

# NORTH YORKSHIRE COUNTY COUNCIL

## DRAFT STATEMENT OF ACCOUNTS 2013/14

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### Contact us

**North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD**  
Our Customer Service Centre is open Monday to Friday 8.00am – 5.30pm (closed weekends and bank holidays). Tel: **0845 8 72 73 74** e mail: **customer.services@northyorks.gov.uk**  
Or visit our website at: **www.northyorks.gov.uk**

If you would like this information in another language or format such as Braille, large print or audio, please ask us.  
Tel: 01609 532917 Email: [communications@northyorks.gov.uk](mailto:communications@northyorks.gov.uk)



## EXPANATORY FOREWORD

### INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2014 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* - issued by the Chartered Institute of Public Finance and Accountancy and in accordance with the International Accounting Standards Board framework for the preparation and presentation of financial statements as interpreted by the code (*The Code*). The Code is based upon International Financial Reporting Standards (IFRS).
  - (a) **the Explanatory Foreword**; the purpose of this Foreword is to act as a guide to the most significant matters impacting on the County Council's finances. It gives an indication of where the County Council's money comes from, what it is spent on and what services it provides as well as its financial position and assisting in the interpretation of the accounting statements
  - (b) **the Statement of Accounting Policies**; which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Account
  - (c) **the Statement of Responsibilities for the Statement of Accounts**; this outlines the County Council's responsibilities for the Accounts under local government legislation and any other requirements. It also shows the legal and professional responsibility for the Accounts of the Corporate Director – Strategic Resources
  - (d) **the Independent Auditor's Report**; this explains the auditor's responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a value for money opinion in terms of the arrangements for securing economy, efficiency and effectiveness
  - (e) **the Comprehensive Income and Expenditure Statement**; this shows the Net Cost of the Services provided by the County Council and how this has been financed from general government grants and local tax payers. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation
  - (f) **the Movement in Reserves Statement**; this statement shows the movement in the different reserves held by the County Council over the year. The statement is analysed into usable reserves, those that can be applied to fund expenditure or reduce local taxation, and other unusable reserves
  - (g) **the Balance Sheet**; this is a statement of the financial position of the County Council and shows the Balances and Reserves at the County Council's disposal, its long term indebtedness and the long term and net current assets employed in its operations
  - (h) **the Cash Flow Statement**; this statement shows the changes in cash and cash equivalents of the County Council during the financial year. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities
  - (i) **notes to the Core Financial Statements**; these provide further details and explanation of the figures included in the Core Financial Statements
  - (j) **Group Accounts**; the County Council conducts some of its activities through partnerships and separate undertakings. Some of these are not directly reflected in the statements (e) – (h) above due to legal and regulatory reasons. These Group Accounts are required to present a full picture of the County Council's economic activities and financial position in order to aid the primary financial statements

- (k) **the North Yorkshire Pension Fund Accounts;** which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31st March 2014
- (l) **the Annual Governance Statement;** this sets out the framework within which financial control and corporate governance is managed and reviewed by the County Council and the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.

## SUMMARY OF REVENUE SPENDING

2. The main components of the final Revised Budget for 2013/14 and a comparison with the actual position are set out below:-

	Final Revised Budget £m	Actual £m	Variation £m
Directorate Net Expenditure			
Children and Young People's Service	81.6	80.4	(1.2)
Business and Environmental Services	80.5	73.1	(7.4)
Health and Adult Services	140.0	136.9	(3.1)
Central Services	55.9	54.7	(1.2)
Corporate Miscellaneous	19.2	15.0	(4.2)
Corporate PIP	20.4	0.4	(20.0)
Release of Earmarked Reserves	0.0	(8.0)	(8.0)
	<u>397.6</u>	<u>352.5</u>	<u>(45.1)</u>
Financed by:			
Revenue Support Grant	88.9	88.9	0.0
Business Rates (Central Government)	41.0	41.0	0.0
Business Rates (District Councils)	18.8	18.8	0.0
Precept Income (including arrears)	<u>225.7</u>	<u>225.7</u>	<u>0.0</u>
(Deficit) / Surplus in Year	<u>374.4</u>	<u>374.4</u>	<u>0.0</u>
	<u>(23.2)</u>	<u>21.9</u>	<u>45.1</u>
General Working Balance			
Start of Year			
(Deficit) / Surplus in Year	56.6	56.6	0.0
End of Year	<u>(23.2)</u>	<u>21.9</u>	<u>45.1</u>
	<u>33.4</u>	<u>78.5</u>	<u>45.1</u>

The Service Directorate expenditure headings and figures reported above reflect the County Council's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 35, which conform with Service Reporting Code of Practice (SeRCOP) requirements.

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

	Net Expenditure £m	Funding £m	Net £m
County Council's Accounts (as reported on page 3)	352.5	(374.4)	(21.9)
Different treatment of some Government Funding	8.5	(8.5)	0.0
Other required accounting entries reflected in the Income and Expenditure Statement (£25.1m)			
- Capital Accounting	72.8	(58.6)	14.2
- Collection Fund Accounting	0.0	(1.3)	(1.3)
- Holiday Pay Accounting	(0.5)	0.0	(0.5)
- Pension Accounting	24.6	0.0	24.6
- Movement in Earmarked Reserves	(11.9)	0.0	(11.9)
Net expenditure / funding and deficit per Comprehensive Income and Expenditure Statement	446.0	(442.8)	3.2

3. As indicated in note 2, the “bottom line” revenue savings in 2013/14, compared to the final budget, was £45.1m which has been accounted for as follows:-
- a net savings of £25.1m is being carried forward to 2014/15 and subsequent years which mainly consists of Corporate Funds available to manage one off issues across a number of financial years (£22.7m). The remaining £2.4m relates to funding earmarked for various projects and initiatives that will be completed in future years; and
  - a saving of £20.0m which is not being carried forward and, therefore, increases the level of the “Free General Working Balance”. This saving arose from a variety of Service Directorate and Central budget savings but principally the unwinding of some earmarked reserves (£8.0m) and the early achievement of budget savings by Directorates (£4.6m).
4. The County Council’s General Working Balance amounted to £78.5m at 31st March 2014 which includes savings of £25.1m which are carried forward to 2014/15 and subsequent years. The effective working balance is, therefore, £53.4m which is £11.1m above the projected target sum of £42.3m at 31st March 2014. The County Council’s policy for maintaining a minimum level of working balances was changed as part of the 2014/15 budget process and is now equivalent to 2% of the net revenue budgets supplemented by a buffer of £20m (£27.5m at 31st March 2014). The level of £53.4m at 31st March 2014 is therefore £25.9m above this new “minimum level”.
5. Accounting arrangements for Local Management of Schools (LMS) are implemented in accordance with the Schemes of Delegation and LMS funding formula approved by the County Council. At the beginning of the financial year delegated revenue and devolved capital budget allocations and other Department for Education (DfE) grants are made to individual nursery, primary, secondary and special schools. Any underspendings or overspendings on budget allocations are earmarked in the County Council's balances and carried forward into the following financial year to supplement or set against that year’s budget allocation. There is also some flexibility to carry forward DfE grants as determined by the appropriate grant conditions. The overall unspent LMS balance as at 31st March 2014 was £30.9m.

## WHAT THE MONEY IS SPENT ON AND HOW IT IS FINANCED

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

	£m
Gross cost of providing County Council Services (See Comprehensive Income and Expenditure Statement, page 35)	943.4
Precepts Paid to Other Authorities	0.6
Interest Payable	15.9
Capital Adjustment Accounting Adjustments	(23.2)
IAS 19 Pension Adjustments *	(2.0)
Movement in Reserves Adjustment	21.9
Loss on Disposal of Fixed Assets	11.4
Contribution to Reserves	11.9
Corporate Trading Account Deficit	0.1
Accumulated Absences Adjustment	0.5
= Actual Spending financed from Income, Government Grants, Council Tax, Business Rates and other Government funding	<u>980.5</u>

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

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

	£m	%
Employees	442.3	45
Premises	47.1	5
Transport (including transport of school children)	37.6	4
Supplies and Services	141.2	14
Agency and Contracted Services etc.	272.9	28
Capital Financing Costs	39.4	4
	<u>980.5</u>	<u>100</u>

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

	£m	%
Central Services to the Public	5.3	1
Court Services	0.9	0
Cultural and Related Services	12.4	1
Environmental and Regulatory Services	33.8	4
Planning Services	4.5	0
Education and Childrens Services	585.2	62
Highways, Roads and Transport	66.8	7
Adult Social Care	212.6	22
Public Health	15.0	2
Housing Services	0.3	0
Corporate and Democratic Core	4.8	1
Non-Distributed Costs	1.8	0
	<u>943.4</u>	<u>100</u>
Interest Payable	15.9	
Capital Accounting Adjustments	(23.2)	
IAS 19 Pension Adjustments	(2.0)	
Loss on Sale of Fixed Asset	11.4	
Other Corporate Adjustments	35.0	
	<u>980.5</u>	

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

	£m	%
Government Specific Grants		
- Dedicated Schools Grant	350.0	36
- Other Specific Grants	79.6	8
Council Tax from District Council Collection Funds	225.7	23
Fees and Charges etc.	106.4	11
Uniform Business Rates proceeds	59.8	6
Government Revenue Support Grant	88.9	9
Capital Grants	58.6	6
Other General Government Funding	8.5	1
Interest and Investment Income	2.2	0
Dividends Received	0.8	0
	<u>980.5</u>	<u>100</u>

10. The income from District Council Collection Funds of £225.7m includes the precept charge of £225.2m for 2013/14, which is equivalent to a basic amount of Council Tax per Band D property of £1,057.48, plus a surplus of £0.5m relating to previous years. The Other Specific Grants mainly relate to Education and include the Education Funding Agency grant and Pupil Premium grant. Major grants for other services include Public Health, Severe Weather and various Economic Development grants.

11. The County Council employed 13,778 full time equivalent staff at the end of the financial year and a breakdown across Service Directorates is as follows:-

Management Board		6
Central Services		1,824
Children and Young People's Service		
Schools	8,085	
Other	<u>1,709</u>	9,794
Business and Environmental Services		464
Health and Adult Services		<u>1,690</u>
		<u>13,778</u>

## CAPITAL EXPENDITURE

12. In 2013/14 the County Council spent £84.5m on capital expenditure and a comparison with the original and revised Capital Plan is set out below:-

	Original Capital Plan £m	Revised Capital Plan £m	Actual £m
Capital Plan			
- Fixed Assets	85.3	87.9	77.6
- Revenue Expenditure Funded from Capital under Statute/ Intangible Assets	7.8	3.4	6.4
	<u>93.1</u>	<u>91.3</u>	<u>84.0</u>
Other expenditure on fixed assets funded directly from the revenue budget	0.4	0.4	0.5
	<u>93.5</u>	<u>91.7</u>	<u>84.5</u>

Actual Capital spending was therefore £84.0m compared with an Original Capital Plan of £93.1m approved in February 2013 and a Revised Capital Plan of £91.3m approved in February 2014.

In addition, £0.5m was spent on Fixed Assets from Directorate revenue budgets, principally on Vehicles and ICT Equipment.

The above expenditure was funded as follows:-

	£m	%
Borrowing		
- from external sources	0	0
- from internal sources (cash balances)	2.4	3
Grants from Government Departments	62.4	74
Contributions from External Bodies	1.0	1
Capital Receipts from Sale of Assets etc.	8.5	10
Direct Revenue Funding	<u>9.7</u>	<u>11</u>
	84.0	99
Expenditure on Fixed Assets funded directly from Revenue Budgets	0.5	1
	<u>84.5</u>	<u>100</u>

13. The major part of this capital expenditure related to spending on the Children and Young People's Service and Business and Environmental Services. The largest individual areas of capital expenditure were the Bedale, Aiskew and Leeming Bar Bypass (£1.3m) new / replacement road lighting columns (£0.9m) and the Woodfields School Development (£0.2m).
14. Total borrowing for capital purposes at 31st March 2014, was £369.9m which includes both external borrowing and borrowing from internal sources and consists of the following:-

	£m
External Borrowing	
Public Works Loans Board (PWLB)	324.6
Other Institutions	20.0
Total External Borrowing	<u>344.6</u>
Temporary Borrowing from Internal Cash Balances	25.5
Less: relating to debt administered on behalf of North Yorkshire Police Force	<u>(0.2)</u>
	<u>369.9</u>

The Capital Financing Requirement (CFR) at 31st March 2014 was £375.7m which includes the Capital Borrowing Requirement of £369.9m reported above together with other long term Private Finance Initiative (PFI) and finance lease liabilities of £5.8m.

## LOCAL GOVERNMENT PENSION FUND

15. This Statement of Accounts includes a section on the Accounts of the North Yorkshire Pension Fund. The impact of the County Council's participation in this Fund is reflected in the County Council's Accounts based upon the requirements of IAS 19 Employee Benefits. IAS 19 requires that pension costs are recorded in the year in which the benefit entitlements are earned by the employees rather than the year in which the pensions and employers' contributions are actually paid. Also, any net liability arising from a deficit on the Pension Fund should be reflected on the Balance Sheet as calculated under the prevailing market conditions.
16. The results of the 2013 Triennial Valuation were produced in 2013/14 when the Actuary completed a detailed analysis of the Fund's liabilities. These results were used to determine employer contribution rates for the three years from 2014/15 as well as the basis for the IAS 19 calculations from 2013/14. In the years between each Triennial Valuation approximations are used to calculate the IAS 19 figures, as permitted in the guidance.

The funding level calculated by the Actuary as at 31st March 2014 was 84%. This was 11% higher than the 31st March 2013 funding level of 73%. Assets increased in value by 14% over the year and liabilities decreased by 1% as a result of the rise in corporate bond yields, which are used to discount the value of future pension payments. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

17. The total reported pension liability of the County Council has decreased over the year from £559.1m to £317.5m. This decrease, (£241.6m), is due favourable changes to the assumptions used by the Actuary, most notably the rise in bond yields as mentioned above.

The Fund's assets performed above the assumptions made by the Actuary due to the sustained recovery of global financial markets supplemented by significant out-performance by the Fund's managers.

The North Yorkshire Pension Fund has an investment strategy in place to address its funding deficit. At the 2013 Triennial Valuation the appropriate employer contributions were set which



included deficit contributions for the first three of the remaining 27 years of the deficit recovery plan. The next reassessment will be made as part of the 2016 Triennial Valuation, establishing employer contribution requirements for the three years to March 2020.

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

## **CHANGES IN ACCOUNTING POLICY**

18. Five changes in Accounting Policy have been introduced for the 2013/14 Accounts. These changes are reflected in the 2013/14 Statement of Accounting Policies.

### **Pensions: IAS 19 Employee Benefits**

The accounting policy has been updated to incorporate changes to the definition and terminology of various Employee Pension Benefits defined under IAS 19. These changes do not impact on the value of assets and liabilities recorded in the Balance Sheet.

### **Landfill Allowances**

The accounting policy associated with the Landfill Allowance Trading Scheme has been removed for 2013/14 as this trading scheme in relation to Waste Disposal Authorities such as the County Council ended in 2012/13.

### **Presentation of Financial Statements**

Following changes to IAS 19 presentational changes have been made to the grouping and classification of items presented in the "Other Comprehensive Income" section of the Comprehensive Income and Expenditure Statement.

### **Council Tax and Non-Domestic Rates (NDR) Income**

The accounting policy has been expanded to reflect the introduction of the business rates retention scheme which has resulted in changes to how NDR is collected, allocated and retained locally. Under the new NDR arrangements from 1st April 2013, NDR income included in the Comprehensive Income and Expenditure Statement represents the accrued NDR income in the financial year.

### **Property, Plant and Equipment**

The wording of the existing Property, Plant and Equipment accounting policy has also been updated to more accurately reflect the County Council's approach regarding componentisation and the rolling programme of revaluation. The policy remains in line with the Code's requirements.

## **CHANGES TO THE STATEMENT OF ACCOUNTS**

19. The changes to the format and presentation of the 2013/14 Statement of Accounts are limited and can be summarised as follows :-
- on the 1st April 2013 Public Health staff and services were transferred from the NHS to local authorities and local authorities were provided with a ringfenced public health grant to pay for these services. The Comprehensive Income and Expenditure Statement has been updated to reflect this additional spending and grant with a new line entitled "Public Health" to reflect this change;
  - various other minor amendments.

## **MATERIAL CONTINGENT LIABILITIES**

### **20. Waste Public Private Partnership (PPP) (formerly Waste PFI)**

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

The contract includes provision whereby compensation could be payable by the County Council up to a maximum of £5m (partially offset by a 21% contribution from City of York Council) to the Contractor in specific circumstances should the contract not proceed to financial close. The decision regarding financial close is expected by the end of the 2014 calendar year.

#### **Ordinary Residence**

An increased incidence of other authorities claiming ordinary residence in respect of individuals receiving adult social care in North Yorkshire. This arises where people receive social care in North Yorkshire, following relocation from outside the County, but have continued to have their care-package funded by the local authority where they formerly resided. Local Authorities have in recent years become more active in claiming that the liability for such costs lies with the County Council.

#### **Deprivation of Liberty Safeguards**

A recent court Judgement around the definition of what constitutes a Deprivation of Liberty requires reviews of a significant number of care plans of existing clients involving the use of specialist staff and externally purchased expertise at significant cost. The Local Authority is the Supervisory body for authorising a deprivation of liberty in a residential setting and for hospitals and is experiencing a significant increase in the number of referrals seeking authorisation.

The Judgement will also impact upon the numbers who are likely to be detained under the Mental Health Act 1983 (MHA) which may trigger an increase in the number of individuals requiring aftercare services upon discharge in accordance with section 117 MHA. The Local Authority cannot charge for aftercare services provided in accordance with section 117 MHA and therefore will see a potential impact on income levels and may also find that there is an increase in the number of disputes over a person's residence in relation to their entitlement to 117 aftercare.

There are likely to be significant resource implications for Health and Adult Services and Legal and Democratic Services, along with external specialists and other fees. A scoping exercise is being undertaken in relation to this.

#### **Judicial Reviews**

There are currently two judicial reviews underway regarding processes around Adult Safeguarding and School Admission Arrangements. The potential liability surrounding these judicial reviews is currently unclear as the reviews are at an early stage and the process may not continue to a full review.

#### **LMS Staff Contract Arrangements**

Within Local Management of Schools (LMS) schools have the right to determine their own staff contractual and pay arrangements whilst the County Council remains the employer and is, therefore, liable for any legal issues relating to discrimination. At present, however, there are no such liabilities and the extent of any future liabilities is unknown.

#### **Service Unit Restructures**

The County Council has committed itself to undertaking a number of Service Unit restructures. Provision has been made in the accounts where the County Council is committed to paying

Termination Benefits to employees in 2013/14. However there are further restructures planned in the next few years where the impact of employee terminations is currently unknown.

### **Education**

A decision from the HSE is pending on whether they will be prosecuting the Council in relation to an accident and resulting injuries sustained by a pupil at a North Yorkshire school.

## **GROUP ACCOUNTS**

21. The 2013 Code of Practice requires all Local Authorities to consider their relationships with associated companies, strategic partnerships, joint ventures and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established.

Work has been undertaken to document all the entities connected with the County Council and their financial relationship. Following Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Group Accounts, it has been established that the County Council has group relations with five bodies:-

- Yorwaste Limited
- NYnet Limited
- Veritau Limited
- Yorkshire Purchasing Organisation.

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

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

The full set of Group Accounts and the financial implications are seen on pages 105 to 122.

## **THE COUNCIL PLAN**

22. The Council Plan is available on the County Council's website and sets out the County Council's long-term corporate ambitions, medium-term objectives and priorities and actions for the next year (2014/15). The Council Plan also sets out where our funding comes from and what it is spent on.

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

To achieve our vision we aim to:-

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

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

- protecting and supporting vulnerable people;

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

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

As a result of reductions in Government funding the County Council is on track to cut £94m over the four years ending March 2015, but anticipates having to reduce budgets by an additional £73m over the next four years to 2019. This represents a reduction on the Council's spending power by around 34% from 2011 to 2019.

## **PERFORMANCE AND BUDGET MONITORING**

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

The key issues covered in these Reports can be summarised as follows (alongside a very brief summary of the position to date as at 31st March 2014):-

### **Performance**

The year end (31st March 2014) report details a number of key performance related issues together with an in depth analysis on Public Rights of Way, Libraries, Customer Services Centre and Finance.

### **Human Resources Performance Data**

There has been an overall reduction of 176 full time equivalents in the non-schools workforce during 2013/14. The non-schools sickness absence was equivalent to 7.29 days per FTE and 6.55 days for the full workforce which is basically unchanged from the outturn for 2012/13 of 6.5.

### **Revenue Budget 2013/14**

A bottom line net saving of £45.1m has been achieved. This consists of £25.1m being carried forward to 2014/15 and subsequent years in relation to Corporate Funds (known as the Pending Issues Provision – PIP) totalling £22.7m and Directorate projects and initiatives that span financial years totalling £2.4m. The remaining £20m which is not carried forward is paid into the working balance and includes various savings and one off windfalls together with unwinding some earmarked reserves. The General Working Balance is £78.5m at 31st March 2014 and other earmarked reserves totalled £113.1m.

