05/2014	L	H	H	M	M	3	Y	AD SR & Prop

CYPS Directorate

Risk Register: **month 6 (Jan 2014) – summary**

Report Date: 17th June 2014 (cpc)

Identity		Person		Classification													Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	24/5 - Review of Preventative Services	Failure to reconfigure preventative services including physical infrastructure across CYPS with strong linkages into other agency work specifically the recommissioning of the Health Child programme (0-5) (5-19/25) resulting in failure to meet MTFS savings targets and fragmented service delivery	CD CYPS	CYPS CYPLT	M	H	H	H	H	2	5	31/03/2014	L	H	H	H	H	3	N	
▶▶	24/2 - Children's Social Care Implementation Review	Failure to carry out an effective post implementation review of all aspects of the CSC Transformation results in unmet needs, inefficient service provision, budgetary pressure, criticism	CD CYPS	CYPS AD CSC	L	H	H	M	M	3	8	30/04/2014	L	M	H	M	M	3	Y	CYPS AD CSC
▶▶	24/31 - Children and Families Bill relating to SEN	Failure to deliver the duties of the Children and Families Bill relating to SEN and the SEN Code of Practice resulting in inability to meet statutory requirements	CD CYPS	CYPS AD A&I	L	L	H	M	H	3	6	31/03/2014	L	L	H	L	M	3	Y	CYPS AD A&I
▼	24/222 - Business Support Arrangements for CYPS	The new 2020 North Yorkshire business support arrangements fail to provide the required levels of support to enable Service Groups to deliver their services effectively.	CD CYPS	CYPS CYPLT	L	H	L	H	M	3	6	31/07/2014	L	H	L	M	M	3	Y	CD CYPS
▶▶	24/178 - Health and Safety (including High Risk Activities)	Failure to meet H&S statutory requirements in relation to staff, pupils/students, contractors and members of the public including learning beyond the classroom activities and high risk curriculum areas of PE, Sport and Science resulting in people suffering from harm, possible prosecution, claims, media attention, prohibition notice, fines	CEO	CD CYPS	L	M	H	M	H	3	3	28/02/2014	L	M	H	M	H	3	Y	CD CYPS

Key	
▲	Risk Ranking has worsened since last review.
▼	Risk Ranking has improved since last review
▶▶	Risk Ranking is same as last review
- new -	New or significantly altered risk



NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

REVIEW OF ASSURANCE OVER VALUE FOR MONEY

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To consider the arrangements made within the County Council in respect of achieving Value for Money
- 1.2 To consider how assurance is obtained about these arrangements

2.0 BACKGROUND

- 2.1 The Audit Committee terms of reference include that in respect of Value for Money “to have oversight of the arrangements across the County Council in securing Value for Money”. This is achieved through on-going evaluation of a range of activity within the Council but an annual report is considered by the Committee in order to give due focus to value for money.
- 2.2 A sound working definition of good value for money is the optimal use of resources to achieve intended outcomes. In this context ‘optimal’ should be taken as the most desirable possible given any valid restrictions or constraints.
- 2.3 Value for money (VfM) is achieved by having package of arrangements in place. A useful thought process is to consider how optimal the arrangements for achieving good value for money are in terms of planning (being clear about what is wanted), implementation (delivery) and monitoring (being able to assess performance).
- 2.4 The stages set out in **paragraph 2.2** are used as the structure for the remainder of this report with Planning in **section 3.0**, Implementation in **section 4.0** and Monitoring in **section 5.0**.
- 2.5 In addition the **section 6.0** highlights progress and intention since the presentation to the Audit Committee on 18 April 2013 on activities it noted as ‘moving forward’ in terms of further arrangements for VfM.
- 2.6 A summary of the already existing key arrangements and further developments during 2013/14 are set out in **Appendix 1**. This provides an at a glance overview and may help the Committee to visualise the overall picture. Further detail on these items is discussed in the report.
- 2.7 The period of austerity continues and it is increasingly important that VfM is a central part of what we do. The 2020 North Yorkshire Programme is a critical part

of the Council's response to this and more detail is given in section 3.1. Similarly VFM is a critical part of our day-to-day activities and planning and efforts will continue to be made to embed this. Elements of this will be incorporated into Performance Management Framework, service and team planning.

3.0 PLANNING

3.1 The key documents for strategy planning in the context of value for money are set out below:

- The **Council Plan** is the overall strategic plan, where vision, values and objectives are set out. At this stage we are asking for people's views on our vision, values and objectives. The feedback we receive will go into our 2020 North Yorkshire County Council plan to take us to the end of the decade. This plan also sets out key achievements for 2013/14.
- The refreshed **2014-17 North Yorkshire community plan** has recently been launched. This has gone through a period of partner consultation to ensure it focusses on important issues for our communities which need partnership effort to be tackled effectively.
- Financial aspects of our value for money planning are reflected in the **Budget** and **MTFS**. 2014/15 is the final year of the savings associated with the previous **One Council vision and approach**. Savings are on track to achieve the full quantum of £7.6m savings required over the period 2011/12 to 2014/15. A post implementation review will be undertaken to assess the success of the delivery of the assigned benefits, financial and otherwise, to the programme.
- The **2020 North Yorkshire Programme** aims to realign the council fundamentally in the face of the challenges from significantly reduced funding levels. Good governance arrangements have been put in place at strategic and directorate level. Lessons learned from the **One Council vision and approach** have been used to inform the governance of the current programme. The programme includes arrangements to design and realise significant benefits including a £73.4m savings programme. All six cross cutting themes within the programme have a direct impact on achieving value for money:
 - **Stronger Communities:** Working with communities to enable them to take a greater role in the shaping and provision of services
 - **Partnership Working and Alternative Delivery Models:** Working with others to provide new ways of delivering services
 - **Customer:** Changes to the ways in which customers access and/or receive services, for example, online access to services, greater use of the customer service centre or changes to physical access points
 - **Commercial Focus:** Changes to current charging models for services and/or opportunities to generate income and achieve the most value from existing and future contract arrangements

- **Property:** Impacts on requirements for, and the use of, the property estate
- **Organisational Development:** Changes to the organisation including management/staffing structures and roles, skill sets and culture including a focus on innovation and productivity
- The **Performance Management Framework** is under further review to ensure it best fits the new context for the organisation. The core component of this framework is to ensure the alignment of key management processes to deliver best performance and value for money. These are:
 - MTFS / Budget
 - Organisation Development
 - Programme Management
 - Risk Management
 - Performance Reporting
 - Data Management

The review is also setting out improvements to service and team planning that is aligned to organisation goals and is underpinned by a performance system to aid monitoring, reporting and decision making.

- The **2020 Workforce Strategy** supports the **2020 North Yorkshire Programme**. The strategy sets out an approach to ensure we have the right people, with the right skills and working in the right way to achieve the aims of the organisation. One of the five key areas identified include Driving Performance – this will work to ensure that we focus on performance and value for money in our everyday approach.

3.2 The plans and strategies above set out clear vision and objectives along with approaches to achieve them. This gives a sound footing for meeting the planning requirement for achieving value for money.

4.0 IMPLEMENTATION

4.1 The **Council Plan** sets out achievements for 2013/14 on **pages 4 to 6**. Examples are given across all directorates and also include achievements relating directly to service, budget and workforce including:

- New extra care schemes under construction for adult social care
- Taking responsibility for Public Health for the first time in 2013/14
- Established 20 projects from the Innovation Fund totalling £921k
- Review and improvements in safeguarding for children and young people and adults
- Delivery of a major highways capital programme
- Further work under skills to increase the number of apprenticeship opportunities
- Increased levels of volunteering in certain services

4.2 As well as those issues set out in the Council Plan itself the new style Q performance reports presented to the Executive set out a number of

achievements for 2013/14. The Q4 report is tabled for the 17 June Executive meeting. There are always areas for improvement and these are also set out in those reports.

- 4.3 Within the context of a good level of performance in 2013/14, the council also achieved a sound financial outcome. Savings targets were achieved and in some cases accelerated savings from future years. This has led to a position where additional investments can be considered alongside resource requirements to implement the **2020 North Yorkshire Programme**. This represents a sound base and opportunity to achieve further VfM in the coming period.

5.0 MONITORING

- 5.1 As reported in April 2013 there are a number of monitoring mechanisms in place that contribute to ensuring the Council remains on track to achieve its objectives and value for money. These are listed below with a brief outline of key issues:

- Risk Registers are operated for individual services, directorate and at the corporate level. Items on the register are aligned to key service areas and activities with the Risk and Insurance Management team acting to ensure quality and consistency in the content and approach of each register. Items of enough significance appear in the next level up register. All registers are monitored regularly during the course of the year including at the Audit Committee itself. There are a number of items on the Corporate Risk Register that most directly relate to VfM matters. These are:
 - **Funding Challenges:** with a risk of not having sufficient funding to meet statutory obligations and public expectations.
 - **2020 North Yorkshire change programme:** Similar to the item above, a failure to deliver this programme could lead to unmet statutory obligations and an inability to deliver a balanced budget.
 - **Organisational Performance Management:** if the council does not operate a true performance management framework this could lead to a misalignment of activities and services to the objectives of the council. This would yield a sub-optimal use of resources and not meeting our intended aims.
- Statements of Assurance are also co-ordinated corporately, in this case by the Corporate Governance Officers' Group (the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit). Directorate and corporate statements are monitored regularly and reported to the Audit Committee to provide assurance of the effective operation of them – see Annual Governance Statement elsewhere on this Committee agenda. Items in the corporate Statement of Assurance that most directly relate to VfM are:
 - Ensuring that performance management is embedded across the Council and increased productivity remains at the heart of Council plans.
 - Ensuring that the Council has the right skills, capacity and resilience in order to manage the 2020 North Yorkshire Programme and continue to deliver the best possible services for communities.