### **Capital Expenditure and Financing**

Gross capital spending of £84m was £7.3m below the last Capital Plan update of £91.3m. After accounting for capital income there was a net capital underspend of £2m, of which £0.1m is being carried forward to 2014/15. Financing of the capital plan included £8.5m capital receipts realised in the year with the balancing figure being £2.4m funded from internal borrowing which has the impact of running down investments.

### **Annual Treasury Management**

Long term external debt decreased from £350.0m (as at 31st March 2013) to £344.6m as at 31st March 2014, as a result of scheduled loan repayments together with taking no new external borrowing in 2013/14. For cash invested over 2013/14, the average rate of interest achieved was 0.79% which outperformed the average 7-day market rate of 0.36% and the average bank rate during the year of 0.5%. The average daily balance loaned out was £208.5m in 2013/14.

### **Compliments and Complaints**

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

## STRATEGIC DOCUMENTS

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

<b>Policy or Plan</b>	<b>Purpose of Policy or Plan</b>
Constitution	Sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also details our policy framework which includes documents which are approved by the full County Council.
North Yorkshire Community Plan	Sets out some key priorities for how to help make North Yorkshire an even better place in which to live, work and visit.
The Council Plan	Is the cornerstone of the County Council policy framework and provides the basis for all that we do and for the many other plans and strategies that we must produce. It will help shape our budgets.
Medium Term Financial Strategy	Sets out how resources will be put in place to support the delivery of the Council Plan, and to enable priorities and service objectives to be achieved.
Carers' Strategy	Represents our joint commitment, with County Council colleagues in the NHS, to the recognition and long-term support of carers in North Yorkshire.
Children and Young People's Plan 2011-14	Sets out the priorities for how the County Council is going to achieve the Every Child Matters outcomes for every child and young person in the County.
Corporate Equality Policy Statement	The County Council is committed to equality and to making fair treatment an important part of everything which the County Council does. This statement sets out how we will achieve these aims.
Joint Health and Wellbeing Strategy	The Joint Health and Wellbeing Strategy, is produced by the Health and Wellbeing board. It explains what health and wellbeing priorities the board has set in order to tackle identified needs. The strategy sets priorities for joint action and making a real impact on people's lives.
Local Development Framework	The County Council, as the minerals and waste planning authority for the parts of the County outside the Yorkshire Dales and North York Moors National Parks, has a statutory duty to prepare a Minerals and Waste Development Framework, containing proposals and policies to guide minerals and waste planning decisions.

Local Transport Plan 2011-2016	The Local Transport Plan (LTP) is a set of documents that the Government requires all local transport authorities to produce. The LTP sets out the County Council's plans and strategies for maintaining and improving all aspects of the local transport system over a set period of time, usually five years. The County Council adopted its Local Transport Plan to cover the period from 2011 to 2016 in December 2010.
Let's Talk Less Rubbish Waste Strategy	This strategy sets out how waste in York and North Yorkshire will be dealt with in the next 20 years.

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

## **RISKS AND UNCERTAINTIES AFFECTING THE COUNTY COUNCIL**

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

Key risks to the financial position of the County Council as identified in the February 2014 Budget / MTFS report are:-

- delivery of savings programme in 2015/16 and beyond with significant savings targets being predicated on enormous changes in the way in which the County Council works;
- further reductions in government grant with current projections being based upon trajectories similar to the 2010 CSR and as indicated in the 2013 Spending Review which only covered 2015/16;
- assumptions on council tax yield with the MTFS assuming a 1.99% increase for each year from 2014/15 against the Government's continuing desire to keep council tax levels down by setting an annual limit above which an authority must hold a referendum (2% in 2014/15);
- demand level for services with many of the biggest areas of County Council spending being demand related including Adult Social Care, Children's Social care, Waste and Highways;
- specific grants in terms of key grants being further eroded or discontinued altogether together with the risk of additional earmarked funding such as Health and Social Care funding not being secured to underpin the County Council's saving programme;
- cost pressures from other agencies with other parts of the public sector increasingly feeling financial pressures with a resulting risk that savings made in these sectors may result in the County Council picking up additional costs;

- unplanned incidents / emergencies with adverse weather conditions, disasters and unforeseen events remaining a constant feature. Within society generally there is also a concerning increase in litigation which may impact on the County Council;
- inflation and pay levels with a risk that future pay awards will exceed the MTFs assumptions and the start of strong economic growth amidst a high degree of global uncertainty may also start to fuel inflationary pressures above assumptions;
- interest rates with any significant deviation to expected future increases impacting on both investment returns and potential new external borrowing costs;
- levels of business rates (BR) collected by the North Yorkshire District Councils since the localisation of BR from 1st April 2013. Significant variations could result from large BR payers closing, moving out of the county or making successful appeals against their rateable values, and
- the North Yorkshire Pension Fund in terms of the impact of future Triennial Valuations on the County Council's employers and fund deficit contributions.

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

- failure, in the context of the changing NHS landscape, to develop effective partnerships with the emerging NHS Commissioners and other NHS organisations;
- inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectations for the remainder of the decade;
- failure to produce and implement the 2020 North Yorkshire Plan / Change Programme;
- failure to avoid adverse outcomes from statutory inspections;
- failure to deliver the waste strategy;
- failure to maximise the opportunity to provide high quality broadband services to North Yorkshire businesses and residents;
- 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;
- failure to develop the North Yorkshire economy;
- failure to plan, respond and recover effectively to major emergencies in the community;
- major corporate health and safety failure; and
- that the County Council does not operate a true performance management framework.

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

26 June 2014

## STATEMENT OF ACCOUNTING POLICIES

### 1. General

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

These Accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code): issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code has adopted International Financial Reporting Standards (IFRS) for financial statements produced since 2010/11. The accounting policies adopted have been used consistently throughout the current and prior period unless stated otherwise. Any significant non-compliance with The Code is disclosed as part of the relevant financial statement.

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

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

### 2. Property, Plant and Equipment

#### **Recognition**

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

#### **Measurement**

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

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

- Land and Buildings (other property) are included in the Balance Sheet at fair value in their existing use, net of any subsequent depreciation. Fair value is determined as the amount that would be paid for the asset in its existing use (existing use value) for assets for which there is an active market (e.g. offices) and Depreciated Replacement Cost (DRC) for assets for which there is not an active market (e.g. schools). Land and Buildings are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years;
- Assets surplus to requirements are those assets that do not fall into any of the prior categories and are valued at fair value;
- Vehicles, Plant and Equipment are carried at historic cost net of any depreciation as a proxy for fair value;



- Assets under the course of construction are measured at historic cost;
- Infrastructure assets, (mainly roads), are included in the Balance Sheet at historical cost, net of depreciation.

A full Revaluation of Property is undertaken on a five year “rolling programme”. A desk top review of property not being revalued in any given year is also undertaken annually to ensure valuations reflect a true and fair view of the carrying value of assets at the Balance Sheet date.

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

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

### **Impairment**

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

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

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

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

### **Disposal and Non-Current Assets Held for Sale**

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

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

Receipts from the disposal of Assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement, as is the disposal

receipt. These amounts are not a charge or receipt to Council Tax as the cost of Fixed Assets is fully provided for under separate arrangements for capital financing. The asset value written off is appropriated to the Capital Adjustment Account, the capital receipt to the Usable Capital Receipts Reserve, via the Movement in Reserve Statement. Any revaluation gains that have accumulated in the revaluation reserve are transferred to the Capital Adjustment Account.

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

### **Depreciation**

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

- Property assets are split into three specific components; Land (which is not depreciated), the Main Structure of the Building and the Mechanical and Electrical Services of the Building. Each component is depreciated separately at rates representative of their estimated remaining useful lives;
- Infrastructure is depreciated over a 40 year period;
- Vehicles, Plant, Furniture and Equipment are depreciated over a number of years depending on the nature of the asset. This is normally six years.

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

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

## **3. Heritage Assets**

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

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

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

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

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

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

If it is agreed to dispose of any Heritage Assets the proceeds are accounted for in accordance with the County Council's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements for capital receipts.

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

#### **4. Investment Property**

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

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

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

#### **5. Intangible Assets**

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

In line with other Non-Current Assets, their useful economic life is determined based on the length of time that the benefit will accrue to the County Council. Based on the best estimate of the useful economic life, the intangible asset is charged to the relevant service lines within the Comprehensive Income and Expenditure Statement over this period. This is between three and 25 years on a straight line basis.

#### **6. Charges to Revenue**

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

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

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

## **7. Revenue Expenditure Funded from Capital under Statute**

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

## **8. Long Term Investments**

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

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

## **9. Accruals of Income and Expenditure**

The revenue and capital accounts of the County Council are, in general, maintained on an accruals basis in accordance with recognised accounting policies. The Accounts reflect sums due to or incurred by the County Council during the year, whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for Creditors and Debtors at 31st March 2014.

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

- revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council;
- revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council;
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract unless the difference is immaterial; and
- where revenue and expenditure have been recognised but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of Debtors is written down and a charge made to revenue for the income that might not be collected.

## **10. Grants**

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

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

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

## **11. VAT**

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

## **12. Leases**

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

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

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

## **13. Private Finance Initiative (PFI) and Service Contracts**

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

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

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

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

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

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

#### **14. Financial Instruments**

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

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

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

Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm’s length transaction. Annual charges to the Financing and Investment line in the Comprehensive Income and Expenditure Statement for interest payable and receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings and investments of the County Council, this means that the amount included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year. Interest charged to the Comprehensive Income and Expenditure Statement is the effective amount payable for the year in the loan agreement (which is not necessarily the cash amount payable).

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

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

## **15. Inventories**

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

## **16. Allocation of Support Services Costs**

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

All recharges of support services costs are consistent with the principles outlined in the SeRCOP.

## **17. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provision has been made against relevant services within the Comprehensive Income and Expenditure for liabilities that have been incurred by the County Council, but where the amounts or dates on which they will arise are uncertain.

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

When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Statement.

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

Where some or all of the payment required to settle a provision is expected to be met by another third party (e.g. from an insurance claim), this is only recognised as income in the relevant service

Revenue Account if it is virtually certain that reimbursement will be received if the obligation is settled.

### **Contingent Liabilities**

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

### **Contingent Assets**

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

## **18. Reserves**

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

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

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

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

## **19. Pensions**

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

- The Local Government Pension Scheme, administered by the County Council;
- The Teachers' Pension Scheme administered by Capita Hartshead on behalf of the Department for Education;
- The NHS Pension Scheme administered by the NHS Business Services Authority on behalf of the Department of Health.



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

### **The Local Government Pension Scheme**

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

- the assets of each scheme are measured at fair value;
- the attributable liabilities of each scheme are measured on an actuarial basis;
- quoted securities and unitised securities are measured at current bid-price, unquoted securities are measured using a professional estimate;
- the scheme liabilities are discounted at a rate based upon long dated, AA rated, corporate bonds which reflects the time value of money and the characteristic of the liability;
- the deficit in the scheme is the shortfall of the value of assets over the present value of liabilities;
- the interest cost is the allowance for one year's worth of the discount on the liabilities "unwinding" as the liabilities at the start of the period are one year closer to payment;
- the current service cost is the amount of money required at the beginning of the period to meet the cost of benefits accruing during the period;
- remeasurement of liabilities arises from changes in financial assumptions and demographic assumptions, as well as adjustments following the detailed analysis at each triennial valuation;
- settlements and curtailments are the increase or decrease in liabilities arising from current decisions where the effect relates to years of service earned in earlier years and is charged or credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest on assets is the expected one year's growth of the assets held at the start of the year;
- remeasurement of assets reflects the difference between actual and expected growth of assets over the year, as well as adjustments following each triennial valuation;
- administration expenses are the costs of running the Fund attributable to the Council.

In assessing liabilities for retirement benefits at 31st March 2014 for the 2013/14 Statement of Accounts, the Actuary assumed a discount rate of 2.2% real (4.6% actual), a rate based upon the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2012/13 Statement of Accounts, the Actuary advised that a rate of 1.8% real (4.2% actual) was appropriate.

## **20. Trust Funds Administered by the County Council**

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

## 21. Group Accounts

The County Council has financial relationships with a number of entities and partnerships and, as a result, is required to prepare Group Accounts in addition to its main financial statements. In preparing Group Accounts the County Council has followed CIPFA guidance and in general, the following policies have been applied:-

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

## 22. Council Tax and Non-Domestic Rates (NDR) Income

The Local Government Finance Act 2012 introduced a business rates retention scheme from 1st April 2013 that enables local authorities to retain a proportion of non-domestic rates generated in their area.

The Code of Practice on Local Authority Accounting provides guidance on how local authorities account for both Council Tax and NDR Income. Billing authorities in England maintain a separate fund for the collection and distribution of Council Tax and NDR and calculate surpluses or deficits on each.

The Billing Authority collects and distributes Council Tax on behalf of itself and other major preceptors such as the County Council and NDR on behalf of itself, the Government, the County Council and the Fire Authority. The collection of Council Tax and NDR by a Billing Authority is in substance an agency arrangement, and the cash collected by Billing Authorities belongs proportionately to the billing authority and other organisations mentioned above.

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

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

The difference between accrued income for Council Tax and NDR and actual income received does not impact on the General Working Balance or the Revenue Budget of the County Council in

2013/14, and is taken to the Collection Fund Adjustment Account in the Balance Sheet and included as a reconciling item in the Movement in Reserves Statement - General Working Balance.

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

- Debtor provision for the County Council's share of Council Tax and NDR arrears;
- Provision for bad debts of Debtors in relation to Council Tax and NDR arrears and appeals and backdated appeals for NDR;
- Creditor provision for Council Tax and NDR over-payments and pre-payments; and
- Creditor or Debtor provision where the billing authority has under or over collected Council Tax in-year against what it actually paid over to the County Council 2013/14.

### **23. Cash and Cash Equivalents**

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

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

### **24. Short Term Compensated Employee Benefits**

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

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

### **25. Exceptional items**

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

## **26. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **27. Events After the Balance Sheet Date**

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

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

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

## **28. Jointly Controlled Operations and Jointly Controlled Assets**

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

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

## **29. Accounting for the Costs of the Carbon Reduction Commitment Scheme**

The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 2013/14 is the final year of Phase 1, the introductory phase of the scheme. From 2014/15 the County Council does not qualify for participation in the scheme. As school emissions are not reported within local authority emissions from phase 2 onwards, the County Council no longer meets the qualifying threshold of the scheme.

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

The County Council recognises an Intangible Asset for any allowances held as at 31st March 2014, based on a pre-agreed valuation. These assets are matched by a liability for the surrender of allowances to the Carbon Reduction Commitment Registry.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

The County Council is required to:

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

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

In preparing this Statement of Accounts, the Corporate Director – Strategic Resources has:

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

The Corporate Director – Strategic Resources has also:

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

### **CERTIFICATE OF THE CORPORATE DIRECTOR – STRATEGIC RESOURCES**

I certify that the Statement of Accounts 2013/14 presents a true and fair view of the financial position of the County Council and the North Yorkshire Pension Fund at the accounting date and their income and expenditure for the year ended 31st March 2014.

Gary Fielding  
Corporate Director – Strategic Resources  
26 June 2014

Co-signed by,  
Richard Flinton  
Chief Executive  
26 June 2014

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

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## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2013/14**

Year to 31st March 2013				Year to 31st March 2014		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
As Restated (note 1)						
3,264	(1,721)	1,543	Central Services to the Public	5,306	(3,404)	1,902
709	0	709	Court Services	877	0	877
13,217	(777)	12,440	Cultural and Related Services	12,406	(841)	11,565
31,391	(2,953)	28,438	Environmental and Regulatory Services	33,775	(3,184)	30,591
4,522	(2,720)	1,802	Planning Services	4,542	(2,665)	1,877
556,994	(441,598)	115,396	Education and Childrens Services	585,200	(438,347)	146,853
71,548	(9,580)	61,968	Highways, Roads and Transport Services	66,780	(12,781)	53,999
204,601	(63,074)	141,527	Adult Social Care	212,552	(55,213)	157,339
0	0	0	Public Health	15,037	(19,342)	(4,305)
157	(51)	106	Housing Services	313	(159)	154
5,925	(10)	5,915	Corporate and Democratic Core	4,800	(4)	4,796
2,300	(210)	2,090	Non Distributed Costs	1,806	(129)	1,677
<u>894,628</u>	<u>(522,694)</u>	<u>371,934</u>	<b>Cost of Services</b>	<u>943,394</u>	<u>(536,069)</u>	<u>407,325</u>
			<b>Other Operating Expenditure</b>			
		23,627	Loss on Disposal of Property, Plant and Equipment (note 22)			11,421
		486	Impairment of Assets Held for Sale (note 29)			7,005
		528	Precepts of Local Precepting Authorities (note 7)			584
			<b>Financing and Investment Income and Expenditure</b>			
		16,600	Interest payable and similar charges (note 44b)			15,901
		(3,195)	Interest receivable and similar income (note 44b)			(2,902)
		(45)	Investment Properties; revaluation and impairment (note 27)			(16,041)
		(82)	(Surplus) Deficit of trading activities (note 6)			147
		<u>22,255</u>	Net interest on the net defined pension benefit liability / (asset) (note 11)			<u>22,638</u>
		432,108				446,078



## MOVEMENT IN RESERVES STATEMENT

	General Working Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000 (note 37)	Total Unusable Reserves £000 (note 38)	Total Authority Reserves £000
<b>Movement in Reserves during 2013/14</b>							
<b>Balance at 31st March 2013</b>	<b>(56,602)</b>	<b>(101,252)</b>	<b>0</b>	<b>(6,807)</b>	<b>(164,661)</b>	<b>(549,083)</b>	<b>(713,744)</b>
Deficit on Provision of Services (accounting basis)	3,239	0	0	0	3,239	0	3,239
Other Comprehensive Expenditure and Income	0	0	0	0	<b>0</b>	<b>(324,667)</b>	<b>(324,667)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>3,239</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,239</b>	<b>(324,667)</b>	<b>(321,428)</b>
Adjustments between accounting basis and funding basis under regulations	(37,023)	0	0	162	(36,861)	36,861	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(33,784)</b>	<b>0</b>	<b>0</b>	<b>162</b>	<b>(33,622)</b>	<b>(287,806)</b>	<b>(321,428)</b>
Transfers (to) / from Earmarked Reserves (note 37)	11,895	(11,895)	0	0	<b>0</b>	0	0
(Increase) / Decrease in Year	(21,889)	(11,895)	0	162	(33,622)	(287,806)	(321,428)
<b>Balance at 31st March 2014</b>	<b>(78,491)</b>	<b>(113,147)</b>	<b>0</b>	<b>(6,645)</b>	<b>(198,283)</b>	<b>(836,889)</b>	<b>(1,035,172)</b>

**MOVEMENT IN RESERVES STATEMENT (continued)**

	General Working Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000 (note 37)	Total Unusable Reserves £000 (note 38)	Total Authority Reserves £000
<b>Movement in Reserves during 2012/13 (As Restated)</b>							
<b>Balance at 31st March 2012</b>	<b>(36,107)</b>	<b>(91,311)</b>	<b>0</b>	<b>(10,269)</b>	<b>(137,687)</b>	<b>(654,934)</b>	<b>(792,621)</b>
Deficit on Provision of Services (accounting basis)	9,771	0	0	0	9,771	0	9,771
Other Comprehensive Expenditure and Income	0	0	0	0	0	69,106	69,106
<b>Total Comprehensive Expenditure and Income</b>	<b>9,771</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,771</b>	<b>69,106</b>	<b>78,877</b>
Adjustments between accounting basis and funding basis under regulations	(40,207)	0	0	3,462	(36,745)	36,745	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(30,436)</b>	<b>0</b>	<b>0</b>	<b>3,462</b>	<b>(26,974)</b>	<b>105,851</b>	<b>78,877</b>
Transfers (to) / from Earmarked Reserves (note 37)	9,941	(9,941)	0	0	0	0	0
(Increase) / Decrease in Year	(20,495)	(9,941)	0	3,462	(26,974)	105,851	78,877
<b>Balance at 31st March 2013</b>	<b>(56,602)</b>	<b>(101,252)</b>	<b>0</b>	<b>(6,807)</b>	<b>(164,661)</b>	<b>(549,083)</b>	<b>(713,744)</b>

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

## BALANCE SHEET AS AT 31ST MARCH 2014

31st March 2013 £000		31st March 2014 £000
1,457,181	Property, Plant and Equipment (note 20)	1,469,280
27,027	Investment Property (note 27)	37,160
9,696	Intangible Assets (note 26)	9,551
3,518	Long Term Investments (note 31)	3,518
8,815	Long Term Debtors (note 32)	15,898
<b>1,506,237</b>	<b>Long Term Assets</b>	<b>1,535,407</b>
135,947	Short Term Investments (note 44d)	93,833
921	Inventories (note 33)	1,630
38,048	Short Term Debtors (note 34)	42,424
89,818	Cash and Cash Equivalents (note 30)	144,836
0	Landfill Allowances Trading Scheme	0
64	Carbon Allowances Trading Scheme (note 25)	0
462	Assets held for sale (note 29)	2,582
<b>265,260</b>	<b>Current Assets</b>	<b>285,305</b>
(28,933)	Short Term Borrowing (note 44a)	(58,439)
(76,368)	Short Term Creditors (note 35)	(69,199)
(230)	PFI Liability repayable within 12 months (note 14)	11
(6)	Finance Lease repayable within 12 months (note 15)	(7)
(13,077)	Capital Grant Receipts in Advance (note 10)	(6,925)
<b>(118,614)</b>	<b>Current Liabilities</b>	<b>(134,559)</b>
(86)	Long Term Creditors	(3)
(4,692)	PFI Liability repayable in excess of 12 months (note 14)	(4,703)
(1,099)	Finance Lease repayable in excess of 12 months (note 15)	(1,092)
(20,927)	Provisions (note 36)	(17,192)
(559,095)	Pensions Liability (note 38e)	(317,521)
(344,581)	Long Term Borrowing (note 44a and 44d)	(304,757)
(8,659)	Capital Grant Receipts in Advance (note 10)	(5,713)
<b>(939,139)</b>	<b>Long Term Liabilities</b>	<b>(650,981)</b>
<b>713,744</b>	<b>Net Assets</b>	<b>1,035,172</b>

**BALANCE SHEET AS AT 31ST MARCH 2014 (continued)**

31st March 2013 £000		31st March 2014 £000
<b>Usable Reserves</b>		
56,602	General Working Balance (note 37a)	78,491
101,252	Earmarked Reserves (note 37b)	113,147
0	Capital Receipts Reserve (note 37c)	0
6,807	Capital Grant Unapplied Reserve (note 37d)	6,645
<b>164,661</b>	<b>Total Usable Reserves</b>	<b>198,283</b>
<b>Unusable Reserves</b>		
149,014	Revaluation Reserve (note 38a)	198,531
763	Collection Fund Adjustment Account (note 38b)	2,087
0	Financial Instruments Adjustment Account (note 38c)	0
(10,088)	Accumulated Absences Account (note 38d)	(9,598)
(559,095)	Pension Reserve (note 38e)	(317,521)
968,489	Capital Adjustment Account (note 38f)	963,390
<b>549,083</b>	<b>Total Unusable Reserves</b>	<b>836,889</b>
<b>713,744</b>	<b>Total Reserves</b>	<b>1,035,172</b>

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

I confirm that these Accounts were approved by the Audit Committee on 25th September 2014 following completion of the External Audit.