- Ensuring that the Council has good decision making backed up by sound advice as it works its way through a significant period of change.
 - Ensure Economic Growth is a key focus for all service areas.
- External Audit provide key assurance through the annual audit of the accounts and express an opinion on whether the Authority has put in place 'proper arrangements to secure economy, efficiency and effectiveness in its use of resources'. The conclusion for 2012/13 was that proper arrangements were in place with an unqualified opinion. The assessment for 2013/14 is currently underway.
 - Matters arising from internal audit reports are also reported to the Audit Committee, timed to coincide with directorate reports on Risk Registers and Statement of Assurance. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the County Council for 2013/14 is that it provides **Substantial Assurance**. This is subject to a separate report on the same Committee of 26 June 2014.
- 5.2 The Q reports to the Executive were reviewed in 2012/13 and a new style and content has been in operation for the whole of 2013/14. Previous national indicators are no longer in place and this afforded the opportunity to focus our reporting on key indicators for our service delivery and outcomes. A wide range of officers and Members were involved in this review. A number of services were selected as theme areas that are reported in each Q report.
- 5.3 Overview and Scrutiny have taken on a role to provide additional in-depth review of those performance reports after the relevant service has presented their performance to the Executive. This provides an additional opportunity to scrutinise performance of the council as part of ensuring our services represent good VfM.
- 5.4 The new Q reports were reviewed in the fourth quarter and a report taken to the **Corporate and Partnerships Overview and Scrutiny Committee** on 28 April 2014.
- 5.5 Overall good feedback has been received for the new reports. Further enhancements to performance reporting are being considered as part of the review of the Performance Management Framework. Options being considered include adopting more exception reporting to react appropriately to particular issues arising, look to further develop the integration of performance and financial dependencies and reporting and put in place a performance system to streamline the production of reports and enable timely consolidation of reports and provide transparent line of sight from team and service objectives to council level objectives.
- 5.6 Various benchmarking activities occur across the Council, some of which is reported to the Executive in the Q reports. Benchmarking activity includes:
- HAS unit costs through the annual data submission for the PSS-EX1 return to the Department for Health

- CYPS CIPFA Benchmarking Clubs and section 251 returns
- BES review of costs and budgets based on revenue outturn and estimate returns

5.7 In addition 'softer' learning from other local authorities also takes place. Two examples are given in **section 6.1**. Softer networking has also been used in developing the 2020 Finance Programme and future operating model for the finance function.

6.0 PROGRESS SINCE APRIL 2013 REPORT

6.1 A number of items were noted to the Audit Committee on 18 April 2013 as activities to further develop moving forward. These were:

- **On-going savings requirements closer alignment to performance aims:** savings targets have been closely aligned to the performance aims of the Council for the current MTFs starting from 2015/16. This is in recognition of the need to ensure that resources are allocated to meet our objectives and outcomes set out in the Council Plan. Under the **2020 Finance Programme** a financial planning model is being developed that again is centred round integration with performance. This will effectively be a joint service and financial planning model where service is the driver for resource allocation set within affordability limits, of course.
- **Learn from others:** there are specific examples of external peer reviews for 2013/14. Firstly, the Library service where a peer review was undertaken by the Local Government Association. Secondly a Sector Led Improvement review was carried out in Adult Social Care. The results for both services were positive and reported to the Executive in the Q2 and Q3 reports respectively. In addition specific benchmarking has been undertaken in HAS and CYPS covering unit costs and service delivery. Programmes and projects within the 2020 North Yorkshire Programme are also making use of 'softer' networking; for example as part of the 2020 Finance Programme other local authorities have been visited and surveyed as to determine best practice and lessons learned on similar change programmes. This type of work will be further utilised and reported to the Committee as part of its assurance arrangements.
- **VfM audits:** Internal Audit is now a member of the Corporate Performance Management Group and has undertaken a piece of work on data quality. Advice on major procurements is also available from Internal Audit at the early stages of such procurements and this is a valuable role to help ensure VfM. Internal Audit are also interested to explore carrying out more post implementation reviews (one was recently completed on the Highways Depot Programme). A review of the One Council programme is also under discussion in terms of the scope and timing.
- **Review of Q reporting:** Q reports have been reviewed; new ones implemented and subsequently reviewed and reported on - see **paragraphs 5.2 to 5.5** for details.

- **Review of Council Plan:** the Council Plan has been reviewed and is currently being consulted on. This was noted in **paragraph 3.1**. The new Council Plan will be a key driver for performance and the newly developing Performance Management Framework will ensure alignment of activities to its objectives. This will be achieved through effective communication of Council objectives, aligned service and team plans, alignment of key management processes (as noted in **paragraph 3.1**) and an underpinning performance system that enables timely and efficient reporting to aid transparency, monitoring and decision making.
- **Team performance and innovation:** further internal peer reviews were carried out in 2013/14 focussed on how team performance is determined and managed. The foundation for the reviews were the Key Performance Questions (KPQs) set out as part of the Performance Management Framework. These focus teams on questions concerning:
 - What level of activity has the team dealt with?
 - How has the team performed in relation to budget?
 - What does the team know about the quality of its output?
 - How does the team demonstrate delivery to the required customer standard?
 - How is the team seeking to improve performance?

The results of the review indicated that team performance management was in a healthy position. Any enhancements to the KPQs will be considered as part of the review of the Performance Management Framework taking into account the vision and values of the 2020 North Yorkshire Programme.

6.2 Progress has been made on the items noted in the presentation to the April 18 2013 Audit Committee. There is more to do given the continuing funding challenges faced by the Council. This work is being aligned closely to developments in the 2020 North Yorkshire Programme.

6.3 Important elements of those improvements are:

- Finalise the Council Plan based on consultation results and ensure it acts as the driving force for performance.
- Deliver on the 2020 North Yorkshire Programme including developing our commercial skills, productivity and innovation.
- Put in place a refreshed Performance Management Framework that acts to align our management processes to delivering Council objectives and aid learning and decision making.
- Collaborate effectively within the organisation to make the maximum use of our skills and knowledge to deliver VfM.