..... Date .....

Chair of the Audit Committee

(to be signed at the 25th September 2014 Audit Committee Meeting)



**CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2014**

31st March 2013 (As Restated) £000		31st March 2014  £000
<b>(9,771)</b>	<b>Net Deficit on the Provision of Services - See Comprehensive Income and Expenditure Statement</b>	<b>(3,239)</b>
	<b>Adjust net deficit on the provision of services for non cash movements</b>	
54,038	Depreciation / Amortisation (note 37a)	54,323
	Impairment and revaluations charged to the provision of services (note 37a)	31,316
17,154		
4,363	Movement in Creditors (notes 10 and 35)	(16,351)
(5,559)	Movement in Debtors (note 34)	(4,376)
266	Movement in Inventories (note 33)	(709)
2,803	Movement in Provisions (note 36)	(3,735)
21,117	Pensions Liability (note 11)	24,615
29,863	Carrying Amount of Non-current Assets sold (note 37a)	19,531
430	Other non-cash items charged to the provision of services (note 25)	64
<b>124,475</b>		<b>104,678</b>
	<b>Adjust for items included in the net deficit on the provision of services that are investing and financing activities</b>	
(49,316)	Grants received for investment purposes (note 10)	(58,566)
(6,296)	Proceeds from the sale of property and other assets (note 24a)	(8,548)
<b>(55,612)</b>		<b>(67,114)</b>
<b>59,092</b>	<b>Net cash flows from Operating Activities</b>	<b>34,325</b>

## CASH FLOW STATEMENT (continued)

31st March 2013 £000		31st March 2014 £000
<b>59,092</b>	<b>Net cash flows from Operating Activities</b>	<b>34,325</b>
	<b>Investing Activities</b>	
(68,262)	Purchase of Property, Plant and Equipment and Intangible Assets (note 24a)	(70,897)
0	Purchase of Short Term and Long Term investments	0
6,296	Proceeds from the Sale of Property (and other Assets) (note 24a)	8,548
2,265	Proceeds from Short Term and Long Term Investments (note 44d)	42,114
49,381	Other receipts for investing activities (notes 10 and 32)	51,483
<b>(10,320)</b>	<b>Net cash flows from Investing Activities</b>	<b>31,248</b>
	<b>Financing Activities</b>	
0	Cash receipts of Short and Long Term Borrowing	0
0	Other receipts from Financing Activities	0
(236)	Repayment of the outstanding liability of Finance Lease and similar arrangements (notes 14 and 15)	(236)
(23,723)	Repayment of Short and Long Term Borrowing	(10,212)
(370)	Other payments for Financing Activities	(107)
<b>(24,329)</b>	<b>Net cash flows for Financing Activities</b>	<b>(10,555)</b>
<b>24,443</b>	<b>Net Increase in Cash and Cash Equivalents</b>	<b>55,018</b>
65,375	Cash and Cash Equivalents at the beginning of the reporting period	89,818
89,818	Cash and Cash Equivalents at the end of the reporting period	144,836
<b>24,443</b>		<b>55,018</b>

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Prior Period Adjustments**

Revisions have been made to IAS 19 for accounting periods beginning on or after 1st January 2013. The updated standard has necessitated a restatement of the prior year's figures in line with general accounting principles. The key differences are:-

- the replacement of the "expected return on assets" with "interest on plan assets", being the interest on assets at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year;
- "administration expenses" are now recognised as a separate item within the pension cost;
- the term "actuarial gains and losses on assets" has been replaced by "remeasurement (assets)";
- the term "actuarial gains and losses on liabilities" has been replaced by "remeasurement (liabilities)".

The 2012/13 figures have been restated in the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement as well as the following notes :-

- note 5 Segment Reporting;
- note 6 Trading Activities;
- note 11 Pension Arrangements;
- note 37a Usable Reserves – General Working Balance; and
- note 38e Unusable Reserves – Pension Reserve.

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

The following extracts from the 2012/13 financial statements summarise the effect on the 2012/13 values as previously presented arising from the changes to IAS 19. The adjustments highlight certain lines that have changed with the presented 2012/13 accounts, together with relevant totals; the extracts below do not, therefore, necessarily total in themselves.

(a) Extracts from the Comprehensive Income and Expenditure Statement 2012/13

	2012/13 Net Expenditure £000	Adjustments £000	Restated Position £000
Central services to the Public	1,538	5	1,543
Cultural and Related Services	12,420	20	12,440
Environmental and Regulatory Services	28,425	13	28,438
Planning Services	1,793	9	1,802
Education and Childrens Services	114,936	460	115,396
Highways and transport Services	61,925	43	61,968
Adult Social Care	141,349	178	141,527
Corporate and Democratic Core	5,898	17	5,915
Non distributed costs	1,436	654	2,090
<b>Cost of Services</b>	<b>370,535</b>	<b>1,399</b>	<b>371,934</b>
Surplus on Trading Activities	(102)	20	(82)
Net Interest on the Net Defined Benefit Liability	18,805	3,450	22,255
<b>Deficit on Provision of Services</b>	<b>4,902</b>	<b>4,869</b>	<b>9,771</b>
Remeasurements of the net defined benefit liability	70,385	(4,869)	65,516
<b>Other Comprehensive Income and Expenditure</b>	<b>73,975</b>	<b>(4,869)</b>	<b>69,106</b>

(b) Extracts from the Movement in Reserves Statement 2012/13

	2012/13 Presented £000	Adjustments £000	Restated Position £000
Deficit on Provision on Services	4,902	4,869	9,771
Other Comprehensive Income and Expenditure	73,975	(4,869)	69,106

(c) Extracts from the Cash Flow Statement 2012/13

	2012/13 Presented £000	Adjustments £000	Restated Position £000
Deficit on Provision on Services	(4,902)	(4,869)	(9,771)
Pensions Liability	16,248	4,869	21,117

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

For 2014/15, the following Accounting Standards had been published but not adopted by the IFRS Code relating to:

- IFRS 10 Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);

- IFRS 12 Disclosure of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011);
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (as amended in December 2011); and
- IAS 1 Presentation of Financial Statements (as amended May 2011)

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

The implementation of IFRS 13 Fair Value Measurement has been deferred from 2014/15 until 2015/16.

### **3. Critical Judgements in applying Accounting Policies**

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

- in the current economic environment there continues to be a degree of uncertainty about future levels of funding for local government. The County Council continues to review the provision of services by the Authority, in response to known and forecast future funding reductions. At the Balance Sheet date, there remains sufficient uncertainty over future events to, therefore, suggest that the assets of the County Council have been materially impaired as a result of the need to close facilities or reduce funding on maintaining assets;
- the County Council, via its external valuer, has conducted an impairment review on land and property assets not being revalued in 2013/14. As a result of this impairment review, it has been concluded no material impairment has occurred;
- three schools transferred to Academy Status in 2013/14. It is the County Council's policy to exclude academy schools from its Balance Sheet as it does not retain sufficient control over the schools service provision to warrant the recognition of the school as an asset. Typically the land and buildings of schools that transfer to academy status are transferred to the Academy Trust under a 125 year lease at a peppercorn rent. Further schools may transfer to Academy Status in 2014/15. At 31st March 2014, however, the land and building assets relating to these schools have not been removed from the County Council's Balance Sheet;
- the County Council does not recognise the Property of Voluntary-aided and Voluntary-controlled Schools (except where title of the land and buildings is held by the County Council) located on the Balance Sheet. It has been determined that this property is held by the Trustees of the relevant schools;
- the County Council has made estimates of the net pay liability to pay pensions which depend on a number of complex judgments and projections supported by the actuary, which include; the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected future returns on Pension Fund Assets;
- the County Council carries its investments in its Group Companies (Yorwaste Limited, NYnet Limited and Veritau Limited) at historic cost and does not re-value these investments on an annual basis because they are neither marketable or available-for-sale equity; nor is it possible to obtain a reliable market estimate of the net worth of the investments;

- to reflect the current economic and financial climate, the County Council has determined its Bad Debt Provision based on a range of factors including the aged-profile of debtors and recent changes to payment profile of debtors;
- judgement is required to determine whether the County Council can be reasonably assured that the conditions of grant and contribution income received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this has happened. Equally where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the conditions of the grant have been met; and
- the IFRS Code requires the County Council to consider the classification of leases between the categories of finance and operating on an annual basis. The distinction between the two categories is not clearly defined by the IFRS Code and an element of judgement is required to make the assessment in line with best practice.

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

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

##### **Pension Liability**

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

A sensitivity analysis around certain assumptions has identified the following changes to the pension deficit of £306m would occur if alternative assumptions were to be applied:-

- a +0.1%pa change in the discount rate to be applied would reduce the pension deficit by £22.9m;
- a +0.1%pa change in salary inflation would increase the deficit by £23.4m;
- a +0.1%pa pay growth would increase the deficit by £4.6m;
- an additional 1 year increase in life expectancy would increase the deficit by £21m.

##### **Property, Plant and Equipment**

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

## 5. Segment Reporting

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

### Directorate Income and Expenditure 2013/14

	Children and Young People's Service		Business and Environmental	Health and Adult Services	Other Central Services	Total
	Schools	Local Authority Block	Services	Adult Services	Services	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges and Contributions	(9,058)	(20,553)	(13,390)	(54,897)	(12,279)	(110,177)
Government Grants	<u>(382,715)</u>	<u>(12,224)</u>	<u>(5,908)</u>	<u>(19,287)</u>	<u>(18,951)</u>	<u>(439,085)</u>
Total Income	<u>(391,773)</u>	<u>(32,777)</u>	<u>(19,298)</u>	<u>(74,184)</u>	<u>(31,230)</u>	<u>(549,262)</u>
Employee Expenses	279,124	55,081	14,828	47,705	46,262	443,000
Other	<u>112,649</u>	<u>58,109</u>	<u>77,600</u>	<u>163,342</u>	<u>47,119</u>	<u>458,819</u>
Total Expenditure	<u>391,773</u>	<u>113,190</u>	<u>92,428</u>	<u>211,047</u>	<u>93,381</u>	<u>901,819</u>
Net Expenditure	<u>0</u>	<u>80,413</u>	<u>73,130</u>	<u>136,863</u>	<u>62,151</u>	<u>352,557</u>

### Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement 2013/14

	£000
Cost of Services in Service Analysis	352,557
Add amounts required to comply with Statutory Accounting Requirements	119,083
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(62,796)
Amounts reported below the Net Cost of Service	<u>(1,519)</u>
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u>407,325</u></b>

## Reconciliation of Segment Report to Total Income and Expenditure 2013/14

	Service Analysis £000	Statutory Accounting Adjustments £000	Not included in I&E £000	Amounts reported below Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Contributions	(106,482)	0	5,173	524	(100,785)	(524)	(101,309)
Interest and Investment Income	(3,356)	0	0	3,356	0	(3,356)	(3,356)
Income from Council Tax	0	0	0	0	0	(228,516)	(228,516)
Income from Local NDR	0	0	0	0	0	(58,334)	(58,334)
Government Grants	(439,085)	(4,702)	0	8,503	(435,284)	(155,989)	(591,273)
Investment Properties	(339)	0	0	339	0	(6,549)	(6,549)
<b>Total Income</b>	<b>(549,262)</b>	<b>(4,702)</b>	<b>5,173</b>	<b>12,722</b>	<b>(536,069)</b>	<b>(453,268)</b>	<b>(989,337)</b>
Employee Expenses	443,000	38,759	(37,272)	0	444,487	0	444,487
Other service expenses	426,521	0	(15,338)	2,698	413,881	13,817	427,698
Depreciation, Amortisation and Impairment	0	85,026	0	0	85,026	7,005	92,031
MRP	15,359	0	(15,359)	0	0	0	0
Interest Payments	16,355	0	0	(16,355)	0	16,355	16,355
Precepts and Levies	584	0	0	(584)	0	584	584
Loss on Disposal of Fixed Assets	0	0	0	0	0	11,421	11,421
<b>Total Operating Expenses</b>	<b>901,819</b>	<b>123,785</b>	<b>(67,969)</b>	<b>(14,241)</b>	<b>943,394</b>	<b>49,182</b>	<b>992,576</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>352,557</b>	<b>119,083</b>	<b>(62,796)</b>	<b>(1,519)</b>	<b>407,325</b>	<b>(404,086)</b>	<b>3,239</b>

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

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

The above statements reconcile the County Council's Management Accounts Outturn in 2013/14 (£352,557k) to the lines for Net Cost of Services (£407,325k) and the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (£3,239k).



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

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

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

"Corporate Amounts" also includes adjustments to reflect the value of Council Tax and Business Rates received from District Council's and General Government Grants received from central government. Another adjustment includes the notional loss made on the disposal of Fixed Assets including the notional loss caused by the transfer of property to the Board of new Academy Schools.

#### Directorate Income and Expenditure 2012/13

	Children and Young People's Service		Business and Environmental	Health and Adult Services	Other Central Services	Total
	Schools £000	Local Authority Block £000	Services £000	£000	£000	£000
Fees, Charges and Contributions	(11,970)	(19,461)	(12,094)	(53,283)	(14,900)	(111,708)
Government Grants	<u>(375,237)</u>	<u>(30,047)</u>	<u>(3,530)</u>	<u>(9,389)</u>	<u>(11,037)</u>	<u>(429,240)</u>
Total Income	(387,207)	(49,508)	(15,624)	(62,672)	(25,937)	(540,948)
Employee Expenses	284,515	55,964	15,079	47,247	47,014	449,819
Other	<u>102,692</u>	<u>59,046</u>	<u>77,230</u>	<u>143,437</u>	<u>51,651</u>	<u>434,056</u>
Total Expenditure	<u>387,207</u>	<u>115,010</u>	<u>92,309</u>	<u>190,684</u>	<u>98,665</u>	<u>883,875</u>
Net Expenditure	<u>0</u>	<u>65,502</u>	<u>76,685</u>	<u>128,012</u>	<u>72,728</u>	<u>342,927</u>

## Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement 2012/13 (As Restated)

	£000
Cost of Services in Service Analysis	342,927
Add amounts required to comply with Statutory Accounting Requirements	106,582
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(62,852)
Amounts reported below the Net Cost of Service	<u>(14,723)</u>
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u>371,934</u></b>

## Reconciliation of Segment Report to Total Income and Expenditure 2012/13 (As Restated)

	Service Analysis £000	Statutory Accounting Adjustments £000	Not included in I&E £000	Amounts reported below Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, Charges and Contributions	(107,295)	(144)	6,733	379	(100,327)	(379)	(100,706)
Interest and Investment Income	(4,065)	0	0	4,065	0	(4,065)	(4,065)
Income from Council Tax	0	0	0	0	0	(247,149)	(247,149)
Government Grants	(429,240)	(2,211)	0	9,084	(422,367)	(175,188)	(597,555)
Investment Properties	(348)	0	0	348	0	(408)	(408)
<b>Total Income</b>	<b><u>(540,948)</u></b>	<b><u>(2,355)</u></b>	<b><u>6,733</u></b>	<b><u>13,876</u></b>	<b><u>(522,694)</u></b>	<b><u>(427,189)</u></b>	<b><u>(949,883)</u></b>
Employee Expenses	449,819	34,372	(35,167)	0	449,024	0	449,024
Other service expenses	400,268	144	(18,628)	(10,601)	371,183	22,915	394,098
Depreciation, Amortisation and Impairment	0	74,421	0	0	74,421	486	74,907
MRP	15,790	0	(15,790)	0	0	0	0
Interest Payments	17,470	0	0	(17,470)	0	17,470	17,470
Precepts and Levies	528	0	0	(528)	0	528	528
Loss on Disposal of Fixed Assets	0	0	0	0	0	23,627	23,627
<b>Total Operating Expenses</b>	<b><u>883,875</u></b>	<b><u>108,937</u></b>	<b><u>(69,585)</u></b>	<b><u>(28,599)</u></b>	<b><u>894,628</u></b>	<b><u>65,026</u></b>	<b><u>959,654</u></b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b><u>342,927</u></b>	<b><u>106,582</u></b>	<b><u>(62,852)</u></b>	<b><u>(14,723)</u></b>	<b><u>371,934</u></b>	<b><u>(362,163)</u></b>	<b><u>9,771</u></b>

## 6. Trading Activities

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

Name and Nature	Trading Objective	2013/14	2012/13	Surplus/ (Deficit) £000	Turnover £000	Expenditure As Restated £000	Surplus/ (Deficit) £000
		Turnover £000	Expenditure £000				
<b>Catering</b>							
- Provision of School and Welfare Catering Services	Breakeven	15,487	15,476	11	14,570	14,150	420
<b>Building Cleaning Services</b>							
- Provision of Building Cleaning Services to schools and other NYCC establishments	Breakeven	8,308	8,615	(307)	8,500	8,350	150
<b>Schools ICT Services</b>							
- ICT Services to schools	Breakeven	4,298	4,164	134	4,105	4,025	80
<b>Education Supply Teachers Insurance Scheme</b>							
- In house insurance scheme for schools	Breakeven	3,721	3,185	536	3,736	4,390	(654)
<b>Education Maintenance and Servicing Scheme (MASS)</b>							
- Provision of a regular servicing, breakdown and day to day maintenance	Breakeven	3,951	4,230	(279)	3,484	3,650	(166)
<b>Consolidation results of all other Trading Units</b>		<u>8,718</u>	<u>8,839</u>	<u>(121)</u>	<u>8,639</u>	<u>8,046</u>	<u>593</u>
<b>Total Results for Trading Units</b>		<u>44,483</u>	<u>44,509</u>	<u>(26)</u>	<u>43,034</u>	<u>42,611</u>	<u>423</u>

Although the annual trading objective for many of the trading operations is to achieve a breakeven position, a surplus or deficit is shown in the table above. This gives rise to accumulated surpluses or deficits being carried forward to future years and being managed within a medium term breakeven strategy.

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

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

	31st March 2014 £000	31st March 2013 As Restated £000
Net surplus included within Cost of Services	121	341
Net Surplus / (Deficit) credited to Financing and Investment Income and Expenditure	(147)	82
Net surplus on trading operations	<u>(26)</u>	<u>423</u>

## 7. Precepts of Local Precepting Authorities

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

	2013/14 £000	2012/13 £000
Environment Agency for Flood Defence	331	275
North Eastern Inshore Fisheries and Conservation Authority	<u>253</u>	<u>253</u>
	<u>584</u>	<u>528</u>

In 2013/14 a grant of £55k (£55k in 2012/13) was received from the Department for Environment, Food and Rural Affairs to offset the increase in the North Eastern Inshore Sea Fisheries and Conservation Authority levy.