7.0 SUMMARY

7.1 Good VfM is the optimal use of resources to achieve intended outcomes.

7.2 A wide ranging package of activities is required to ensure delivery of good VfM and as such the assurance framework is also wide ranging.

7.3 Previously reported arrangements provided sound assurance and further enhancements have been made. This will continue as part of how the Council develops itself to meet future challenges and expectations.

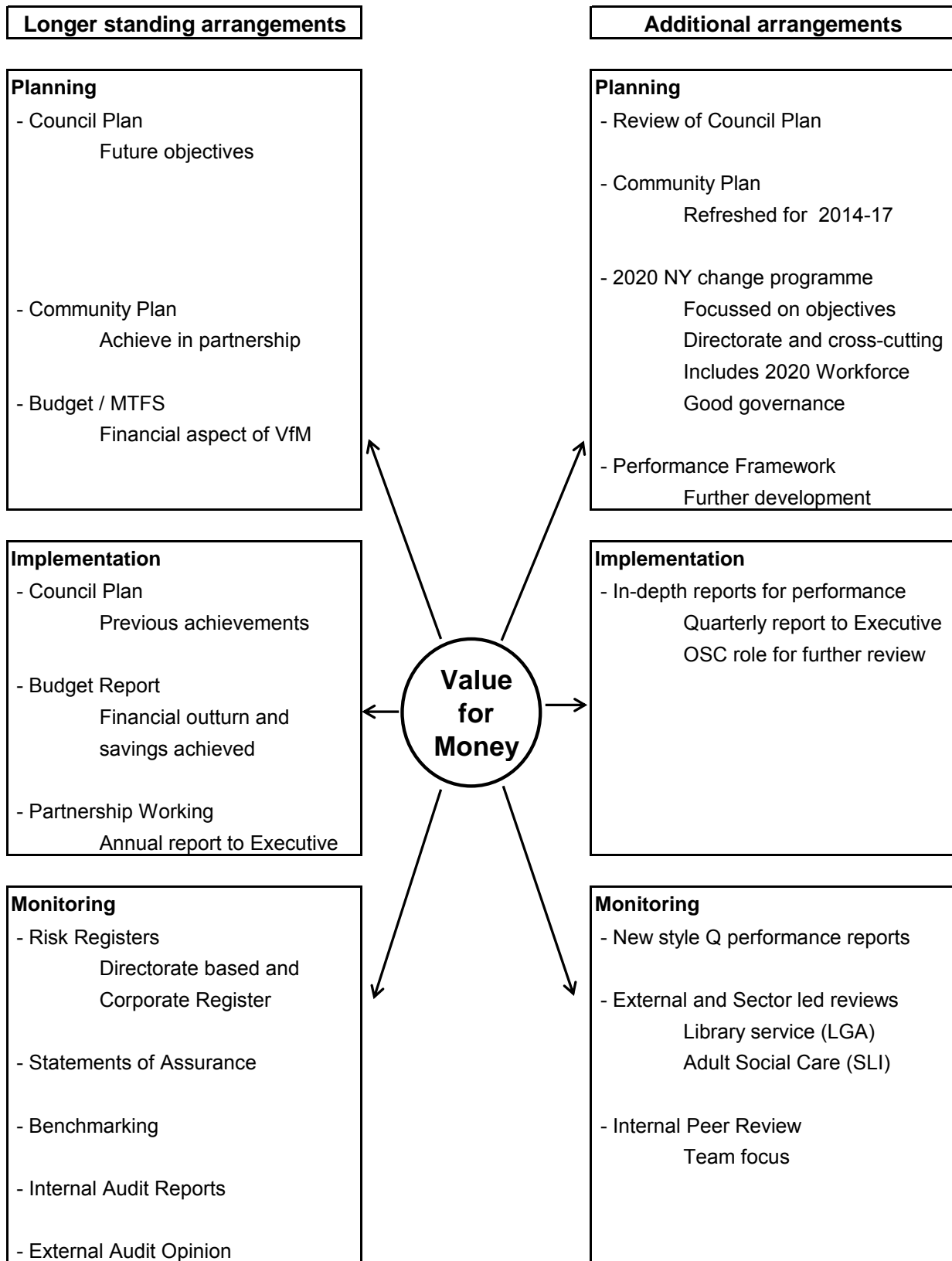
8.0 **RECOMMENDATIONS**

8.1 That the Audit Committee -

- a) Consider the arrangements currently in place for assuring value for money;
- b) Identify any areas for further development in the assurance arrangements;
- c) Confirm if they are satisfied that this report adequately contributes to the requirements of fulfilling the terms of reference noted in **section 2.1**.

GARY FIELDING
Corporate Director – Strategic Resources
16 June 2014

Report prepared by Trevor Clilverd, Assistant Director - Strategic Resources
Tel no. 01609 532355



Note: the longer standing arrangements continue to operate. The additional arrangements noted above complement and add to them

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE**

26th JUNE 2014

BUSINESS CONTINUITY – UPDATE REPORT**1 PURPOSE OF REPORT**

- 1.1 To provide an overview of the current Business Continuity (BC) picture for North Yorkshire County Council (NYCC) with particular reference to Business Continuity arrangements for the Tour de France and to respond to the Veritau internal audit of October 2013 to provide continued assurance for the management of risk within NYCC Directorates and Service Areas.