## 8. Council Tax Income

Council Tax Income totalled £228.5m (£247.1m in 2012/13) consisting of:-

	2013/14 £000	2012/13 £000
Precept Income for year	225,193	246,556
Collection Fund surplus from previous years	567	78
Collection Fund Adjustment (note 38b)	<u>2,756</u>	<u>515</u>
	<u>228,516</u>	<u>247,149</u>

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

## 9. Non-Domestic Rates

	2013/14 £000	2012/13 £000
Non-Domestic Rates Distribution from National Pool	0	114,567
Non-Domestic Rating Income for year from Districts	18,775	0
Business Rates Retention Scheme funding from Government	40,991	0
Collection Fund Adjustment (note 38b)	(1,432)	0
	<u>58,334</u>	<u>114,567</u>

## 10. Grant Income

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

### Credited to Taxation and Non-specific Grant Income

	31st March 2014 £000		31st March 2013 £000	
<b>Non Ring-fenced Government Grants</b>				
Government Revenue Support Grant		88,920		2,221
Other Government Funding				
- Local Services Support Grant	831		1,366	
- Council Tax Freeze Grant	2,495		6,164	
- New Homes Bonus Grant	1,259		850	
- Private Finance Initiative	704		704	
- Business Rates Relief Grant	770		0	
- Sparsely Populated Areas Grant	857		0	
- Returned New Homes Bonus Topslice Grant	501		0	
- Returned Capitalisation Topslice Grant	469		0	
- Localisation of Council Tax Benefits Grant	617	8,503	0	9,084
		<u>97,423</u>		<u>11,305</u>
<b>Capital Grants</b>				
Children and Young People's Service				
- Capital Maintenance Grant	8,339		10,142	
- Schools Devolved Capital Grant	4,765		5,544	
- Basic Needs Grant	2,342		2,116	
- Other Capital Grants/Contributions	<u>2,775</u>	18,221	<u>1,151</u>	18,953
Business and Environmental Services				
- Local Transport Plan Grant	32,091		26,884	
- Local Enterprise Partnership Grant	3,900			
- Local Sustainable Transfer Grant	2,030			
- Other Capital Grants/Contributions	<u>1,217</u>	39,238	<u>1,511</u>	28,395
Health and Adult Services				
- Capital Grants/Contributions	885		1,940	
Other Corporate Grants/Contributions	<u>222</u>	1,107	<u>28</u>	1,968
Total		<u>58,566</u>		<u>49,316</u>

## Revenue Grants Credited to Services

	31st March 2014		31st March 2013	
	£000	£000	£000	£000
<b>Children and Young People's Service</b>				
- Dedicated Schools Grant (note 42)	350,067		344,786	
- Education Funding Agency	19,336		21,551	
- Pupil Premium Grant	12,423		8,228	
- Education Services Support Grant	9,888		3,589	
- Learning and Skills Council Funding	3,844		3,772	
- Physical Education & School Sport	1,938		0	
- Adoption Reform	1,318		0	
- Developing Stronger Families	1,201		849	
- Youth Justice Board Grant Income	948		1,125	
- Music Service Grant	624		780	
- Training and Development Agency	17		199	
- Early Intervention Grant	0		20,671	
- Other Grants	<u>1,016</u>	402,620	<u>1,919</u>	407,469
<b>Business and Environmental Services</b>				
- Severe Weather Event Grant	2,041		0	
- Economic Development Grants	1,651		2,030	
- E Crime	875		552	
- Natural England Grants	134		204	
- Other Grants	<u>948</u>	5,649	<u>318</u>	3,104
<b>Health and Adult Services</b>				
- Public Health	19,021		0	
- Learning Disabilities Transfer Grant	0		9,124	
- Other Grants	<u>266</u>	19,287	<u>265</u>	9,389
<b>Other Corporate Grants</b>				
		2,095		194
<b>Total</b>		<u>429,651</u>		<u>420,156</u>

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

## Capital Grants and Contributions Received in Advance

	31st March 2014		31st March 2013	
	£000	£000	£000	£000
<b>To be used within 1 year</b>				
Children and Young People's Service				
- Schools Dedicated Capital Grant	1,583		3,042	
- Aiming High Grant	0		1,265	
- Basic Needs Grant	0		65	
- Other	<u>228</u>	1,811	<u>1,728</u>	6,100
Business and Environmental Services				
- Growing Places Fund	2,714		4,898	
- Local Transport Grant	992		1,993	
- Local Sustainable Transfer Fund Grant	1,248		0	
- Other	<u>16</u>	4,970	<u>0</u>	6,891
Health and Adult Services				
- Information Technology Grants		100		0
Corporate				
- Refurbishment of Travellers sites	0		44	
- Other	<u>44</u>	44	<u>42</u>	86
Total		<u>6,925</u>		<u>13,077</u>
<b>To be used in excess of 1 year</b>				
Children and Young People's Service				
- Schools Dedicated Capital Grant	1,346		2,627	
- Basic Needs Grant	0		2,256	
- Other	<u>1,872</u>	3,218	<u>(116)</u>	4,767
Business and Environmental Services				
- Growing Places Fund		2,176		3,892
Health and Adult Services				
- Information Technology Grants		319		0
Total		<u>5,713</u>		<u>8,659</u>

## 11. Pension Arrangements

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

The County Council participates in three different pension schemes:-

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

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

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

- NHS Pension Scheme, administered by the NHS Business Service Authority. This is an unfunded defined benefit scheme that the Council is required to account for as if it were a defined contribution scheme. This is because the Council's obligation is limited to paying contributions as they fall due, with no obligation to pay future benefits. Contributions paid in 2013/14 were £48k (2012/13 £nil).

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement for 2013/14:-



	Local Government Pension Scheme		Teachers Pension Scheme		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£000	As Restated £000	£000	As Restated £000	£000	As Restated £000
<b>Comprehensive Income and Expenditure Statement</b>						
Net Cost of Service						
Current Service Cost	37,899	31,987		0	37,899	31,987
Past Service Cost	0	0		0	0	0
Past Service Gain	679	1,388		0	679	1,388
Administration Expenses	671	654		0	671	654
Financing and Investment Income and Expenditure						
Net Interest Expense	22,188	21,744	450	511	22,638	22,255
<b>Total post employment Benefits charged to the deficit on the Provision of Services</b>	<u>61,437</u>	<u>55,773</u>	<u>450</u>	<u>511</u>	<u>61,887</u>	<u>56,284</u>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>						
Remeasurement of the net defined benefit liability	265,244	(64,019)	945	(1,497)	266,189	(65,516)
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<u>326,681</u>	<u>(8,246)</u>	<u>1,395</u>	<u>(986)</u>	<u>328,076</u>	<u>(9,232)</u>
<b>Movement in Reserves Statement</b>						
Reversal of Net Charge to the Deficit on Provision of Services	(61,437)	(55,773)	(450)	(511)	(61,887)	(56,284)
<b>Actual amount charged against the General Fund Balance in the Year</b>						
Employers' contributions payable to scheme	36,336	34,241				
Retirement benefits payable to pensioners			936	926		
					<u>37,272</u>	<u>35,167</u>

Therefore, although the overall amounts to be met from Taxation and Non-specific grant income remains unchanged, the costs disclosed for services are £52k lower as a result of:-

- (i) the County Council's contributions of £36,336k to the Local Government Pension Scheme being replaced with a current service cost of £37,899k. This £1,563k adjustment equates to a 4.3% decrease in employers pension costs;
- (ii) in addition, under IAS 19, the unfunded liability arising from enhanced teachers pensions requires that the cost of benefits paid in the year (£936k) is removed from the net cost of services as it relates to periods of service prior to 2013/14;
- (iii) a past service cost of £679k relating to settlement liabilities arising under the IAS 19 valuation which relate to decisions taken on pensions in previous financial years and liabilities transferring to newly created Academies;

### Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2013/14	2012/13 As Restated	2013/14	2012/13 As Restated
	£000	£000	£000	£000
Opening balance at 1st April	(1,298.6)	(1,100.0)	(12.6)	(11.5)
Current Service Cost	(37.9)	(31.9)	0.0	0.0
Interest Cost	(54.0)	(53.3)	(0.5)	(0.5)
Contributions by scheme participants	(10.5)	(10.5)	0.0	0.0
Remeasurement liabilities	266.6	(137.9)	1.0	(1.5)
Benefits Paid	35.8	36.4	0.9	0.9
Settlements / Curtailments	(0.6)	(1.4)	0.0	0.0
Closing Balance at 31st March	<u>(1,099.2)</u>	<u>(1,298.6)</u>	<u>(11.2)</u>	<u>(12.6)</u>

Reconciliation of the fair value of the scheme assets

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2013/14	2012/13 As Restated	2013/14	2012/13 As Restated
	£000	£000	£000	£000
Opening balance at 1st April	752.2	639.1	0.0	0.0
Interest on Plan Assets	31.8	31.5	0.0	0.0
Remeasurement assets	(1.4)	73.9	0.0	0.0
Employer Contributions	36.3	34.2	0.9	0.9
Contributions by scheme participants	10.5	10.5	0.0	0.0
Administration Expenses	(0.7)	(0.6)	0.0	0.0
Benefits Paid	(35.8)	(36.4)	(0.9)	(0.9)
Closing Balance at 31st March	<u>792.9</u>	<u>752.2</u>	<u>0.0</u>	<u>0.0</u>

The actual return on the scheme assets in the year was £88.6m (2012/13 £104.8m).

The liabilities show the underlying commitments that the County Council has in the long-run to pay for retirement benefits. The total net liability of £317.5m has a sustained impact on the net worth of the County Council as recorded in the Balance Sheet, resulting in an overall balance of £1,035.2m.

However, statutory arrangements for funding the deficit mean that the financial position in relation to pensions remains healthy because:-

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

**Basis for estimating Assets and Liabilities**

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

	31st March 2014 %	31st March 2013 %
Rate of CPI inflation	2.4	2.4
Rate of increase in salaries	3.9	4.2
Rate of increase in pensions	2.4	2.4
Rate for discounting schemes liabilities	4.6	4.2
Proportion of employees opting to take a commuted lump sum (not Teachers Scheme)	50.0	50.0
	Years	Years
Post retirement mortality assumptions		
- Male future pensioner aged 65 in 20 years' time	25.3	24.4
- Female future pensioner aged 65 in 20 years' time	27.8	27.2
- Male current Pensioner aged 65	23.0	22.6
- Female current Pensioner aged 65	25.5	25.3

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

Assets in the North Yorkshire Pension Fund are valued at fair value, principally market value for investments. The County Council's share of the assets totals £792.9m at 31st March 2014 (£752.2m at 31st March 2013). The assets consist of the following categories, by proportion of the total assets held by the Fund. There are no assets in place to cover the teachers enhanced pension liability.

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

	Long Term Rate of expected %	31st March 2014 %	31st March 2013 %
Equity investments	7.0	67.0	64.0
Government Bonds	3.4	12.4	13.1
Corporate Bonds / Other Bonds	4.3	7.5	10.1
Property	6.2	4.7	3.7
Other	5.0	7.9	8.7
Cash / Liquidity Assets	0.5	0.5	0.4
		<u>100.0</u>	<u>100.0</u>

### Surplus / (Deficit) in the Scheme

	IFRS				UK GAAP
	2013/14	2012/13	2011/12	2010/11	2009/10
	£m	£m	£m	£m	£m
Present Value of defined benefit obligations	(1,110.4)	(1,311.3)	(1,111.5)	(1,016.0)	(1,034.2)
Fair Value of Scheme Assets	<u>792.9</u>	<u>752.2</u>	<u>639.1</u>	<u>613.8</u>	<u>541.8</u>
Deficit in the Scheme	<u>(317.5)</u>	<u>(559.1)</u>	<u>(472.4)</u>	<u>(402.2)</u>	<u>(492.4)</u>

### Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2013/14 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2014:-

	2013/14		2012/13		2011/12		2010/11		2009/10	
	£m	%	£m	%	£m	%	£m	%	£m	%
	As Restated									
Experience adjustments on scheme assets	(1.4)	0.2	73.9	9.8	(30.6)	4.8	18.0	1.4	170.0	31.4
Experience adjustments on scheme liabilities	267.6	24.1	(139.4)	10.6	(36.8)	3.3	29.7	2.9	(235.1)	22.7
	<u>266.2</u>		<u>(65.5)</u>		<u>(67.4)</u>		<u>47.7</u>		<u>(65.1)</u>	

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

The estimated amount of contributions expected to be paid to the Scheme during the 2014/15 financial year is £45m.

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by Capita Hartshead. It provides teachers with defined benefits upon their retirement, and the County Council contributes towards the costs by making contributions based upon a percentage of members' pensionable salaries. The policy of offering enhancements to the

retirement benefits of teachers ceased in 1996/97, however, the cost of enhancements awarded prior to that date will continue to be met until those pensions cease to be paid.

In 2013/14 the County Council paid £22.7m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents an average 14.1% of teachers' pensionable pay. The figures for 2012/13 were £23.1m and 14.1%.

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

The County Council is unable to identify the deficit of the Teachers' Pension Scheme as Central Government suspended all actuarial valuations whilst the scheme was re-designed as part of public sector pensions reform. The primary purpose of these valuations is to set the contribution rate.

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

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

## 12. Audit Fees

In 2013/14 the County Council incurred the following fees relating to external audit and inspection:-

	2013/14 £000	2012/13 £000
Fees payable to the External Auditor with regard to:-		
- external audit service carried out by appointed auditor	126	126
- certification of grant claims and returns	10	6
- other services	2	2
	<u>138</u>	<u>134</u>

## 13. Members Allowances

The total amount of members allowances, (including travel); paid during the year was £977k, (£969k in 2012/13).

## 14. Private Finance Initiative (Service Concessions)

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

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

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

### Value of PFI Assets

	2013/14 £000	2012/13 £000
Opening Balance	3,644	3,815
Depreciation	(170)	(171)
Additions	0	0
Revaluations	0	0
Restatement Adjustments	0	0
Closing Balance	<u>3,474</u>	<u>3,644</u>

Forming part of the above balance are the two voluntary controlled schools which have a carrying net book value of £1,630k, (£1,547k 2013). This represents the fair value of the County Council's interest in the remaining term of the contract; on the expiry of the PFI arrangement in 2027 the buildings for the two voluntary controlled schools revert to the trustees of those schools.

### Value of PFI Liabilities

	2013/14 £000	2012/13 £000
Opening Balance	4,922	5,133
Repayments	(230)	(211)
Additions	0	0
Closing Balance	<u>4,692</u>	<u>4,922</u>

### Payments due to be made under PFI Contracts

	Repayment of leasing liability * £000	Payment of Interest* £000	Lifecycle Costs* £000	Provision of Services £000	Total £000
within 1 year	<u>(11)</u>	<u>424</u>	<u>279</u>	<u>452</u>	<u>1,144</u>
more than 1 year					
within 2 - 5 years	1,030	1,566	111	1,868	4,575
within 6 - 10 years	2,054	1,320	0	2,344	5,718
within 11 - 15 years	1,619	301	111	1,400	3,431
within 16 - 20 years	0	0	0	0	0
Total	<u>4,703</u>	<u>3,187</u>	<u>222</u>	<u>5,612</u>	<u>13,724</u>
Prior Year 2012/13					
within 1 year	230	445	0	469	1,144
more than 1 year	<u>4,692</u>	<u>3,611</u>	<u>501</u>	<u>6,064</u>	<u>14,868</u>
	<u>4,922</u>	<u>4,056</u>	<u>501</u>	<u>6,533</u>	<u>16,012</u>

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

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

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

A Government grant of £704k towards the overall costs of the PFI has also been credited in year to the Comprehensive Income and Expenditure Statement under Non-Ringfenced Government Grants.

## 15. Leases

### Finance Leases

Arising from conversion to IFRS the County Council has a number of arrangements that are considered to be finance leases. These leases are in relation to buildings and vehicles, the rental payments under these arrangements in the year were £117k (£113k in 2012/13).

The County Council had commitments at the 31st March 2014 to make payments under these leases in future financial years in settlement of the outstanding lease obligation together with future financing costs payable whilst the lease obligation remains outstanding.

	Finance Lease Liability	
	31st March 2014 £000	31st March 2013 £000
Within 1 year	7	6
Between 2 - 5 years	34	31
Later than 5 years	<u>1,058</u>	<u>1,068</u>
	<u>1,099</u>	<u>1,105</u>

If the County Council made the minimum lease payments instead of the payments set out in the agreements entered in to by the County Council then it would incur a further £2,875k (£2,974k in 2012/13) of finance costs over the remaining life of the lease that would fall due in the following years:

	Minimum Lease Payments	
	31st March 2014 £000	31st March 2013 £000
Within 1 year	105	105
Between 2 - 5 years	420	420
Later than 5 years	<u>3,449</u>	<u>3,554</u>
	<u>3,974</u>	<u>4,079</u>

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

	31st March 2014 £000	31st March 2013 £000
Property	<u>1,092</u>	<u>942</u>

### Operating Leases

The County Council utilised assets held under operating leases for Land and Buildings and Vehicles, Plant and Equipment. Payments made during the year amount to £1,482k (£1,619k in 2012/13) in respect of Land and Building leases and £2,123k for Vehicles, Plant and Equipment (£1,710k in 2012/13).

The County Council had commitments at the 31st March 2014 to make payments under operating leases in future financial years, comprising the following elements:-

	31st March 2014 £000	31st March 2013 £000
Within 1 year	3,328	3,188
Between 2 - 5 years	5,643	5,530
Later than 5 years	5,081	5,660
	14,052	14,378

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

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

Rental receipts for Land and Buildings received during the year amount to £1,177k (£951k in 2012/13).

**16. Related Party Transactions**

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

**Members of the Council** have direct control over the County Council's financial and operating policies. The following Material Related Party Transactions took place with Members during 2013/14.

- the Upper Wensleydale Community Partnership (UWCP) received funding of £33,700 from the County Council in 2013/14 towards the cost of running a community transport service in the area and £13,000 towards the cost of running Hawes Library. County Councillor John Blackie is chairman of UWCP;

**Officers** have day to day control of the running of the County Council's affairs. No material related party transactions occurred with Officers in 2013/14. However, it should be noted that the Corporate Director – Strategic Resources is Treasurer to the North Yorkshire Pension Fund and the Assistant Director – Corporate Accountancy is Treasurer to the North York Moors National Park Authority.

**Companies and Joint Ventures**

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

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

The transactions between the County Council and these three companies are eliminated in the Group Accounts financial statements on pages 109 to 113.



There is also a group relationship with Yorkshire Purchasing Organisation (YPO) but, due to its nature, no consolidation adjustments have been undertaken within the Group Account statements on the grounds of it being a simple investment.

**Yorwaste Limited:**

The total value of services, including landfill tax provided by Yorwaste Limited in 2013/14 was £12,722k (£10,828k in 2012/13), and as at 31st March 2014 the trading creditor balance was £1,118k (£1,652k in 2012/13).

The County Council provided services to Yorwaste Limited totalling £345k (£271k in 2012/13) of which £217k (£146k in 2012/13) was outstanding as at 31st March 2014.

The County Council provided a loan to Yorwaste Limited of £3,700k of which interest was received by the County Council of £167k in 2013/14. The loan balance has remained the same since April 2008.

Yorwaste Limited paid the County Council a dividend of £101k in 2013/14 (previous dividend £855k in 2011/12).

**NYnet Limited:**

The total value of services provided by NYnet Limited in 2013/14 to the County Council was £5,720k (£6,000k in 2012/13), and at 31st March 2014 the trading creditor balance was £54k (£98k in 2012/13).

The County Council provided services to NYnet Limited totalling £188k (£172k in 2012/13), of which £37k was outstanding as at 31st March 2014.

At 31st March 2014, the County Council provided a loan-facility to NYnet Limited of £7,930k of which interest was received by the County Council of £218k in 2013/14. The loan balance has increased by £3,304k during 2013/14

**Veritau Limited:**

The total value of services provided by Veritau Limited in 2013/14 to the County Council was £602k (£591k in 2012/13), and at 31st March 2014 the trading creditor balance was £56k.

The County Council provided services to Veritau Limited totalling £14k (£19k in 2012/13), and at 31st March 2014, £5k was outstanding.

**Yorkshire Purchasing Organisation (YPO):**

The County Council made estimated payments to YPO in 2013/14 totalling £18.3m (£17.4m in 2012/13).

A dividend of £709k (£665k in 2012/13) in relation to YPO's 2013 trading activities is reflected in the County Council's 2013/14 Accounts.

**Other Related Party Transactions**

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

Revenue and Capital contributions received towards jointly funded schemes; NHS bodies within North Yorkshire totalling £12.6m (£11.7m in 2012/13) and made payments totalling £3.1m (£1.6m 2012/13).

The County Council provided the North Yorkshire Pension Fund administrative and support services totalling £1.1m in 2013/14.

## 17. Pooled Funds

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

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

### Intermediate Care (Whole Systems) Pooled Fund

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

The County Council is the host Authority for Selby and Scarborough / Whitby / Ryedale (SWR). South Tees NHS Trust is the host organisation for Hambleton / Richmondshire.

	NYCC as host £000	South Tees as host £000	Total 2013/14 £000	Total 2012/13 £000
<b>Expenditure</b>				
Gross Expenditure	188	669	857	825
(Over) / Underspend 2012/13	(245)	3	(242)	(133)
Underspend 2013/14	287	32	319	242
<b>Total Pooled Fund</b>	<b>230</b>	<b>704</b>	<b>934</b>	<b>934</b>
<b>Contribution to Pooled Fund</b>				
Local CCG's	103	269	372	562
NYCC	127	435	562	372
<b>Total Contributions</b>	<b>230</b>	<b>704</b>	<b>934</b>	<b>934</b>

### Equipment Pool

The Equipment pool was established in 2004 for Hambleton / Richmondshire, Scarborough / Whitby / Ryedale and Harrogate / Craven, it was expanded to include Selby in 2012. Therefore all the county community equipment purchases are now covered by the Pooled Budget Agreement.