2 BACKGROUND

- 2.1 A revised NYCC Business Continuity methodology was introduced in 2011 based on recommendations from the ‘burdens of bureaucracy’ report taking into consideration feedback available from the different directorates. This revised methodology aimed at putting customer needs first rather than producing a bureaucratic and excessive governance burden on service units.
- 2.2 Service Unit managers were asked to take responsibility for completing standard documentation to complete their individual service unit’s Business Continuity plan. The Emergency Planning Unit (EPU) collated completed documentation and subsequently advised which corporate resources were necessary to support individual continuity of service within units (e.g. restoration time for ICT applications or desk space if a building is unavailable).
- 2.3 Each corporate director was required to assert in their annual statement of Assurance, that a full set of Business Continuity plans were in existence and up to date for their directorate.

3 PILOT PROJECT

- 3.1 A pilot programme had been completed with four service areas in BES during winter 2011. The results of the pilot programme were very positive, requiring less administration time and providing greater ownership for the service area. In April 2012 Management Board gave approval for the roll-out of the new methodology to all NYCC directorates.
- 3.2 Business Continuity Leads were appointed in each service area and trained by the Emergency Planning Unit (EPU) to act as single point of contact (SPOC) for Business Continuity within their directorate. The SPOC was

tasked with ensuring that all managers in their directorate completed the necessary documentation for their service area Business Continuity plans.

- 3.3** Although the pilot in BES was successful, the Veritau audit in October 2013 noted that standards of documentation varied between service areas. The relevant paperwork was completed in all service areas but an inconsistent approach by some of the service units indicated possible vulnerabilities. The audit highlighted that the overall Business Continuity strategy may not be fully understood by some of the service units and that a more formalised and robust structure was required to ensure the adoption of best practice and continued improvement across all directorates.
- 3.4** The on-going programme of change and changing personnel and staff roles particularly within the EPU, have all impacted on Business Continuity management in NYCC. The audit has acted as a catalyst for the EPU review of Business Continuity strategy within NYCC which has then provided a series of suggestions, agreed actions and implementation timescales in response to the audit.

4 PROGRESS

- 4.1** The necessary documentation for service area Business Continuity plans has been completely reviewed by the EPU since the audit. Business Impact Analysis (BIA) and Incident Management Plans (IMP) have been verified for each of the identified service areas and the plans will now cover a "what to do if" set of actions to guide the service area in recovery of critical services. The updates have also taken. Consideration of recent incidents impacting on NYCC such as utility failures in October 2013 and the challenges faced during the Winter storms of December 2013 to ensure resilient BC plans are put in place.
- 4.2** Some service areas such as ICT or the Contact Centre have produced bespoke impact and recovery plans but have ensured that corporate guidance is still followed and that the principle of service area ownership is maintained. This approach has been successfully implemented this year across a number of directorates with EPU support and guidance. This is demonstrated by the extensive planning, training and exercising of Business Continuity Plans which has taken place in order to enable NYCC to deliver a safe and successful Tour de France in July 2014.
- 4.3** The Business Continuity Strategy will be re-launched via the NYCC Corporate Risk Management Group (CRMG) in June 2014. The CRMG will be used as a quarterly forum to review, challenge and confirm the Business Continuity plans for each individual service area. The EPU will mirror the system used by Risk to register each service area and monitor and direct specific work-streams over a rolling programme. The CRMG forum will promote ownership for Business Continuity within each directorate and will provide the robust reporting structure previously missing. Responsibility for signing off service area Business Continuity plans will remain with the relevant corporate

directors to continue to provide ownership for the annual statement of assurance.

- 4.4** Named officers within the EPU will be tasked with ensuring an on-going dialogue and support for Business Continuity SPOCS within each directorate. The EPU officers will work with the directorates to ensure that service areas have the knowledge and support to meet their Business Continuity responsibilities and that an annual cycle of tasks, including exercises, are completed and understood.
- 4.5** These proposals aim to utilise the best practice evident in many NYCC directorates to provide a clear and consistent approach to Business Continuity management within an identifiable and accountable reporting structure. This will address vulnerabilities identified in the audit and will ensure NYCC are able to meet future challenges with comprehensive assurance, improved communication and effective BC planning.

5 RECOMMENDATIONS

- 5.1** Audit Committee to note the progress made on the implementation of the updated strategy and revised structure for Business Continuity within North Yorkshire County Council (NYCC).

GARY FIELDING
Corporate Director – Strategic Resources

Author: Tom Knox, Emergency Planning Manager

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 June 2014

RISK MANAGEMENT – PROGRESS REPORT

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To receive details of the updated Corporate Risk Register.
- 1.2 To note the links between the Corporate Risk Register and the Directorate Risk Registers

2.0 BACKGROUND

- 2.1 According to the Terms of Reference of the Audit Committee, its role in risk management is:
 - (i) to assess the effectiveness of the authority's risk management arrangements and
 - (ii) to review progress on the implementation of risk management throughout the authority.
- 2.2 Following a recommendation by this Committee, the County Council formally approved a revised Corporate Risk Management Policy on 18 July 2012 with a provision that it will be reviewed and updated every two years. This work is in progress but has been delayed due to unavoidable circumstances.
- 2.3 Regular reports to this Committee therefore cover the implementation of the Policy and associated Strategy as well as other related risk management matters in order to fulfill this role.
- 3.0 CORPORATE RISK REGISTER**
- 3.1 The Corporate Risk Register (CRR) is fully reviewed every year and updated by the Chief Executive and Management Board in August/September. A six monthly review is then carried out in February/March.
- 3.2 A 6 monthly update of the Corporate Risk Register was carried out in February – see attached at **Appendix A**. This involved reviewing the risks, risk controls and risk reductions that had been identified for each of the risks and making amendments to the Register where necessary.