	Scarborough				Total 2013/14 £000	Total 2012/13 £000
	Hambleton	Whitby	Harrogate			
	Richmondshire £000	Ryedale £000	Craven £000	Selby £000		
Gross Expenditure	210	406	347	332	1,295	1,092
Overspend - 2012/13	(9)	0	(29)	0	(38)	(75)
Underspend 2013/14	0	0	21	0	21	38
Total Pooled Fund	<u>201</u>	<u>406</u>	<u>339</u>	<u>332</u>	<u>1,278</u>	<u>1,055</u>
Contribution to Pooled Fund						
Local CCG's	36	313	120	234	703	733
NYCC	165	93	219	98	575	322
Total Contributions	<u>201</u>	<u>406</u>	<u>339</u>	<u>332</u>	<u>1,278</u>	<u>1,055</u>

## 18. Disclosure of Remuneration

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

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

Band (£)	2013/14			2012/13		
	Teachers	Other	Total	Teachers	Other	Total
50,000 - 54,999	159	28	187	145	26	171
55,000 - 59,999	109	36	145	108	34	142
60,000 - 64,999	53	7	60	49	8	57
65,000 - 69,999	29	7	36	24	7	31
70,000 - 74,999	12	5	17	12	6	18
75,000 - 79,999	9	7	16	8	7	15
80,000 - 84,999	3	1	4	3	0	3
85,000 - 89,999	5	0	5	4	2	6
90,000 - 94,999	0	0	0	2	0	2
95,000 - 99,999	3	2	5	4	0	4
100,000 - 104,999	1	3	4	1	3	4
105,000 - 109,999	3	0	3	2	3	5
110,000 - 114,999	0	2	2	1	0	1
115,000 - 119,999	1	0	1	0	2	2
120,000 - 124,999	0	0	0	0	0	0
125,000 - 129,999	0	1	1	0	0	0
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	0	0	0	0	0	0
150,000 - 154,999	0	0	0	0	0	0
155,000 - 159,999	0	0	0	0	0	0
160,000 - 164,999	0	0	0	0	0	0
165,000 - 169,999	0	0	0	0	1	1
170,000 - 174,999	0	1	0	0	0	0
	<u>387</u>	<u>100</u>	<u>486</u>	<u>363</u>	<u>99</u>	<u>462</u>

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

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

The regulations also require that persons whose salary is in excess of £150k per annum must be identified by name and that certain senior employees whose salary is £50k or more per year but less than £150k, must be listed individually by way of job title. Unless otherwise stated, none of the senior officers received fees, bonuses or compensation for loss of employment or any other emoluments in 2013/14 or 2012/13.

	2013/14 £	2012/13 £
<b>Chief Executive</b>		
<i>Richard Flinton</i>		
Salary, Fees and Allowances	170,000	165,000
Expense Allowances	0	0
Pension Contributions	<u>21,080</u>	<u>20,460</u>
Total Remuneration including Pension Contributions	<u>191,080</u>	<u>185,460</u>
<b>Corporate Director of Children and Young People's Services</b>		
<i>The 2012/13 figures relate to the previous director who left on 25th January 2013. The current director came into post on 1st April 2013.</i>		
Salary, Fees and Allowances	130,000	105,399
Expense Allowances	0	0
Pension Contributions	<u>16,120</u>	<u>13,069</u>
Total Remuneration including Pension Contributions	<u>146,120</u>	<u>118,468</u>
<b>Corporate Director of Business and Environmental Services</b>		
Salary, Fees and Allowances	118,739	114,952
Expense Allowances	0	1,003
Pension Contributions	<u>13,661</u>	<u>14,254</u>
Total Remuneration including Pension Contributions	<u>132,400</u>	<u>130,209</u>
<b>Corporate Director of Health and Adult Services</b>		
<i>(i) The previous postholder left on 1st December 2013</i>		
Salary, Fees and Allowances	80,162	118,739
Expense Allowances	0	0
Pension Contributions	<u>9,844</u>	<u>14,724</u>
Total Remuneration including Pension Contributions	<u>90,006</u>	<u>133,463</u>
<i>(ii) The current postholder was appointed on 1st March 2014 on an annualised salary of £118,739</i>		
Salary, Fees and Allowances	11,156	0
Expense Allowances	0	0
Pension Contributions	<u>1,227</u>	<u>0</u>
Total Remuneration including Pension Contributions	<u>12,383</u>	<u>0</u>

	2013/14 £	2012/13 £
<b>Corporate Director (Strategic Resources)</b>		
<i>This newpost was created on 1st October 2012</i>		
Salary, Fees and Allowances	111,267	53,739
Expense Allowances	0	0
Pension Contributions	13,797	6,664
Total Remuneration including Pension Contributions	<u>125,064</u>	<u>60,403</u>
<b>Corporate Director of Finance and Central Services</b>		
<i>This post was deleted from 30th September 2012</i>		
Salary, Fees and Allowances	0	59,370
Expense Allowances	0	0
Pension Contributions	0	7,362
Total Remuneration including Pension Contributions	<u>0</u>	<u>66,732</u>
<b>Corporate Director (Strategic Projects)</b>		
<i>This newpost was created on 1st October 2012</i>		
Salary, Fees and Allowances	100,536	49,770
Expense Allowances	0	0
Pension Contributions	12,466	6,171
Total Remuneration including Pension Contributions	<u>113,002</u>	<u>55,941</u>
<b>Director of Public Health</b>		
<i>This newpost was created on 1st April 2013 following a transfer from the NHS</i>		
Salary, Fees and Allowances	104,942	0
Expense Allowances	302	0
Pension Contributions to NHS Pension	14,692	0
Total Remuneration including Pension Contributions	<u>119,936</u>	<u>0</u>
<b>Assistant Chief Executive (Policy, Performance and Partnerships)</b>		
<i>This post was deleted from 30th September 2012</i>		
Salary, Fees and Allowances	0	50,797
Expense Allowances	0	0
Pension Contributions	0	6,299
Total Remuneration including Pension Contributions	<u>0</u>	<u>57,096</u>
<b>Assistant Chief Executive (Business Support)</b>		
<i>As from 1st October 2012 the post title was changed from Assistant Chief Executive for Human Resources and Organisational Development</i>		
Salary, Fees and Allowances	100,536	100,687
Expense Allowances	348	556
Pension Contributions	11,688	12,485
Total Remuneration including Pension Contributions	<u>112,572</u>	<u>113,728</u>
<b>Assistant Chief Executive (Legal and Democratic Services)</b>		
Salary, Fees and Allowances	100,536	100,666
Expense Allowances	0	0
Pension Contributions	12,466	12,483
Total Remuneration including Pension Contributions	<u>113,002</u>	<u>113,149</u>

	2013/14 £	2012/13 £
<b>Assistant Chief Executive (Customer Services)</b>		
<i>This post was created in partnership with Selby District Council from 28th October 2013. The post represents 40% of the partnership costs at an annualised salary of £38,099 for the County Council</i>		
Salary, Fees and Allowances	15,875	0
Expense Allowances	0	0
Pension Contributions	<u>1,810</u>	<u>0</u>
Total Remuneration including Pension Contributions	<u>17,685</u>	<u>0</u>

## 19. Exit Packages / Termination Benefits

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

The table shows the total number of compulsory and other voluntary redundancies / departures and their total cost, broken down into incremental bands of £20k up to £100k and bands of £50k thereafter. The total costs shown include payments made to the employees plus payments made to the relevant pension funds to compensate for "strain on the fund" costs resulting from the employees exit and resulting pension entitlement.

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

Exit Package Cost Band (£)	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
							£000	£000
0-19,999	59	112	62	99	121	211	738	1,302
20,000-39,999	9	15	14	16	23	31	643	850
40,000-59,999	0	4	4	2	4	6	170	297
60,000-79,999	0	1	2	1	2	2	132	126
80,000-99,999	0	2*	0	0	0	2*	0	186*
100,000-149,999	0	0	0	0	0	0	0	0
150,000-199,999	0	1*	0	0	0	1	0	183*
	<u>68</u>	<u>135</u>	<u>82</u>	<u>118</u>	<u>150</u>	<u>253</u>	<u>1,683</u>	<u>2,944</u>

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

## 20. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2013/14.

	Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation</b>						
As at 1st April 2013	1,023,133	93,153	595,584	21,823	4,492	1,738,185
Additions	9,696	3,872	39,890	31	1,532	55,021
Disposals	(12,430)	0	(5,927)	(1,363)	0	(19,720)
Transferred to Assets Held for Sale	(8,559)	0	0	(2,422)	(465)	(11,446)
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	43,973	0	0	2,417	0	46,390
Recognised in Provision of Services	(82,883)	0	0	(1,613)	0	(84,496)
<b>As at 31st March 2014</b>	<b>972,930</b>	<b>97,025</b>	<b>629,547</b>	<b>18,873</b>	<b>5,559</b>	<b>1,723,934</b>
<b>Depreciation and Impairments</b>						
As at 1st April 2013	(71,667)	(73,136)	(134,187)	(2,014)	0	(281,004)
Charge for the Year	(28,957)	(8,075)	(15,887)	(449)	0	(53,368)
Disposals	889	0	5,927	37	0	6,853
Transferred to Assets Held for Sale	486	0	0	943	0	1,429
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	11,738	0	0	352	0	12,090
Recognised in Provision of Services	58,811	0	0	535	0	59,346
<b>As at 31st March 2014</b>	<b>(28,700)</b>	<b>(81,211)</b>	<b>(144,147)</b>	<b>(596)</b>	<b>0</b>	<b>(254,654)</b>
<b>Balance Sheet Net Amount as at 31st March 2014</b>	<b>944,230</b>	<b>15,814</b>	<b>485,400</b>	<b>18,277</b>	<b>5,559</b>	<b>1,469,280</b>
<b>Balance Sheet Net Amount as at 31st March 2013</b>	<b>951,466</b>	<b>20,017</b>	<b>461,397</b>	<b>19,809</b>	<b>4,492</b>	<b>1,457,181</b>

Comparative Movements in 2012/13.

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



Property reclassified as Assets Held for Sale was transferred from Property, Plant and Equipment at a net value of £10,017k (£1,041k in 2012/13).

During 2013/14 the County Council recognised impairment losses of £47.2m in relation to its land and buildings and surplus assets. Impairment losses were recognised within the Comprehensive Income and Expenditure Statement under the following sections.

	2013/14 £000	2012/13 £000
Impairment losses recognised within the Deficit on Provision of Services	32,155	2,843
Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	15,066	14,311
	<u>47,221</u>	<u>17,154</u>

## 21. Valuation of Non-Current Assets

The County Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at Fair Value revalued at least every five years.

Valuations of Land and Buildings were carried out by an external valuer, Bruton Knowles, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Children and Young People's Service non-primary and secondary school properties were revalued in 2013/14 in accordance with the five year rolling programme. Furthermore, those properties not considered as part of the rolling programme in 2013/14 were subject to a desktop review by Bruton Knowles. The 2013/14 review resulted in a revaluation of all Land and Buildings considered as part of the rolling programme and hence valuation figures prior to 2013/14 are included as nil in the table below:-

	Land and Buildings £000	Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	8,551	15,814	485,400	0	509,765
Valued at current value in :-					
2013/14	999,259	0	0	0	999,259
2012/13	0	0	0	0	0
2011/12	0	0	0	0	0
2010/11	0	0	0	0	0
2009/10	0	0	0	0	0
Total Tangible Fixed Assets	<u>1,007,810</u>	<u>15,814</u>	<u>485,400</u>	<u>0</u>	<u>1,509,024</u>

## 22. Disposal of Property, Plant and Equipment

Hinderwell Community Primary, The Woodlands School and Harrogate Pupil Referral Service gained Academy status during 2013/14. As a consequence, the Land and Building assets of £11.5m pertaining to these schools have been transferred to the relevant Academy Trusts and have now been removed from the County Council's Balance Sheet. In addition, the Local Authority Accounting Code of Practice requires a 'transfer of assets for no consideration' or 'loss on disposal of fixed assets' charge to be included in the Comprehensive Income and Expenditure Account.

This exceptional £11.5m loss is purely notional and does not impact on the County Council's General Working Balance or Council Tax levy.

Other disposals, loan repayments and royalty payments in the year resulted in a net surplus of £0.1m.

### 23. Major Areas of Capital Spending

Major areas of capital spending, over £0.5m during 2013/14 were:-

	Actual £000
Children and Young People's Service	
Major Capital Projects in Schools	1,289
Capital Maintenance	5,811
Basic Need Schemes	2,971
Woodfield School Development	841
Suitability for Purpose Schemes	3,380
Aiming High for Disabled Children Schemes	922
Replacement of Portable Classroom Units	3,820
Devolved Capital Funding to Schools	4,084
Self Help School Schemes	2,869
Teaching Accommodation Schemes	581
Health and Safety Schemes	627
Business and Environmental Services	
Structural Maintenance of Roads	30,879
Growing Places Fund (Generation of Local Economic Activity)	3,900
Structural Maintenance on Bridges	3,494
Local Sustainable Transport Fund - Highways Infrastructure	2,031
Integrated Transport Block Provision	1,309
New and Replacement Road Lighting Columns	853
Bedale, Aiskew, Leeming Bar Bypass	1,327
Health and Adult Services	
Maintaining Fabric/Facilities of Property	640
"Valuing People" Day Service Provision	3,560
Central Services	
Purchase of Vehicles, Plant and Equipment	661
Carbon Reduction Commitment	780
Loans to Limited Companies	3,304
	<hr/> 79,933
All spending in areas below £0.5m	4,560
Total Capital Spending in 2013/14	<hr/> 84,493 <hr/>

### Revenue Expenditure Funded From Capital Under Statute

Expenditure may be incurred by the County Council that is of a capital nature for statutory purposes but is not considered capital expenditure for the purposes of these accounts. A contribution to other public bodies for their capital purposes is such an example. In 2013/14 expenditure of this type was £6,392k (£3,715k in 2012/13).

## Committed Capital Expenditure

The County Council has an approved Capital Plan for 2014/15 of £106.9m. Of this £101.0m is committed expenditure as at 1st April 2014. It should be noted, however, that this figure includes a significant element (£65.1m) relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2014.

The remaining £35.9m consisted of the following:-	Actual £000
Children and Young People's Service	
Suitability Schemes	3,718
Basic Need Schemes	2,704
Primary School Refurbishment (Selby Abbey)	693
Childrens Centre Capital Schemes	642
Other Schemes	1,071
Business and Environmental Services	
Bedale Aiskew Leeming Bar Major Scheme	18,527
Waste Procurement Project	2,002
Local Sustainable Transport Fund - Highways Infrastructure	1,253
New and Replacement Road Lighting Columns	1,117
Other Schemes	917
Health and Adult Services	
Our Future Lives - Older Peoples Resource Centre - Carentan House	997
Our Future Lives Extra Care Scheme - Settle Extra Care Scheme	540
Adult Social Care IT Infrastructure - Provision for Initiatives	423
Other Schemes	54
Central Services	
Oracle Upgrade	823
Super Fast Broadband Scheme	350
Other Schemes	115

## 24. Capital Expenditure, Capital Financing and the Capital Financing Requirement

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

**(a) Capital Expenditure and its financing**

	2013/14 £000	2012/13 £000
<b>Capital Investment</b>		
Property, Plant and Equipment	77,288	66,288
Investment Properties	3	52
Intangible Assets	810	1,922
Revenue Expenditure Funded from Capital under Statute	6,392	3,715
	<u>84,493</u>	<u>71,977</u>
<b>Sources of Finance</b>		
Capital receipts	8,548	6,296
Government grants and other contributions	63,430	54,989
Direct Revenue Contributions	10,165	11,895
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	2,350	(1,203)
	<u>84,493</u>	<u>71,977</u>

**(b) Capital Financing Requirement (CFR)**

	2013/14		2012/13	
	£000	£000	£000	£000
<b>Opening Capital Financing requirement</b>		388,710		405,703
<b>Movement in year</b>				
Increase in underlying need to borrow		2,350		(1,203)
MRP				
- capital spending funded by borrowing	(15,123)		(15,554)	
- PFI contracts	(230)		(211)	
- Finance leases	(6)	(15,359)	(25)	(15,790)
Assets acquired under PFI contracts		0		0
Assets acquired under Finance leases		0		0
<b>Closing Capital Financing Requirement</b>		<u>375,701</u>		<u>388,710</u>
<b>Decrease in Capital Financing Requirement</b>		<u>13,009</u>		<u>16,993</u>
<b>Closing CFR consists of</b>				
Capital spending funded by borrowing		369,910		382,683
PFI contracts		4,692		4,922
Finance leases		1,099		1,105
<b>CFR at 31st March</b>		<u>375,701</u>		<u>388,710</u>

The difference between the £84.5m capital investment in table (a) above and the £55.0m additions in note 19 relates to expenditure of £0.8m on Intangible Fixed Assets, £6.4m on Revenue Expenditure Funded from Capital Under Statute, £15.1m of capital expenditure which resulted in no value being added to the County Council's asset base, £3.9m in relation to loans and grants under the LEP Growing Places Fund and £3.3m on loans to limited companies.

**25. Carbon Reduction Scheme Allowances**

The County Council is required to participate in the Department of Energy & Climate Change's Carbon Reduction Commitment Energy Efficiency Scheme. The scheme requires the County

Council to purchase and surrender allowances retrospectively on the basis of its carbon dioxide emissions.

The County Council is forecast to use 44,740 allowances in 2013/14 and a provision has been made to meet this obligation.

	2013/14 £000	2012/13 £000
Current Intangible Assets (CRC Allowances)	0	64
Provision (for allowances to be used)	<u>(537)</u>	<u>(530)</u>
	<u>(537)</u>	<u>(466)</u>

From 2014/15 the County Council will no longer be required to participate in the scheme. As schools emissions no longer qualify, the County Council does not meet the qualifying threshold of the scheme.

## 26. Intangible Assets

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

- Health and Adult Services partnership schemes where the County Council holds nomination rights to services;
- other Health and Adult Services schemes where the County Council receives an on-going benefit through improved service;
- ICT schemes providing infrastructure services and on-going benefit to the County Council.

Details of Intangible Assets in 2013/14 are as follows:-

	31st March 2014 £000	Charge to Revenue 2013/14 £000	Capitalised 2013/14 £000	31st March 2013 £000
<b>Health and Adult Services</b>				
- Extra Care and Older Peoples Resources	6,122	(331)	0	6,453
- Valuing People - Day Centre Provision	747	(49)	0	796
- Mental Health Supported Expenditure	95	(19)	0	114
- Improving the Home Care Environment	603	(33)	0	636
<b>Children and Young People's Service</b>				
ICT Software	591	(183)	369	405
<b>Central Services</b>				
Microsoft Project	1,137	(287)	159	1,265
Oracle Project	225	(45)	270	0
NY Data Observatory	31	(8)	12	27
	<u>9,551</u>	<u>(955)</u>	<u>810</u>	<u>9,696</u>

In line with the assessed life of the benefits received by the County Council, the intangible assets are being amortised to the Comprehensive Income and Expenditure Statement and held in the Balance Sheet until they have been fully written down. The County Council has an approved Capital Plan for 2014/15 of £106.9m of which £4.6m relates to Intangible Assets.

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

	2013/14 £000	2012/13 £000
Balance at start of year	17,906	15,984
Gross carrying amount	<u>(8,210)</u>	<u>(7,391)</u>
Accumulated amortisation	9,696	8,593
 Additions		
Amortisation	810	1,922
Balance at end of year	<u>(955)</u>	<u>(819)</u>
	<u>(145)</u>	<u>1,103</u>
 Comprising		
Gross carrying amount	18,716	17,906
Accumulated amortisation	<u>(9,165)</u>	<u>(8,210)</u>
	<u>9,551</u>	<u>9,696</u>

## 27. Investment Property

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

	2013/14 £000	2012/13 £000
Balance at start of year	27,027	27,782
Additions (subsequent expenditure)	0	13
Disposals	(5,772)	(768)
Net gain from revaluations	<u>15,905</u>	<u>0</u>
Balance at end of year	<u>37,160</u>	<u>27,027</u>

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

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

	2013/14 £000	2012/13 £000
Rental Income from Investment Property	(339)	(348)
Direct operating expenses	641	363
Profit on disposal	(438)	(60)
Net gain from revaluation	<u>(15,905)</u>	<u>0</u>
Total transactions relating to Investment Property	<u>(16,041)</u>	<u>(45)</u>

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

## 28. Heritage Assets

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

Heritage Assets are now carried on the Balance Sheet. A full review was undertaken across the County Council's Directorates to identify any Heritage Assets held by the County Council in 2011/12 and revisited in 2013/14.

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

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

## 29. Current Assets Held for Sale

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

	2013/14 £000	2012/13 £000
Balance at start of year	462	1,136
Reclassification as held of sale	10,017	1,041
Net (loss) from revaluations	(7,005)	(486)
Disposals	<u>(892)</u>	<u>(1,229)</u>
Balance at end of year	<u>2,582</u>	<u>462</u>

## 30. Cash and Cash Equivalents

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

	2013/14 £000	2012/13 £000
Bank current accounts and cash held by the County Council	29,492	29,387
Short term / call deposits	<u>115,344</u>	<u>60,431</u>
Total Cash and Cash Equivalents	<u>144,836</u>	<u>89,818</u>

### 31. Long Term Investments

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

	Shareholding %	Shareholding £000	Dividends £000
Yorwaste Limited	77.73	3,518	101
NYnet Limited	100.00	0	0
Veritau Limited	50.00	0	0

These companies' Profit and Loss Accounts are not included as part of the Comprehensive Income and Expenditure Statement shown on page 35. However, any dividend income received is included as part of the County Council's income for 2013/14. Similarly, these companies' Assets and Liabilities are not included in the County Council's Balance Sheet on pages 39 to 40. The County Council has determined, however, that it has a group relationship with these three companies and both therefore have been incorporated into its Group Accounts on pages 105 to 122.

Brief details of these Companies are as follows:-

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

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

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

	Yorwaste Limited		NYnet Limited		Veritau Limited	
	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000
Net Assets / (Liabilities)	12,234	12,180	(9,648)	(8,934)	634	(169)
Loans from NYCC	3,799	3,700	7,930	4,626	0	0
Dividend Payable	101	0	0	0	0	0
Profit / (Loss) for the year:-						
Before Tax	366	(350)	(727)	(2,019)	(89)	(10)
After Tax	55	(437)	(716)	(2,019)	(71)	(8)

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

The County Council had no cash investments for greater than one year as at 31st March 2014 which fall into the category of long term investments.



### 32. Long Term Debtors

	31st March 2014 £000	31st March 2013 £000
North Yorkshire Police Force Long Term Debt	235	471
Car Loans	14	18
Economic Development Loans	2	4
Loans to Subsidiary Companies	11,630	8,326
Loans to Growing Places Schemes	3,900	0
Long Term Payments in Advance	1,055	0
	<u>16,836</u>	<u>8,819</u>
Less: Bad Debts Provision	<u>(938)</u>	<u>(4)</u>
	<u>15,898</u>	<u>8,815</u>

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

### 33. Inventories

	Highways Materials £000	Computers and ICT Stock £000	Catering £000	Other £000	Total £000
As at 1st April 2013					
Opening Balance	373	62	454	32	921
Purchases in year	1,558	22	5,157	185	6,922
Stock utilised in year	(810)	(64)	(5,146)	(193)	(6,213)
Written Off	0	0	0	0	0
As at 31st March 2014	<u>1,121</u>	<u>20</u>	<u>465</u>	<u>24</u>	<u>1,630</u>
Prior Year					
As at 1st April 2012					
Opening Balance	683	33	446	25	1,187
Purchases in year	1,302	256	4,873	258	6,689
stock utilised in year	(1,612)	(219)	(4,865)	(251)	(6,947)
Written Off	0	(8)	0	0	(8)
As at 31st March 2013	<u>373</u>	<u>62</u>	<u>454</u>	<u>32</u>	<u>921</u>

### 34. Short Term Debtors

	31st March 2014		31st March 2013	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	9,747		8,323	
Other Local Authorities	7,050		4,597	
NHS Bodies	<u>805</u>	17,602	<u>497</u>	13,417
General Debtors (including Public Corporations and Trading Funds)		27,844		25,821
Payments in Advance		<u>2,582</u>		<u>4,645</u>
		48,028		43,883
Less: Bad Debts Provision		<u>(5,604)</u>		<u>(5,835)</u>
Total Short Term Debtors		<u>42,424</u>		<u>38,048</u>

Included within the £27.8m for General Debtors and £17.6m for Government Entities is £12.0m, (£10.5m General and £1.5m Government), in respect of debtor invoices which were raised and issued before 31st March 2014, but for which no payment has been received from a debtor. The remaining £33.4m relates to debtor accruals for which no invoice had been raised by the County Council as at 31st March 2014.

### 35. Short Term Creditors

	31st March 2014		31st March 2013	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	11,775		11,667	
Other Local Authorities	4,470		5,417	
NHS Bodies	<u>3,636</u>	19,881	<u>847</u>	17,931
General Creditors (including Public Corporations and Trading Funds)		40,459		48,878
Income in Advance		<u>8,859</u>		<u>9,559</u>
Total Short Term Creditors		<u>69,199</u>		<u>76,368</u>

Included within the £40.5m for General Creditors and £19.9m for Government Entities is £12.1m, (£11.1m General and £1.0m Government), relating to invoices processed shortly after 31st March 2014 but which have been charged to the 2013/14 Accounts. The remaining £48.3m relates to costs accrued into 2013/14, where no invoice had been received as at 31st March 2014.

### 36. Provisions

	Balance as at 31st March 2013 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2014 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	10,088	0	(490)	0	9,598	9,598	0	9,598
County Care Scheduling System	81	0	0	0	81	0	81	81
Ordinary Residence	760	0	0	(496)	264	132	132	264
Highways Advance Payments	1,657	1,090	(364)	0	2,383	0	2,383	2,383
Highways	2,000	0	(2,000)	0	0	0	0	0
Waste Management	73	0	(37)	0	36	36	0	36
Insurance - Claims	4,780	343	(1,160)	0	3,963	807	3,156	3,963
Insurance - Liability	650	5	(453)	0	202	202	0	202
Restructure Costs	308	2	(182)	0	128	128	0	128
Carbon Reduction Commitment	530	537	(530)	0	537	537	0	537
	<u>20,927</u>	<u>1,977</u>	<u>(5,216)</u>	<u>(496)</u>	<u>17,192</u>	<u>11,440</u>	<u>5,752</u>	<u>17,192</u>

#### Comparative Movements in 2012/13

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

### **Accumulated Absences**

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

### **County Care Scheduling System**

Adult and Community Services are installing a "Staff Scheduling System" for the Home Care Services. As a result of delays, a provision was established to meet the system implementation and initial support costs.

### **Ordinary Residence**

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

These local authorities have become active in claiming that the liability for these costs lies with the County Council. This has resulted in significant additional costs to the County Council and in some cases, back-dated and retrospective charges have been levied. Where cases and costs can be quantified these have been included within the accounts. A provision has been set-aside where an estimate of the liability can be made. However it is by no means certain when this liability shall crystallise.

Given the significant number of people living in the County, and placed by other authorities, the full potential liability may not be fully reflected within the accounts and it is very difficult to reliably measure the potential total liability – as a result a Material Contingent Liability disclosure has been included in the accounts in 2013/14.

### **Highways Advance Payments**

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

### **Highways**

The £2m provision that was provided for within the 2012/13 Accounts has been fully utilised in 2013/14 on the settlement for land value compensations in relation to a major capital highways scheme for which the provision related.

### **Waste Management**

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

### **Insurance**

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

**Insurance Liability**

Municipal Mutual Insurance (MMI) was the predominant insurer of public sector bodies, including the County Council, until it stopped underwriting operations in 1992. The 1993 implementation of a 'scheme of arrangement' means that these public bodies have an exposure to MMI. Due mainly to subsequent much higher than expected levels of industrial disease type claims, MMI's deteriorating solvency position led to insolvent liquidation. As a result the County Council was liable for an initial 15% levy of claims paid since 1993, which was settled in 2013/14. In addition the County Council is liable to pay a 15% contribution towards all future liability claim payments and thus a residual provision is required which is based on an external review of the historical claims experience.

**Restructure Costs**

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

**Carbon Reduction Commitment (CRC) Allowances**

The County Council is required to participate in the nation-wide Carbon Reduction Commitment Initiative. A provision has been set up for the purchase of Carbon CRC Trading Allowances relating to 2013/14. These allowances cannot be purchased until 2014/15.

### 37. Usable Reserves

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

#### (a) General Working Balance

	2013/14 £000	2012/13 £000 As Restated
<b>General Working Balance at Start of Period</b>	<b>(56,602)</b>	<b>(36,107)</b>
Comprehensive Income and Expenditure charged to the General Balance	<b>3,239</b>	<b>9,771</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>		
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Capital Adjustment Account		
Amortisation of Intangible Assets	(955)	(819)
Charges for depreciation and impairment of non current assets	(53,368)	(53,219)
Revaluation losses on Property, Plant and Equipment	(32,155)	(2,843)
Impairment from Non Enhancing Capital Expenditure	(15,066)	(14,311)
Movements in the value of Investment Properties	15,905	0
Capital Grants and Contributions	63,268	51,527
Revenue Expenditure Funded from Capital under Statute	(6,392)	(3,715)
Carrying Value of non current assets written off on disposal	(19,531)	(29,863)
Pension Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(61,887)	(56,284)
Collection Fund Adjustment		
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,324	515
Accumulating Short Term Compensated Absences Account		
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	490	(343)
<b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Capital Adjustment Account		
Statutory Provision for the financing of capital investment	15,359	15,790
Capital Expenditure charged against the General Working Balance	10,165	11,895
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	8,548	6,296
Pension Reserve		
Employer pension contributions payable in the year	<u>37,272</u>	<u>35,167</u>
<b>Total of adjustments between accounting basis and funding basis under regulations</b>	<b>(37,023)</b>	<b>(40,207)</b>
Transfers from Earmarked Reserves	<u>11,895</u>	<u>9,941</u>
<b>General Working Balance at Period End</b>	<b>(78,491)</b>	<b>(56,602)</b>

**(b) Earmarked Reserves**

	Balance 31st March 2014 £000	Movement in Year 2013/14 £000	Balance 31st March 2013 £000	Movement in Year 2012/13 £000	Balance 31st March 2012 £000
<b>Earmarked for Schools</b>					
Local Management of Schools	30,942	4,651	26,291	944	25,347
Schools Block / DSG	10,981	212	10,769	(1,755)	12,524
<b>Total Earmarked for Schools</b>	<b>41,923</b>	<b>4,863</b>	<b>37,060</b>	<b>(811)</b>	<b>37,871</b>
<b>Retained for Specific Initiatives</b>					
Children and Young People's Service					
- Redundancy Costs in Schools	1,055	(2,029)	3,084	(791)	3,875
- Special Educational Needs	1,014	(346)	1,360	20	1,340
- Education for looked after children	87	0	87	0	87
- Learning Difficulties & Disabilities	131	(264)	395	0	395
- Transport	288	(212)	500	250	250
- Music Service	416	(14)	430	0	430
- Service Transformation	579	(1,014)	1,593	(48)	1,641
- Earmarked Projects	233	(269)	502	502	0
- Special Projects	1,055	1,055	0	0	0
- 2-year Old Funding	257	0	257	257	0
Business and Environmental Services					
- Landfill Allowances	0	0	0	(144)	144
- Winter Maintenance	0	(2,142)	2,142	142	2,000
- Local Development Framework	334	(99)	433	(39)	472
- Initiatives and Transformation	538	0	538	(21)	559
- Swing Bridges	1,000	59	941	142	799
- Proceeds of Crime Act	252	105	147	0	147
- YDHTP / Accountable Body	0	0	0	(8)	8
- Mowthorpe Bridge	384	(16)	400	0	400
- Highways Advance payments	897	(12)	909	227	682
- Flood Risk Management	600	78	522	522	0
- Civil Parking Enforcement	3,961	847	3,114	690	2,424
- Bedale, Aiskew and Leeming Bar Bypass	623	623	0	0	0
- Leeming Depot Capital Scheme	234	234	0	0	0
- Catterick HWTC Capital Scheme	435	435	0	0	0
- Waste - Langbaugh Responsive Maintenance	230	230	0	0	0
- Household Waste Recycling Centre Maintenance	75	75	0	0	0
- Definitive Maps - TUPE costs	40	40	0	0	0
- Street Lighting	260	260	0	0	0
- Symology Project	70	70	0	0	0
Health and Adult Services					
- Supporting People Initiative	2,381	814	1,567	371	1,196

## Earmarked Reserves (Cont.)

	Balance		Balance		Balance
	31st	Movement	31st	Movement	31st
	March	in Year	March	in Year	March
	2014	2013/14	2013	2012/13	2012
	£000	£000	£000	£000	£000
<b>Retained for Specific Initiatives (Cont.)</b>					
Central Services					
- County Council Elections	13	(700)	713	571	142
- SDT / Directorate Refresh	2,835	92	2,743	764	1,979
- T&C Strategy and Infrastructure	3,535	972	2,563	1,908	655
- Contractors	12	(312)	324	(410)	734
- Dilapidations/Farms Comp Claims	0	(386)	386	386	0
- Corporate Property Rental	0	(102)	102	(4)	106
- NY Advice Services Partnership	0	0	0	(7)	7
- Improvements to Financial System	491	491	0	0	0
- 2020 Property Projects	840	840	0	0	0
- Policy, Partnerships & Performance	571	571	0	0	0
- Legal Services	100	100	0	0	0
- Democratic Services	60	60	0	0	0
- Business Support Services	153	153	0	0	0
- HR	144	144	0	0	0
Corporate					
- Insurance (note 39)	6,938	17	6,921	593	6,328
- Redundancy	712	(595)	1,307	(1,000)	2,307
- Pickering Beck	300	0	300	300	0
- Pension Fund Deficit Contribution	0	(765)	765	765	0
- Superfast North Yorkshire	3,100	3,100	0	0	0
<b>Total Retained for Specific Initiatives</b>	<b>37,233</b>	<b>2,188</b>	<b>35,045</b>	<b>5,938</b>	<b>29,107</b>
<b>Reserves of Trading and Service Units</b>					
Children and Young People's Service	2,149	(1,282)	3,431	233	3,198
Trading Reserves					
Catering Service	1,247	(82)	1,329	341	988
Schools R&M Scheme	352	279	73	(166)	239
Building Cleaning	424	(375)	799	104	695
Music Service	0	(142)	142	0	142
Print Unit	144	(19)	163	57	106
Grounds Maintenance	45	6	39	8	31
Employment Services	178	(23)	201	87	114
Energy Team - Schools	327	132	195	195	0
<b>Total Reserves of Trading and Service Units</b>	<b>4,866</b>	<b>(1,506)</b>	<b>6,372</b>	<b>859</b>	<b>5,513</b>



## Earmarked Reserves (Cont.)

	Balance 31st March 2014 £000	Movement in Year 2013/14 £000	Balance 31st March 2013 £000	Movement in Year 2012/13 £000	Balance 31st March 2012 £000
<b>Revenue Grants and Contributions Reserves</b>					
Children and Young People's Service					
- Schools Capital Projects	0	0	0	(539)	539
- Miscellaneous Grants	3,497	1,739	1,758	919	839
Business and Environmental Services					
- Economic Development Grants	341	(70)	411	(43)	454
- Community Transport Grant	832	0	832	0	832
- Severe Weather Damage Fund	2,041	2,041	0	0	0
- Local Enterprise Partnership Activities	469	(94)	563	563	0
- Other	424	80	344	(245)	589
Health and Adult Services					
- LDDF	0	(232)	232	0	232
- Social Care Reform	1,508	0	1,508	0	1,508
- Health Funding Reserve	13,204	(587)	13,791	4,512	9,279
- Public Health	4,709	4,630	79	79	0
Corporate					
- Policy, Partnerships, Performance	196	176	20	(89)	109
- Promoting Democracy	0	(214)	214	214	0
- LAA Performance Reward Grant	1,904	(1,119)	3,023	(1,416)	4,439
<b>Total Revenue Grants and Contributions Reserves</b>	<b>29,125</b>	<b>6,350</b>	<b>22,775</b>	<b>3,955</b>	<b>18,820</b>
<b>Total Earmarked Reserves</b>	<b>113,147</b>	<b>11,895</b>	<b>101,252</b>	<b>9,941</b>	<b>91,311</b>

## (c) Capital Receipts Reserve

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

	31st March 2014 £000	31st March 2013 £000
Opening Balance	0	0
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	8,548	6,296
Use of the Capital Receipts Reserve to finance new expenditure	<u>(8,548)</u>	<u>(6,296)</u>
Closing Balance	<u>0</u>	<u>0</u>

#### (d) Capital Grants Unapplied Reserve

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

	31st March 2014 £000	31st March 2013 £000
Opening Balance	6,807	10,269
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	63,268	51,527
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Reserve	(63,430)	(54,989)
Closing Balance	<u>6,645</u>	<u>6,807</u>

#### 38. Unusable Reserves

##### (a) Revaluation Reserve

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

	31st March 2014 £000	31st March 2013 £000
Opening Balance	149,014	157,313
Asset Revaluation within Other Comprehensive Income and Expenditure Statement	57,694	(1,213)
Addition of Assets	786	266
Adjustment between current value depreciation and historic cost depreciation	(5,302)	(3,338)
Write out of revaluation on disposal; Property, Plant and Equipment	<u>(3,661)</u>	<u>(4,014)</u>
Closing Balance	<u>198,531</u>	<u>149,014</u>

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

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

Revaluations arising on investment properties are (under IFRS) charged to the Surplus or Deficit on Provision of Services section of the Comprehensive Income and Expenditure Statement as and when they arise. Revaluation values for investment properties are therefore not held within the revaluation reserve.

## (b) Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents an Unusable Reserve in the Balance Sheet of the County Council. The County Council must show the accrued value of Council Tax and Non-Domestic Rates Income relating to the County Council as at 31st March 2014 rather than the actual Council Tax and Non-Domestic Rates paid over by Billing Authorities to the County Council during the Financial Year.

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

- Debtors for the County Council's share of Council Tax and Non-Domestic Rates arrears at 31st March 2014;
- Provision for bad debts of Debtors in relation to Council Tax and Non- Domestic Rates arrears as at 31st March 2014;
- Income in advance from Council Tax and Non-Domestic Rates payers who have paid their bills early as at 31st March 2014; and
- Creditor provision where the billing authorities have under-collected Council Tax and Non-Domestic Rates Income in-year compared to the value of Council Tax precepts and Non-Domestic Rates actually paid over to the County Council in 2013/14.

The Collection Fund Adjustment Account represents an adjustment between the Council Tax and Non-Domestic Rates collected and paid over to the County Council by billing authorities in 2013/14, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2013/14. The Collection Fund Adjustment Account also represents the County Council's actual net share of surplus or deficit in all the billing authorities collection funds combined at the end of 2012/13 and 2013/14 and can be calculated as follows:-

	31st March 2014 £000	31st March 2013 £000
Council Tax		
Debtors	8,830	8,991
Provision for Doubtful Debts	(4,183)	(4,210)
Creditors for Pre-payments and Over-payments	(3,981)	(3,726)
Net Debtors to the Billing Authority	2,853	0
Net Creditors to the Billing Authority	<u>0</u>	<u>(292)</u>
	<u>3,519</u>	<u>763</u>
Non-Domestic Rates (from 2013/14 only)		
Debtors	603	0
Provision for Doubtful Debts	(196)	0
Provision for Appeals	(590)	0
Creditors for Pre-payments and Over-payments	(1,016)	0
Net Creditors to the Billing Authority	<u>(233)</u>	<u>0</u>
	<u>(1,432)</u>	<u>0</u>
Collection Fund surplus	<u>2,087</u>	<u>763</u>
Movement in Year (notes 8 and 9)		
Council Tax	2,756	(515)
Non-Domestic Rates	<u>(1,432)</u>	<u>0</u>
	<u>1,324</u>	<u>(515)</u>

**(c) Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and recognition of losses or gains under statutory provision.

The County Council has no financial instruments of this nature; no adjustments are required on the financial assets and liabilities as the interest rates relating to them, (loans and investments), were fixed.

This means no adjustments were made to the Comprehensive Income and Expenditure Statement which needed to reflect in the FIAA. Rescheduling of long term borrowing also has not resulted in any changes in the FIAA as all resulting premiums and discounts were charged directly to the Comprehensive Income and Expenditure Statement.

The accounting policies have been applied in full and no entries were required to be made to the FIAA for 2013/14. The balance on the FIAA is, therefore, zero in the Balance Sheet.

**(d) Accumulated Absences Account**

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

	31st March 2014 £000	31st March 2013 £000
Balance Brought Forward	(10,088)	(9,745)
Movement in Year	490	(343)
Closing Balance	<u>(9,598)</u>	<u>(10,088)</u>

**(e) Pension Reserve**

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The County Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefit are earned by employees; however, statutory arrangements require benefits earned to be financed as the County Council makes contributions to the pension fund.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the County Council has set aside to meet them.

	31st March 2014 £000	31st March 2013 As Restated £000
Opening Balance	(559,095)	(472,462)
Remeasurements of the Net Defined Benefit Liability (Actuarial gains / (losses) on pension assets/liabilities)	266,189	(65,516)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(61,887)	(56,284)
Employers pension contributions payable in year	<u>37,272</u>	<u>35,167</u>
Closing Balance	<u>(317,521)</u>	<u>(559,095)</u>

## (f) Capital Adjustment Account

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

	31st March 2014 £000	31st March 2013 £000
Opening Balance	968,489	979,580
<b>Adjustments between accounting basis and funding basis under regulations</b>		
Amortisation of Intangible Assets	(955)	(819)
Charges for depreciation and impairment of non current assets	(53,368)	(53,219)
Revaluation losses on Property, Plant and Equipment	(32,155)	(2,843)
Impairment from Non Enhancing Capital Expenditure	(15,066)	(14,311)
Movements in the value of Investment Properties	15,905	0
Capital Grants and Contributions	63,430	54,989
Revenue Expenditure Funded from Capital under Statute	(6,392)	(3,715)
Carrying Value of non current assets written off on disposal	(19,531)	(29,863)
Statutory Provision for the financing of capital investment	15,359	15,790
Capital Expenditure charged against the General Working Balance	10,165	11,895
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	8,548	6,296
Re-payment of long term loans	(2)	(2,643)
<b>Other Reserve Movements</b>		
Adjustment between current value depreciation and historic cost depreciation	3,661	3,338
Write out of revaluation on disposal; Property, Plant and Equipment	5,302	4,014
Closing Balance	<u>963,390</u>	<u>968,489</u>

## 39. Insurance Provisions and Reserves

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

- individual liability and motor claims in excess of £0.1m (£0.1m in 2012/13);
- individual material damage claims in excess of £0.1m (£0.1m in 2012/13);
- liability claims aggregating over £2.5m (£2.2m in 2012/13);
- motor claims aggregating over £0.2m (£0.2m in 2012/13); and
- material damage claims aggregating over £0.5m (£0.5m in 2012/13).