3.3 The significant amendments that were made to the register are as follows:

- North Yorkshire Change Programme – various actions have been completed on this risk since December 2013 (date of last progress report to this Committee). These include the governance arrangements for the Change Programme, the production of the Blue Print of the Programme for Management Board to consider and agree, identification of the resources required to outline and then implement the Blue Print together with the identification of the savings to be attributed to the different areas of activity. Initial development work with the voluntary and community sector has also been carried out.
- Inspection Outcomes – there was better awareness of the inspection framework and therefore more effective provision of data sets was made.
- Waste Strategy – the ‘action by’ dates for this risk have been amended to July 2014 to reflect the fact that this is when the decision will be made on funding.
- Superfast North Yorkshire – the main development for this risk is that a strategy is being developed to look at how to provide solutions to ensure the remaining outstanding 10% of North Yorkshire businesses and residents receive high quality broadband services.
- Economic Development – the strategic economic plan has been developed and is in the process of being implemented in order to maximise investment to stimulate growth.

The rankings of all the risks remained the same (as shown in the left hand column of **Appendix A**). However please see the table at the bottom of **Appendix A** for an explanation of the left hand column.

3.4 To assist Members interpret **Appendix A**

- Risks are identified by Management Board during a prep meeting and workshop
- Each risk has then to be ranked based on the following:
 - existing risk controls in place
 - probability of the risk occurring (based on existing controls)
 - impact of the risk occurring (based on existing controls)
 - further risk controls which may reduce current probability or impact
- The prioritisation system follows a fairly traditional risk evaluation approach in that the **probability** and **severity** of risks is measured using High, Medium and Low categories
- However, to facilitate the assessment of the severity of each risk this is done in relation to 4 distinct **impact areas**:-
 - failure to meet key **service** objectives and standards – reflecting current service plans
 - **financial** impact
 - **service** delivery
 - loss of image or **reputation**

As each risk is ranked with reference to current controls and then future controls, the risk prioritisation system can compute a “score” in the range of 1 to 5

- 1 and 2 being a ‘red’ risk
- 3 and 4 being an ‘amber’ risk and
- 5 being a ‘green’ risk

One of the key things to look for in the Register is the movement of the score (described as Classification in **Appendix A**) as between the ‘Pre’ (i.e. present stage) and ‘Post’ (i.e. after risk mitigations are in place). For certain risks, however, this does not change as the risk mitigations cannot prevent the event (e.g. severe flood) but can address/reduce its impact. Also, if a risk has been carried over from a previous year it is interesting to note whether the risk has improved/worsened since that time (see left hand column on **Appendix A**).

- 3.5 As previously mentioned, the Corporate Risk Register is the culmination of the identification of key significant risks that are identified at Directorate and Service levels. Each year, an exercise is carried out to identify the links between Directorate Risk Registers and the Corporate Risk Register. Please find attached a diagram showing these links at **Appendix B** for information.

4.0 **RECOMMENDATIONS**

That the Committee:

- (i) notes the updated Corporate Risk Register (**Appendix A**).
- (ii) notes the links between the Corporate Risk Register and the Directorate Risk Registers (**Appendix B**).

GARY FIELDING
Corporate Director – Strategic Resources

County Hall
Northallerton
26 June 2014

Author of report: Fiona Sowerby, Corporate Risk and Insurance Manager
Tel 01609 532400

Background papers: None

Corporate Risk Register

Risk Register: **month 6 (Feb 2014) – summary**
 Report Date: 19th March 2014 (cpc)

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	20/47 - Health Integration	Failure, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations to achieve the necessary changes to the North Yorkshire Health economy that will provide better outcomes for patients and local communities. This failure will have a negative impact on the development of integrated services, delay the transformation of services, give rise to increased costs to the Council and cause the loss of opportunities that joint provision may have.	Chief Exec	CD HAS	H	M	H	M	M	1	16	31/03/2014	H	M	M	M	M	2	Y	CD HAS
◀▶	20/1 - Funding Challenges	Inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation for the remainder of the decade resulting in legal challenge, unbalanced budget and public dissatisfaction	Chief Exec	CD SR	H	H	H	H	H	1	8	31/03/2014	M	H	H	M	M	2	Y	All Mgt Board
◀▶	20/207 - 2020 North Yorkshire Change Programme	Failure to produce and implement the 2020 North Yorkshire Plan/Change Programme resulting in an inability to deliver statutory obligations across the Council and deliver a balanced budget	Chief Exec	All Mgt Board	M	H	H	H	H	2	18	31/03/2014	M	H	H	H	H	2	Y	All Mgt Board
◀▶	20/387 - Inspection Outcomes	Failure to avoid adverse outcomes from statutory inspections of provision of local authority safeguarding, schools and settings, children's centres, adult learning, school improvement services, adoption and fostering, looked after children and children's homes resulting in reputational damage, school closure or centrally imposed interventions, disruption of children, requirement for additional resources	Chief Exec	CD CYPS	M	M	M	H	H	2	12	30/06/2014	M	M	M	H	H	2	N	
◀▶	20/45 - Waste Strategy	Failure to deliver the Waste Strategy	Chief Exec	CD BES	M	M	H	L	H	2	7	31/07/2014	L	M	H	L	M	3	Y	CD BES
◀▶	20/332 - Superfast North Yorkshire (SFNY)	Failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents resulting in significant lost opportunities, community dissatisfaction, sub optimal procurement, criticism	Chief Exec	CEX NYnet	M	M	M	M	H	2	6	30/06/2014	L	M	M	M	H	3	Y	CEX NYnet