## 40. Contingent Liabilities

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

- waste Public Private Partnership (PPP) (formerly Waste PFI);
- Ordinary Residence;
- Deprivation of Liberty Safeguards;
- Judicial Reviews;

- LMS Staff Contract Arrangements;
- service unit restructures; and
- education.

The nature and expected financial implications of these events have resulted in the inclusion in the Explanatory Foreword on page 10 as Material Contingent Liabilities.

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

#### 41. Events after the Balance Sheet Date

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

The Statement for 2013/14 is to be authorised for issue by 30th June 2014 by the Corporate Director – Strategic Resources. The Statement of Accounts will then be subject to the External Audit process, before being considered and approved by Audit Committee members on 25th September 2014.

#### 42. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the County Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are detailed below:-

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2013/14 before Academy recoupment			383,713
Academy figure recouped for 2013/14			<u>(33,646)</u>
Total DSG after Academy recoupment for 2013/14			<u>350,067</u>
Brought forward from 2012/13	10,769	0	10,769
In-year movement of reserves	<u>0</u>	<u>0</u>	<u>0</u>
Carry-forward to 2014/15 agreed in advance	<u>10,769</u>	<u>0</u>	<u>10,769</u>
Agreed initial budgeted distribution in 2013/14	48,425	301,642	350,067
In year adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Final budgeted distribution for 2013/14	<u>48,425</u>	<u>301,642</u>	<u>350,067</u>
Less Actual central expenditure	(48,820)	0	(48,820)
Less Actual ISB deployed to schools	0	(301,460)	(301,460)
Underspend contributed to reserve	30	182	212
End of Year Adjustment	<u>182</u>	<u>(182)</u>	<u>0</u>
Net Carry-forward to 2014/15	<u>10,981</u>	<u>0</u>	<u>10,981</u>

In 2013/14, £350.1m has been credited against the Education and Childrens Services in the Comprehensive Income and Expenditure Statement.

The net underspend in 2013/14 of £212k against the central expenditure limit has been paid into an earmarked reserve. Following consultation with Schools Forum, the cumulative carried forward DSG, totalling £10,981k overall will be used exclusively in support of the Schools Budget in 2014/15 and subsequent years.

#### 43. Trust Funds

The County Council acted as sole trustee for eight trust funds during 2013/14, details of which are given below. These funds are invested in Charity Official Investment Fund-Fixed Income Shares, Schroders Charity Investment Fund or internally with the County Council. These funds are not assets of North Yorkshire County Council and are therefore not included in the Balance Sheet.

<b>Trust Fund and Purpose</b>	Income 2013/14 £000	Expenditure 2013/14 £000	Assets as at 31st March 2014 £000
<b>Sir John Horsfall</b> To assist by means of a grant, pupils who have attended primary or voluntary schools in the South Craven Area	0	0	14
<b>Haywra Crescent Educational Trust Fund</b> To be used for the promotion for Higher and Further Education in such a way the trustees think fit. Within the boundaries of Harrogate Borough Council post 1st April 1996	9	10	215
<b>Norwood Primary School</b> To be used for education purposes at Felliscliffe and Darley Schools	0	1	59
<b>Wrea Head Ellis Fund</b> To be used for the advancement of education	0	1	831
<b>Burniston Educational Foundation</b> Promoting education of persons under 25 who are or have parents resident in Burniston	0	0	105
<b>JW Driver - The Annie Driver Award</b> For the benefit of scholars / ex scholars of Cowling School attending or about to attend University or similar establishment	1	0	14
<b>Felliscliffe School Charity (Consolidated)</b> For the benefit of Grantley, Hampsthwaite and Felliscliffe Schools	0	0	1
<b>Goathland School Endowment</b> For the benefit of Goathland School	0	0	2
	10	12	1,241

The assets of the trust funds at 31st March 2013 were £1,236k. The County Council has a policy of reviewing these trusts so that only those that are still active are retained.

#### **44. Financial Instruments**

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

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

The CIPFA Code of Practice on Treasury Management requires:-

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

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

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

The County Council provides treasury management services to the external bodies listed on page 102 (the external bodies listed as having temporary loans with the County Council) and the loans from them represent working balances which are invested with the County Council.



**(a) Categories of Financial Instruments**

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

	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000
Investments				
Loans and Receivables	3,518	3,518	93,833	135,947
Loans to Limited Companies	11,630	8,326	0	0
Loans to Growing Places Schemes	3,900	0	0	
Loans to North Yorkshire Police Force	235	471	0	0
Other Debtors	133	18	42,424	38,048
Borrowings				
PWLB Loans	(299,757)	(324,581)	(27,762)	(8,501)
Market LOBO Loans	(5,000)	(20,000)	(15,045)	(46)
Temporary Loans from External Bodies				
- North Yorkshire Pension Fund	0	0	(4,890)	(6,167)
- North Yorkshire Fire and Rescue Authority	0	0	(7,121)	(9,864)
- North York Moors National Park	0	0	(1,347)	(2,042)
- Yorkshire Dales National Park	0	0	(2,187)	(2,243)
- National Parks England	0	0	(87)	(70)
	<u>(304,757)</u>	<u>(344,581)</u>	<u>(58,439)</u>	<u>(28,933)</u>
Other Liabilities				
PFI and Finance Leases	<u>(5,795)</u>	<u>(5,791)</u>	<u>4</u>	<u>(236)</u>
Creditors	<u>(3)</u>	<u>(86)</u>	<u>(69,199)</u>	<u>(76,368)</u>

**(b) Income, Expense, Gains and Losses**

	Financial Liabilities measured at amortised cost		Financial Assets Loans and receivables	
	31st March 2014 £000	31st March 2013 £000	31st March 2014 £000	31st March 2013 £000
Interest expense	15,901	16,600	307	699
Impairment of Assets held for Sale	<u>7,005</u>	<u>486</u>	<u>0</u>	<u>0</u>
	22,906	17,086	307	699
Interest and similar Income	0	0	(2,394)	(3,229)
Dividends Received	<u>0</u>	<u>0</u>	<u>(815)</u>	<u>(665)</u>
	0	0	(3,209)	(3,894)
Net (gain) / loss for the year	<u>22,906</u>	<u>17,086</u>	<u>(2,902)</u>	<u>(3,195)</u>

### (c) Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:-

#### Borrowing Activities

	31st March 2014		31st March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Maturity Loans	304,962	314,143	304,961	331,866
PWLB Annuity Loans	22,557	26,118	28,121	34,041
Market LOBO Loans	<u>20,045</u>	<u>18,153</u>	<u>20,046</u>	<u>19,204</u>
Financial Liabilities	<u>347,564</u>	<u>358,414</u>	<u>353,128</u>	<u>385,111</u>

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

#### Investment Activities

	31st March 2014		31st March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans less than 1 year	93,833	94,135	135,947	136,326
Money Market Loans more than 1 year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Financial Liabilities	<u>93,833</u>	<u>94,135</u>	<u>135,947</u>	<u>136,326</u>

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

The carrying amounts at 31st March 2014 in the above tables do not match the financial instruments balances at 44(a) because of the "temporary loans to other bodies" have been omitted.

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

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

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

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

#### **Overall Procedures for Managing Risk**

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

- adopt the requirements of the Code of Practice;
- approve annually in advance, prudential indicator limits for the following three years;
- the County Council's overall borrowing limits;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year; and
  - approve an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

Annual outturn reports are submitted to the Executive for Treasury Management and Prudential Indicators which set out full details of activities and performance during the preceding financial

year. In addition, quarterly reports on Treasury Management matters are submitted to the Executive as part of the County Council's Quarterly Performance Monitoring report and periodic meetings are held between the Corporate Director - Strategic Resources, the Chairman of the Audit Committee and the Deputy Leader to discuss issues arising from the day to day management of Treasury Management activities. The Audit Committee is responsible for scrutinising the County Council's Treasury Management activities and receives regular reports and updates on Treasury Management matters.

## Credit Risk

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

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

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

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

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

These limits can be summarised as follows:-

Maximum Investment Limit	Criteria
£75m	– UK "Nationalised" Banks / UK Banks with UK Central Government Involvement
£30m - £65m	- Selected UK "Clearing Banks" and organisations covered by the UK Government guarantee of liquidity
£20m - £40m	- High quality Foreign Banks

The County Council's maximum exposure to credit risk in relation to its investments in Banks and Building Societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of

recoverability applies to all of the County Council's deposits, however, there was no evidence at the 31st March 2014 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2014, based on experience of default assessed by the credit rating agencies and experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

Deposits with banks and financial institutions for less than 1 year:-

	Amount at 31st March 2014 £000	Historical experience of default %	experience adjusted for market conditions at 31st March 2014 %
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	81,333	0.0	0.0
Institutions with Fitch Rating Long Term A+ and Short Term F1	12,500	0.0	0.0
	<u>93,833</u>		
Debtors	<u>42,424</u>		

No breaches of the credit rating criteria occurred during 2013/14 and the County Council does not expect any losses from non-performance by any of the banks or financial institutions in relation to deposits.

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

	Fitch Sovereign Rating as at 31st March 2014	Amount at 31st March 2014 £000
UK	AA+	93,833

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2014, which are included within the £42.4m Short Term Debtors, can be analysed by past-due and age status as follows:-

	31st March 2014 £m
Less than 1 month	8.8
1 to 3 months	0.5
3 to 6 months	0.7
6 months to 1 year	1.0
More than 1 year	1.0
	<u>12.0</u>

It is considered that £3.2m of the £12.0m debtors invoice balance is past its due date for payment. The County Council maintains a Bad Debt Provision for debts based on both the age of the debt and the likelihood of a continued dispute or future settlement. No further assessment of the fair value has therefore been made. Amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table for the County council's exposure to default.

## Liquidity Risk

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

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

	31st March 2014 £000	31st March 2013 £000
Less than one year		
Public Works Loan Board	(27,762)	(8,501)
Market LOBO Loans	(15,045)	(46)
Temporary Loans from External Bodies		
- North Yorkshire Pension Fund	(4,890)	(6,167)
- North Yorkshire Fire and Rescue Authority	(7,121)	(9,864)
- North York Moors National Park	(1,347)	(2,042)
- Yorkshire Dales National Park	(2,187)	(2,243)
- National Parks England	(87)	(70)
	<u>(58,439)</u>	<u>(28,933)</u>
Greater than one year		
Public Works Loan Board	(299,757)	(324,581)
Market LOBO Loans	(5,000)	(20,000)
	<u>(304,757)</u>	<u>(344,581)</u>
Analysis of loans by Maturity		
Between one and two years	(8,172)	(39,824)
Between two and five years	(31,506)	(37,226)
Between five and ten years	(76,579)	(79,031)
Between ten and fifteen years	(10,000)	(10,000)
Between fifteen and twenty five years	(24,700)	(24,700)
Between twenty five and forty years	(126,300)	(126,300)
More than forty years	(27,500)	(27,500)
	<u>(304,757)</u>	<u>(344,581)</u>

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

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

### Market Risk - Interest rate risk

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

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

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

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

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

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	2,335
Increase in government grant receivable for financing costs	0
Impact on Comprehensive Income and Expenditure Account	<u>2,335</u>
Decrease in fair value of fixed rate investment assets	<u>379</u>
Decrease in fair value of fixed rate borrowing liabilities	<u>37,910</u>

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

### Market Risk – Price risk

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

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

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

Further information can be found in note 31 Long Term Investments.

### **Market Risk – Foreign exchange risk**

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



## **GROUP ACCOUNTS**

### **INTRODUCTION**

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

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

### **SUMMARY OF FINDINGS**

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

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

After consideration of all relevant criteria, the County Council has determined that for 2013/14, it has a group relationship with four bodies (one fewer than in 2012/13):-

- Yorwaste Limited;
- NYnet Limited;
- Yorkshire Purchasing Organisation; and
- Veritau Limited.

#### **(a) Yorwaste Limited**

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

The trading results for Yorwaste Limited for the year ended 31st March 2014 shows a profit before and after taxation of £366k and £55k respectively and net assets of £12.2m.

Yorwaste Limited paid the County Council a dividend of £101k in 2013/14 (previous dividend £855k in 2011/12).

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

The County Council has provided a loan facility to Yorwaste Limited for £3.7m

#### **(b) NYnet Limited**

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

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

The Company is limited by shares, which are 100% owned by the County Council and is managed by a Board of Directors appointed by the County Council – the Chief Executive, the Corporate Director – Projects (who is the Chief Executive of NYnet Limited) and one Councillor.

NYnet 100 Limited was established in 2011/12 to facilitate and fund on-going developments around the "Connecting North Yorkshire" project., which aims to ensure widespread Broadband availability in the sub-region by 2017. NYnet 100 Limited will receive grant funding and make payments in respect of Connecting North Yorkshire.

The financial results reported are for the entire NYnet sub-group. NYnet 100 Ltd is 100% owned by NYnet Ltd.

A working capital loan facility is being provided by the County Council with the sum taken up at 31st March 2014 being £7.9m. This loan is included in the County Council's Balance Sheet as a Long Term Debtor.

The trading result of the company for the year ended 31st March 2014 shows a loss after taxation of £716k. NYnet Limited has total net liabilities of £9.6m (including the £7.9m loan from the County Council).

The £509k in-year operating loss reflects the transitional costs of moving the network to a new infrastructure which will reduce costs in the future. The results are in line with NYnet Limited's long term business strategy to return to a net asset position.

Under IFRS the County Council also had to make a consolidation adjustment of £2,353k to reverse back the grant income released by NYnet Limited to prepare their management accounts in 2013/14. This adjustment reflects the difference in accounting treatment between the County Council and NYnet Limited to ensure the Group Accounts adjust for deferred grant income held by NYnet Limited on their Balance Sheet, as a Long Term Liability.

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

### **(c) Yorkshire Purchasing Organisation (YPO)**

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

YPO's year end is 31st December and its pre-audited financial results were an invoiced turnover of £121.9m resulting in an operating surplus for 2013 of £400k (£3.8m in 2012). A member's dividend was agreed for the year 2013 totalling £8.2m. The County Council received £709k in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £23m with a general fund working balance in 2012 of £25.3m.

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

#### **(d) Veritau Limited**

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

The company is wholly owned by both councils, with each council holding 50% of the shares. Veritau Limited has responsibility for carrying out all internal audit, information governance and counter fraud services for the two councils. The financial results of Veritau Limited have been included in the 2013/14 Group Statement of Final Accounts.

In 2013/14 Veritau Limited made a loss before and after tax of £89k and £71k respectively, and has net assets worth £634k.

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

Internal Audit Services provided by five district councils in North Yorkshire were transferred to Veritau Limited from 1st April 2012. To facilitate this transfer, in late 2011/12, Veritau Limited formed a subsidiary company called Veritau – North Yorkshire Limited (VNY) to deliver these transferred services. VNY is a subsidiary company limited by shares with Veritau Limited holding 50% of the share capital and each District holding 10%. VNY has share capital of £20,000 – each District Council has provided capital of £2,000 and Veritau Limited has invested £10,000. The subsidiary company will have a board of directors comprising an officer from each District Council and two Directors appointment by Veritau Limited. The County Council therefore owns an indirect share of 25% of Veritau North Yorkshire Ltd.

### **FINANCIAL STATEMENTS AND RESULTS**

3. The Group Accounts for the County Council are based upon the consolidation of the County Council, Yorwaste Limited, NYnet Limited and Veritau Limited. It should be noted that although adjustments have been made to facilitate comparability between the sets of Accounts, there is a fundamental difference between the objectives of the organisations with the County Council being a non-profit making body. The figures included are based on Draft Accounts for all three bodies. These companies do not report under IFRS, rather as small unlisted companies, and their accounts are produced under UK GAAP. Adjustments have therefore been made to the respective accounts to ensure consistency of accounting policy.

The material adjustment made within the subsidiaries to comply with IFRS policies is the release of deferred government grant within NYnet Limited.

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

#### **(a) Group Comprehensive Income and Expenditure Statement**

The consolidation results in the Net Cost of Services for the County Council being increased by £1,936k. This relates to:-

- the incorporation of Yorwaste Limited's operating surplus of £962k;
- the incorporation of NYnet Limited's consolidated trading loss of £509k;
- an IFRS consolidation adjustment for NYnet Limited of £2,353k expenditure;
- Veritau Limited's pre-tax trading loss of £72k less a minority interest adjustment of £36k.

The deficit on the Provision of Services of the County Council increases by £3,049 from £3,239k to become the Group Deficit position of £6,288k as a result of:-

- consolidation impact on Group Comprehensive Income and Expenditure Statement listed above of a £1,936k operating loss;
- net interest paid and received by the three companies of £822k;
- net taxation adjustments of £161k relating to Yorwaste Limited;
- Yorwaste Dividend Payments of £130k

**(b) Group Balance Sheet**

The consolidation of the County Council's Group Balance Sheet increases the Group Assets by £30.1m. The Liabilities of the Group increase by £30.7m as a result of consolidation. The decrease in net assets of £0.6m represents Yorwaste Limited's Shareholder funds of £12.2, NYnet Limited's cumulative Profit and Loss deficit of £8.6m, Veritau Limited's cumulative Profit and Loss surplus of £0.3m and a consolidation adjustment of minus £3.5m.

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

## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

Year to 31st March 2013				Year to 31st March 2014		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
	As Restated					
3,264	(1,721)	1,543	Central Services to the Public	5,306	(3,404)	1,902
709	0	709	Court Services	877	0	877
13,217	(777)	12,440	Cultural and Related Services	12,406	(841)	11,565
62,392	(34,120)	28,272	Environmental and Regulatory Services	63,684	(34,055)	29,629
10,835	(8,719)	2,116	Planning Services	25,472	(20,733)	4,739
557,029	(441,630)	115,399	Education and Childrens Services	585,261	(438,382)	146,879
71,549	(9,580)	61,969	Highways, Roads and Transport Services	66,780	(12,781)	53,999
204,601	(63,074)	141,527	Adult Social Care	212,552	(55,213)	157,339
0	0	0	Public Health	15,037	(19,342)	(4,305)
157	(51)	106	Housing Services	313	(159)	154
5,939	(22)	5,917	Corporate and Democratic Core	4,824	(18)	4,806
2,300	(210)	2,090	Non Distributed Costs	1,806	(129)	1,677
<u>931,992</u>	<u>(559,904)</u>	<u>372,088</u>	<b>Cost of Services</b>	<u>994,318</u>	<u>(585,057)</u>	<u>409,261</u>
			<b>Other Operating Expenditure</b>			
		23,627	Loss on Disposal of Property, Plant and Equipment			11,421
		486	Impairment of Assets Held for Sale			7,005
		528	Precepts of Local Precepting Authorities			584
		2,195	Exceptional Items			0
			<b>Financing and Investment Income and Expenditure</b>			
		17,039	Interest payable and similar charges			16,353
		(2,872)	Interest receivable and similar income			(2,532)
		(45)	Investment Properties; revaluation and impairment			(16,041)
		(82)	(Surplus) / Deficit of trading activities			147
		<u>22,255</u>	Net interest on the defined pension benefit liability (asset)			<u>22,638</u>
		435,219				448,836
		<u>(422,337)</u>	Taxation and Non-Specific Grant Income			<u>(442,839)</u>
		<u>12,882</u>	<b>Deficit on Provision of Services</b>			<u>5,997</u>



## GROUP MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Total Unusable Reserves £000	Total County Council Reserves £000	County Council's share of subsidiaries & associates £000	Minority share of Reserves £000	Total Group Reserves £000
<b>Movement in Reserves during 2013/14</b>						
<b>Balance at 31st March 2013</b>	<b>(164,661)</b>	<b>(549,083)</b>	<b>(713,744)</b>	<b>716</b>	<b>(2,712)</b>	<b>(715,740)</b>
Deficit on Provision of Services (accounting basis)	3,239	0	3,239	2,932	(13)	6,158
Other Comprehensive Expenditure and Income	0	(324,667)	(324,667)	(308)	0	(324,975)
<b>Total Comprehensive Expenditure and Income</b>	<b>3,239</b>	<b>(324,667)</b>	<b>(321,428)</b>	<b>2,624</b>	<b>(13)</b>	<b>(318,817)</b>
Adjustments between accounting Group Accounts and Authority Accounts	0	0	0	0	0	0
<b>Net (Increase) / Decrease before Transfers</b>	<b>3,239</b>	<b>(324,667)</b>	<b>(321,428)</b>	<b>2,624</b>	<b>(13)</b>	<b>(318,817)</b>
Adjustments between accounting basis and funding basis under regulations	(36,861)	36,861	0	0	0	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(33,622)</b>	<b>(287,806)</b>	<b>(321,428)</b>	<b>2,624</b>	<b>(13)</b>	<b>(318,817)</b>
<b>Balance at 31st March 2014</b>	<b>(198,283)</b>	<b>(836,889)</b>	<b>(1,035,172)</b>	<b>3,340</b>	<b>(2,725)</b>	<b>(1,034,557)</b>
<b>Balance at 31st March 2012</b>	<b>(137,687)</b>	<b>(654,934)</b>	<b>(792,621)</b>	<b>(2,432)</b>	<b>(2,809)</b>	<b>(797,862)</b>
Deficit on Provision of Services (accounting basis)	4,902	0	4,902	3,100	97	8,099
Other Comprehensive Expenditure and Income	0	73,975	73,975	48	0	74,023
<b>Total Comprehensive Expenditure and Income</b>	<b>4,902</b>	<b>73,975</b>	<b>78,877</b>	<b>3,148</b>	<b>97</b>	<b>82,122</b>
Adjustments between accounting Group Accounts and Authority Accounts	0	0	0	0	0	0
<b>Net (Increase) / Decrease before Transfers</b>	<b>4,902</b>	<b>73,975</b>	<b>78,877</b>	<b>3,148</b>	<b>97</b>	<b>82,122</b>
Adjustments between accounting basis and funding basis under regulations	(31,876)	31,876	0	0	0	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(26,974)</b>	<b>105,851</b>	<b>78,877</b>	<b>3,148</b>	<b>97</b>	<b>82,122</b>
<b>Balance at 31st March 2013</b>	<b>(164,661)</b>	<b>(549,083)</b>	<b>(713,744)</b>	<b>716</b>	<b>(2,712)</b>	<b>(715,740)</b>