Corporate Risk Register

Risk Register: **month 6 (Feb 2014) – summary**
 Report Date: 19th March 2014 (cpc)

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
◀▶	20/331 - Schools Organisation: Place Planning and Funding	Failure to assess and manage the combined effects of changes in the national school policy and funding framework, demographics and national and local political circumstances, resulting in a fragmentation of the network of services for children, growing numbers of unsustainable and/or failing schools, increased public dissatisfaction, and loss of confidence in the County Council as local authority.	Chief Exec	CD CYPS	M	M	H	M	M	2	8	31/03/2014	L	M	H	M	M	3	N	
◀▶	20/334 - Economic Development in North Yorkshire	Failure to develop the North Yorkshire economy resulting in lack of growth in employment & impact on future County Council funding caused by the reduced growth in business rates	Chief Exec	BES AD EPU	M	L	H	L	M	2	4	30/04/2014	M	L	M	L	L	4	Y	BES AD EPU
◀▶	20/8 - Major Emergencies in the Community	Failure to plan, respond and recover effectively to major emergencies in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation	Chief Exec	Chief Exec	L	L	H	L	H	3	3	31/03/2014	L	L	H	L	M	3	Y	Chief Exec
◀▶	20/389 - Health and Safety	Major Corporate Health and Safety failure resulting in injuries, claims, reputational and service delivery impact and possible prosecution	Chief Exec	CD SR	L	M	M	M	H	3	6	30/04/2014	L	M	M	M	H	3	Y	CSD SR HoHSRM
◀▶	20/49 - Organisational Performance Management	Council does not operate a true performance management framework leading to misalignment of activities and services with Council mission and objectives, poorer service delivery, public dissatisfaction, criticism, suboptimal working and lost opportunities and reduced ability to meet savings requirements	Chief Exec	CD SR	M	M	M	M	M	4	5	31/12/2014	L	M	M	M	M	5	Y	CD SR

Key	
▲	Risk Ranking has worsened since last review.
▼	Risk Ranking has improved since last review
◀▶	Risk Ranking is same as last review
- new -	New or significantly altered risk



HAS Risk Register
Partnership Working with the Health Environment Failure to effectively transform commissioning and service deliveries in order to manage collective budgets
Integration Failure, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations to achieve the necessary changes to the North Yorkshire Health economy that will provide better outcomes for patients and local communities
Public Health Failure to fully implement the public health model within the County Council and carry out Public Health responsibilities
Service Transformation Failure to carry out service transformation to mitigate unavoidable budget pressures arising from statutory responsibilities, demographic change across all ages, increased ordinary residence, changes to CHC and decrease in number of self funders. In addition, failure to have the capability and the capacity to deliver the HAS Operating Model which inc requirements for Health Integration, The Care Bill and 2020 NY
Finance and Resources - Failure to manage and deliver the efficiency agenda The budget is predicated on delivering a transformation agenda resulting in major financial efficiencies. Failure to achieve these efficiencies in a timely manner would result in budget overspend, the need for urgent possibly inappropriate reduction in front line services
Preparedness for implementation of the Care Bill Failure to prepare for the implementation of the new Care Bill including the Dillnot proposals on lifetime charges, revised capital limit, portable assessment, increase in a number of clients requiring assessment for both care needs and finance
Cultural Change including 2020 North Yorkshire Failure to design, develop and implement the Transformation Programme for HAS in conjunction with 2020 North Yorkshire and other priorities

CSD Risk Register
2020 North Yorkshire Change Programme Failure to produce and implement the 2020 North Yorkshire Plan/Change Programme resulting in an inability to deliver a balanced budget and to deliver statutory obligations across the Council.
ICT Project and Change Management Failure of Technology and Change Services to effectively and efficiently ensure the smooth delivery of key systems and infrastructure the delivery of project and change management knowledge and resource to ensure the organisation maximises the use of technology
Superfast North Yorkshire Failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents
County Council's approach to Property Management and Health and Safety Failure to successfully implement the recommendations of the review of the County Council's approach to property management , including health and safety
Organisational Performance Management Council does not operate a true performance management framework leading to misalignment of activities and services with Council mission and objectives

Corporate Risk Register	Rank	
Health Integration Failure, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations to achieve the necessary changes to the North Yorkshire Health economy that will provide better outcomes for patients and local communities.	1	2
Funding Challenges Inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation for the remainder of the decade	1	2
2020 North Yorkshire Change Programme Failure to produce and implement the 2020 North Yorkshire Plan/Change Programme	2	2
Inspection Outcomes Failure to avoid adverse outcomes from statutory inspections of provision of local authority safeguarding, schools and settings, children's centres, adult learning, school improvement services, adoption and fostering, looked after children and children's homes	2	2
Waste Strategy Failure to deliver the Waste Strategy	2	3
Superfast North Yorkshire Failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents	2	3
School Organisation: Place Planning and Funding Failure to assess and manage the combined effects of changes in the national school policy and funding framework, demographics and national and local political circumstances,	2	3
Economic Development in North Yorkshire Failure to develop the North Yorkshire economy resulting in lack of growth in employment & impact on future County Council funding caused by the reduced growth in business rates	2	4
Major Emergencies in the Community Failure to plan, respond and recover effectively to major emergencies in the community resulting in risk to life and limb, impact on statutory responsibilities, impact on financial stability and reputation	3	3
Health and Safety Major Corporate Health and Safety failure resulting in injuries, claims, reputational and service delivery impact and possible prosecution	3	3
Organisational Performance Management Council does not operate a true performance management framework leading to misalignment of activities and services with Council mission and objectives, poorer service delivery, public dissatisfaction, criticism, suboptimal working and lost opportunities and reduced ability to meet savings requirements	4	5

CYPS Risk Register
Joint Planning & Delivery with Health Inability, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations
National Funding Developments and Local Priorities Inability to manage major changes in national funding developments (such as the impact on the local authority of school funding reform), local priorities and grants
Review of Preventative Services Failure to reconfigure preventative services including physical infrastructure across CYPS
Business Support Arrangements for CYPS The new 2020 North Yorkshire business support arrangements fail to provide the required levels of support to enable Service Groups to deliver their services effectively.
Inspection Outcomes Failure to avoid adverse outcomes from statutory inspections of provision of local authority safeguarding, schools and settings, children's centres, adult learning, school improvement services, adoption and fostering, looked after children and children's homes
Health and Safety (incl High Risk Activities) Failure to meet H&S statutory requirements in relation to staff, pupils/students, contractors and members of the public
BES Risk Register
Delivery of Future Savings Failure to deliver savings required of the Directorate
Cultural Change including 2020 North Yorkshire Failure to effectively manage cultural change
Waste Strategy Failure to deliver the Waste Strategy
LEP Failure of LEP to work effectively as public/private partnership
Leeds City Region The Leeds City Region Area has a complex mixture of overlapping boundaries relative to economy, planning, transport and infrastructure, which may not have a positive impact or may prejudice outcomes for North Yorkshire
Major Incident and Service Continuity Failure to plan and respond effectively to a major incident without major impact upon routine service performance.
Statutory Duties Failure to carry out statutory duties or meet statutory deadlines (e.g. Health and Safety)
Performance Failure to improve / maintain key performance areas, service scorecards / performance reports items

AUDIT COMMITTEE - PROGRAMME OF WORK 2014 / 15

ANNUAL WORKPLAN		JUNE 14	JULY 14	SEPT 14	DEC 14
Audit Committee Agenda Items					
A	Training for Members (as necessary)	2		3	TBA
	Annual Internal Audit Plan 2014/15				
	Annual report of Head of Internal Audit 2013/14	*			
	Public Sector Internal Audit Standards				
	Progress Report on Annual Internal Audit Plan 2013/14	*			
	Internal Audit report on Children and YP's Service	*			
	Internal Audit report on Computer Audit/Corporate Themes/Contracts			*	
	Internal Audit report on Health and Adult Services			*	
	Internal Audit report on BES				
	Internal Audit report on Central Services				
B	Annual Audit Letter	*			
	Annual Audit Plan 2013/14 (NYCC & NYPF)		*		
	Annual Report / Letter of the External Auditor			*	
	Annual Grant Letter				
	Discussion with External Auditor on 1-to-1 basis				
C	Statement of Final Accounts including AGS (NYCC + NYPF)		*	*	
	Letter of Representation			*	
	Chairman's Annual Report			*	
	Effectiveness of Audit Committee/Internal Audit System	*			
	Changes in Accounting Policies				
	Corporate Governance – review of Local Code + AGS	*			
	– progress report inc re AGS	*			
	Risk Management (inc Corporate R/R) – progress report	*			
	Partnership Governance – progress report			*	
	Information Governance – progress report				
	Review of Finance,/Contract/Property Procedure Rules		*		
	Service Continuity Planning	*			
	Audit Committee Terms of Reference				
	Counter Fraud				
	Veritau – progress report				
Treasury Management – Executive February 2013 – Revised TMPs					
VFM Review	*				
D	Work Programme	*	*	*	*
	Progress on issues raised by the Committee (inc Treasury Management)	*	*	*	*
E	Agenda planning / briefing meeting	11/06	03/07	10/09	19/11
	Audit Committee Agenda/Reports deadline	16/06	07/07	15/09	24/11
Audit Committee Meeting Dates		26/06	17/07	25/09	04/12

Themes Identified but yet to be programmed

- 2020 North Yorkshire
- Information Governance – risks arising
- Health & Social Care Integration and Challenges

- A = Internal Audit
- B = External Audit
- C = Statement of Final Accounts / Governance
- D = Other
- E = Dates

- ⊙ before formal meeting
- 1 External Auditor
- 2 IT Strategy
- 3 Governance & Statement of Account