**GROUP BALANCE SHEET AS AT 31ST MARCH 2014**

31st March 2013 £000		31st March 2014 £000
1,477,461	Property, Plant and Equipment	1,489,171
27,027	Investment Property	37,160
11,044	Intangible Assets	10,264
5	Long Term Investments	5
489	Long Term Debtors	4,268
0	Deferred Tax Asset	0
<b>1,516,026</b>	<b>Long Term Assets</b>	<b>1,540,868</b>
137,157	Short Term Investments	94,147
1,396	Inventories	1,876
51,158	Short Term Debtors	59,084
95,273	Cash and Cash Equivalents	152,106
64	Carbon Allowances Trading Scheme	0
462	Assets held for sale	2,582
144	Current Tax Assets	161
<b>285,654</b>	<b>Current Assets</b>	<b>309,956</b>
(21)	Bank Overdraft	0
(28,933)	Short Term Borrowing	(58,439)
(94,451)	Short Term Creditors	(93,798)
(230)	PFI Liability repayable within 12 months	11
(6)	Finance Lease repayable within 12 months	(7)
(13,077)	Capital Grant Receipts in Advance	(6,925)
0	Current Tax Liabilities	0
<b>(136,718)</b>	<b>Current Liabilities</b>	<b>(159,158)</b>
(86)	Long Term Creditors	(3)
(4,692)	PFI Liability repayable in excess of 12 months	(4,703)
(1,099)	Finance Lease repayable in excess of 12 months	(1,092)
(28,901)	Provisions	(24,856)
(559,248)	Pensions Liability	(317,278)
(346,537)	Long Term Borrowing	(303,464)
(8,659)	Capital Grant Receipts in Advance	(5,713)
<b>(949,222)</b>	<b>Long Term Liabilities</b>	<b>(657,109)</b>
<b>715,740</b>	<b>Net Assets</b>	<b>1,034,557</b>
164,661	Usable Reserves	198,283
549,083	Unusable Reserves	836,889
1,996	Reserves - Group Entities	(615)
<b>715,740</b>	<b>Total Reserves</b>	<b>1,034,557</b>



## GROUP CASH FLOW STATEMENT

31st March 2013 £000 As Restated		31st March 2014 £000
<b>(12,968)</b>	<b>Net Deficit on the Provision of Services</b>	<b>(6,289)</b>
	<b>Adjust net surplus/(deficit) on the provision of services for non cash movements</b>	
59,594	Depreciation / Amortisation	59,065
17,116	Impairment and revaluations charged to the provision of services	31,262
10,037	Movement in Creditors	(13,183)
(7,651)	Movement in Debtors	(6,362)
(209)	Movement in Inventories	(938)
2,803	Movement in Provisions	(3,735)
21,127	Pensions Liability	24,658
29,863	Carrying Amount of Non-current Assets sold	19,531
1,655	Other non-cash items charged to the provision of services	3,435
<b>134,335</b>		<b>113,733</b>
	<b>Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities</b>	
(49,316)	Grants received for investment purposes	(58,566)
(6,296)	Proceeds from the sale of property and other assets	(8,548)
<b>(55,612)</b>		<b>(67,114)</b>
0	Equity Dividends Paid	(29)
(491)	Taxation	(149)
<b>65,264</b>	<b>Net cash flows from Operating Activities</b>	<b>40,152</b>
	<b>Investing Activities</b>	
(73,961)	Purchase of Property, Plant and Equipment and Intangible Assets	(75,421)
(407)	Purchase of Short Term and Long Term investments	0
0	Other payments for investing activities	0
6,430	Proceeds from the Sale of Property (and other Assets)	8,734
2,721	Proceeds from Short Term and Long Term Investments	43,010
49,381	Other receipts for investing activities	51,483
<b>(15,836)</b>	<b>Net cash flows from Investing Activities</b>	<b>27,806</b>
	<b>Financing Activities</b>	
1,000	Cash receipts of Short and Long Term Borrowing	0
0	Other receipts from Financing Activities	0
(236)	Repayment of the outstanding liability of Finance Lease and similar arrangements	(236)
(24,526)	Repayment of Short and Long Term Borrowing	(10,761)
(370)	Other payments for Financing Activities	(107)
<b>(24,132)</b>	<b>Net cash flows for Financing Activities</b>	<b>(11,104)</b>
<b>25,296</b>	<b>Net Increase / (decrease) in Cash and Cash Equivalents</b>	<b>56,854</b>
69,956	Cash and Cash Equivalents at the beginning of the reporting period	95,252
95,252	Cash and Cash Equivalents at the end of the reporting period	152,106
<b>25,296</b>		<b>56,854</b>

## **NOTES TO THE GROUP STATEMENTS**

1. Yorwaste Limited recorded a pre-tax profit of £366k which relates to the total profit generated by the Company before tax. Post-tax, Yorwaste Limited made a profit of £55k. The minority interest adjustment of £2,725k represents City of York Council's share in the company and has been adjusted in the Group Movement in Reserves Statement.
2. The total assets and liabilities of Yorwaste Limited have been incorporated into the Group position.
3. The total issued share capital of Yorwaste Limited is £4,526k (a total of 4,526,000 ordinary shares issued at £1 each). The County Council's holding at 77.73% of the issued share capital is £3,518k. Appropriate adjustments have been made for this holding, in the County Council's long term investment figure and Yorwaste Limited Share capital figure.
4. A minority interest in the Reserves Statement, representing the shareholding of the City of York Council in Yorwaste Limited, is represented by issued share capital of £1,008k, plus the City of York Council's share of Profit and Loss Account surpluses of £1,717k – totalling £2,725k.
5. The policies of Yorwaste Limited in relation to Fixed Assets are different to that operated by the County Council. All the company's Fixed Assets are valued at historic cost less depreciation. The useful economic life of each asset is calculated individually with depreciation calculated on a straight line basis taking into account both commercial and technical obsolescence. Fixed Assets are not revalued at any point during their useful life. The County Council does not direct Yorwaste Limited to re-value its Fixed Assets on an on-going basis, but the County Council's valuers, Bruton Knowles, have previously performed a desktop review to revalue Yorwaste's Fixed Assets.
6. In 2010/11, Yorwaste Limited acquired 100% of the issued share capital of SJB Recycling Limited for a total consideration of £3,378k. In calculating the goodwill arising on acquisition, the provisional fair value has been assessed and adjustments have been made where necessary. This goodwill is to be amortised over a 20 year period. This treatment represents a difference in accounting policies between the County Council and Yorwaste Limited.
7. NYnet Limited made a deficit of £716k in 2013/14 which has been fully consolidated into the Group Comprehensive Income and Expenditure Statement.
8. The total assets and liabilities of NYnet Limited have been fully incorporated into the Group Accounts. Of most significance, £3.3m of Fixed Assets have been incorporated into the Group Accounts as Property, Plant and Equipment which represent ownership of a Broadband Network which is being depreciated, from November 2007, over 10 years because of the nature of the asset.

The capital expenditure for this procurement has been funded by a combination of capital grants from Yorkshire Forward and Government Office (Yorkshire and the Humber) and a loan facility from the County Council. The accounting treatment for these capital loans differ between the two organisations and an appropriate adjustment to the Group Accounts has been made to reflect the fact that the terms and conditions of the grant income has been met.
9. Veritau Limited achieved a post-tax loss of £71k which relates to the total loss generated by the company before tax. The financial results of Veritau Limited have been consolidated into the County Council's accounts as a Joint-Venture, and therefore a 50% adjustment has been made to Veritau Limited's pre-tax loss, and its associated assets and liabilities.
10. Receipts and payments between Yorwaste Limited, NYnet Limited, Veritau Limited and the County Council are cancelled out on consolidation.
11. The Individual Group Companies together with consolidating adjustment are identified within the following schedules for the Comprehensive Income and Expenditure Statement and the respective Balance Sheets.

Summarised Income and Expenditure Statements for the period to 31st March 2014

	NYCC £000	Yorwaste Limited £000	Nynet Limited £000	Veritau Limited £000	Consolidation Adjustments £000	Group £000
<b>Cost of Service</b>	407,325	(962)	509	36	2,353	409,261
<b>Other Operating Expenditure</b>						
Loss on Disposal of Property, Plant and Equipment	11,421	0	0	0	0	11,421
Impairment of Assets Held for Sale	7,005	0	0	0	0	7,005
Precepts of Local Precepting Authorities	584	0	0	0	0	584
Exceptional Items	0	0	0	0	0	0
<b>Financing and Investment Income and Expenditure</b>						
Interest payable and similar charges	15,901	610	218	9	(385)	16,353
Interest receivable and similar income	(2,087)	(15)	0	0	385	(1,717)
Dividend Income	(815)	0	0	0	0	(815)
Investment Properties; revaluation and impairment	(16,041)	0	0	0	0	(16,041)
Deficit of trading activities	147	0	0	0	0	147
Net interest on the defined benefit liability (asset)	22,638	0	0	0	0	22,638
	19,743	595	218	9	0	20,565
Taxation and Non-Specific Grant Income	(442,839)	0	0	0	0	(442,839)
<b>Deficit on Provision of Services</b>	<b>3,239</b>	<b>(367)</b>	<b>727</b>	<b>45</b>	<b>2,353</b>	<b>5,997</b>
Tax Expenses	0	181	(11)	(9)	0	161
Interim Dividend	0	130	0	0	0	130
<b>Group Deficit</b>	<b>3,239</b>	<b>(56)</b>	<b>716</b>	<b>36</b>	<b>2,353</b>	<b>6,288</b>
(Surplus)/Deficit on Revaluation of Fixed Assets	(58,478)	0	0	0	0	(58,478)
Actuarial losses on Pension Assets/Liabilities	(266,189)	0	0	(438)	0	(266,627)
<b>Other Comprehensive Income and Expenditure</b>	<b>(324,667)</b>	<b>0</b>	<b>0</b>	<b>(438)</b>	<b>0</b>	<b>(325,105)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(321,428)</b>	<b>(56)</b>	<b>716</b>	<b>(402)</b>	<b>2,353</b>	<b>(318,817)</b>

Balance Sheet as at 31st March 2014	NYCC £000	Yorwaste Limited £000	Nynet Limited £000	Veritau Limited £000	Consolidation Adjustments £000	Group £000
Property, Plant and Equipment	1,469,280	16,622	3,269	0	0	1,489,171
Investment Property	37,160	0	0	0	0	37,160
Intangible Assets	9,551	713	0	0	0	10,264
Long Term Investments	3,518	0	0	5	(3,518)	5
Long Term Debtors	15,898	0	0	0	(11,630)	4,268
<b>Long Term Assets</b>	<b>1,535,407</b>	<b>17,335</b>	<b>3,269</b>	<b>5</b>	<b>(15,148)</b>	<b>1,540,868</b>
Short Term Investments	93,833	314	0	0	0	94,147
Inventories	1,630	0	246	0	0	1,876
Short Term Debtors	42,424	11,278	6,823	110	(1,551)	59,084
Cash and Cash Equivalents	144,836	7,203	1	66	0	152,106
Assets held for sale	2,582	0	0	0	0	2,582
Current Tax Assets	0	161	0	0	0	161
<b>Current Assets</b>	<b>285,305</b>	<b>18,956</b>	<b>7,070</b>	<b>176</b>	<b>(1,551)</b>	<b>309,956</b>
Bank Overdraft	0	0	0	0	0	0
Short Term Borrowing	(58,439)	0	0	0	0	(58,439)
Short Term Creditors	(69,199)	(11,581)	(14,462)	(107)	1,551	(93,798)
PFI Liability repayable within 12 months	11	0	0	0	0	11
Finance Lease repayable within 12 months	(7)	0	0	0	0	(7)
Capital Grant Receipts in Advance	(6,925)	0	0	0	0	(6,925)
<b>Current Liabilities</b>	<b>(134,559)</b>	<b>(11,581)</b>	<b>(14,462)</b>	<b>(107)</b>	<b>1,551</b>	<b>(159,158)</b>
Long Term Creditors	(3)	0	0	0	0	(3)
PFI Liability repayable in excess of 12 months	(4,703)	0	0	0	0	(4,703)
Finance Lease repayable in excess of 12 months	(1,092)	0	0	0	0	(1,092)
Provisions	(17,192)	(7,664)	0	0	0	(24,856)
Pensions Liability	(317,521)	0	0	243	0	(317,278)
Long Term Borrowing	(304,757)	(4,812)	(5,525)	0	11,630	(303,464)
Capital Grant Receipts in Advance	(5,713)	0	0	0	0	(5,713)
<b>Long Term Liabilities</b>	<b>(650,981)</b>	<b>(12,476)</b>	<b>(5,525)</b>	<b>243</b>	<b>11,630</b>	<b>(657,109)</b>
<b>Net Assets</b>	<b>1,035,172</b>	<b>12,234</b>	<b>(9,648)</b>	<b>317</b>	<b>(3,518)</b>	<b>1,034,557</b>
Usable Reserves	198,283					198,283
Unusable Reserves	836,889					836,889
Reserves - Group Entities	0	12,234	(9,648)	317	(3,518)	(615)
<b>Total Reserves</b>	<b>1,035,172</b>	<b>12,234</b>	<b>(9,648)</b>	<b>317</b>	<b>(3,518)</b>	<b>1,034,557</b>

## 12. Movement in Property, Plant and Equipment

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration costs £000	Total £000
<b>Cost of Valuation</b>					
As at 1st April 2013	1,058,995	121,351	595,584	30,196	1,806,126
Effect Re-Profiling	0	0	0	1,494	1,494
Additions	11,304	7,103	39,890	1,249	59,546
Disposals	(13,793)	(7,630)	(5,927)	0	(27,350)
Assets Scrapped	0	(440)	0	0	(440)
Transferred to Assets Held for Sale	(11,446)	0	0	0	(11,446)
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	46,390	0	0	0	46,390
Recognised in Provision of Services	(84,496)	0	0	0	(84,496)
<b>As at 31st March 2014</b>	<b>1,006,954</b>	<b>120,384</b>	<b>629,547</b>	<b>32,939</b>	<b>1,789,824</b>
<b>Depreciation and Impairments</b>					
As at 1st April 2013	(79,985)	(90,658)	(134,187)	(23,835)	(328,665)
Charge for the year	(29,829)	(12,102)	(15,887)	(1,825)	(59,643)
Disposals	926	7,498	5,927	0	14,351
Assets Scrapped	0	439	0	0	439
Transferred to Assets Held for Sale	1,429	0	0	0	1,429
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	12,090	0	0	0	12,090
Recognised in Provision of Services	59,346	0	0	0	59,346
<b>As at 31st March 2014</b>	<b>(36,023)</b>	<b>(94,823)</b>	<b>(144,147)</b>	<b>(25,660)</b>	<b>(300,653)</b>
<b>Balance Sheet Net Amount at 31st March 2014</b>	<b>970,931</b>	<b>25,561</b>	<b>485,400</b>	<b>7,279</b>	<b>1,489,171</b>
<b>Balance Sheet Net Amount at 31st March 2013</b>	<b>979,010</b>	<b>30,693</b>	<b>461,397</b>	<b>6,361</b>	<b>1,477,461</b>

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

Comparative Movements in 2012/13

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration costs £000	Total £000
<b>Cost of Valuation</b>					
As at 1st April 2012	1,103,366	113,223	560,583	29,174	1,806,346
Additions	13,271	9,353	35,001	89	57,714
Disposals	(29,562)	(1,225)	0	0	(30,787)
Reclassification	0	0	0	933	933
Transferred to Assets Held for Sale	(1,251)	0	0	0	(1,251)
Revaluations / (Impairments)					0
Recognised in the Revaluation Reserve	(1,915)	0	0	0	(1,915)
Recognised in Provision of Services	(24,914)	0	0	0	(24,914)
<b>As at 31st March 2013</b>	<b>1,058,995</b>	<b>121,351</b>	<b>595,584</b>	<b>30,196</b>	<b>1,806,126</b>
<b>Depreciation and Impairments</b>					
As at 1st April 2012	(76,197)	(77,631)	(119,297)	(22,692)	(295,817)
Charge for the year	(29,726)	(13,649)	(14,890)	(1,143)	(59,408)
Disposals	2,203	622	0	0	2,825
Reclassifications	0	0	0	0	0
Transferred to Assets Held for Sale	210	0	0	0	210
Revaluations / (Impairments)					0
Recognised in the Revaluation Reserve	968	0	0	0	968
Recognised in Provision of Services	2,257	0	0	0	2,257
<b>As at 31st March 2013</b>	<b>(100,285)</b>	<b>(90,658)</b>	<b>(134,187)</b>	<b>(23,835)</b>	<b>(348,965)</b>
<b>Balance Sheet Net Amount at 31st March 2013</b>	<b>958,710</b>	<b>30,693</b>	<b>461,397</b>	<b>6,361</b>	<b>1,457,161</b>
<b>Balance Sheet Net Amount at 31st March 2012</b>	<b>1,027,169</b>	<b>35,592</b>	<b>441,286</b>	<b>6,482</b>	<b>1,510,529</b>

### 13. Cash and Cash Equivalents

	2013/14 £000	2012/13 £000
Bank current accounts and cash held by the County Council	152,106	29,387
Short term/call deposits, inc. Cash Balances held by Group Entities	<u>7,188</u>	<u>65,886</u>
Total Cash and Cash Equivalents	<u>159,294</u>	<u>95,273</u>

### 14. Short Term Debtors

	31st March 2014 £000      £000		31st March 2013 £000      £000	
Government Entities				
Central Government Bodies	15,728		8,575	
Other Local Authorities	7,615		4,337	
NHS Bodies	<u>805</u>	24,148	<u>497</u>	13,409
General Debtors (including Public Corporations and Trading Funds)		36,268		36,859
Payments in Advance		4,272		<u>6,725</u>
		64,688		56,993
Less: Bad Debts Provision		<u>(5,604)</u>		<u>(5,835)</u>
Total Short Term Creditors		<u>59,084</u>		<u>51,158</u>

### 15. Short Term Creditors

	31st March 2014 £000      £000		31st March 2013 £000      £000	
Government Entities				
Central Government Bodies	17,229		15,914	
Other Local Authorities	6,393		3,852	
NHS Bodies	<u>3,636</u>	27,258	<u>847</u>	20,613
General Creditors (including Public Corporations and Trading Funds)		60,655		55,564
Income in Advance		<u>8,987</u>		<u>18,274</u>
Total Short Term Creditors		<u>96,900</u>		<u>94,451</u>

## 16. Provisions

	Balance as at 31st March 2013 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2014 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	10,088	0	(490)	0	9,598	9,598	0	9,598
County Care Scheduling System	81	0	0	0	81	0	81	81
Ordinary Residency	760	0	0	(496)	264	132	132	264
Highways Advance Payments	1,657	1,090	(364)	0	2,383	0	2,383	2,383
Highways	2,000	0	(2,000)	0	0	0	0	0
Waste Management	73	0	(37)	0	36	36	0	36
Insurance - Claims	4,780	343	(1,160)	0	3,963	807	3,156	3,963
Insurance - Liability	650	5	(453)	0	202	202	0	202
Restructure Costs	308	2	(182)	0	128	128	0	128
Carbon Reduction Commitment	530	537	(530)	0	537	537	0	537
	<u>20,927</u>	<u>1,977</u>	<u>(5,216)</u>	<u>(496)</u>	<u>17,192</u>	<u>11,440</u>	<u>5,752</u>	<u>17,192</u>
Yorwaste Limited - Restoration	4,435	967	(1,387)	0	4,015	0	4,015	4,015
Yorwaste Limited - Aftercare	3,530	527	(408)	0	3,649	0	3,649	3,649
Nynet Limited / Veritau Limited Deffered Tax	9	0	(9)	0	0	0	0	0
	<u>28,901</u>	<u>3,471</u>	<u>(7,020)</u>	<u>(496)</u>	<u>24,856</u>	<u>11,440</u>	<u>13,416</u>	<u>24,856</u>



## Provisions (cont.)

Comparative movements in 2012/13

	Balance as at 31st March 2012 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2013 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,745	10,088	(9,745)	0	10,088	10,088	0	10,088
County Care Scheduling System	81	0	0	0	81	0	81	81
Ordinary Residency	760	0	0	0	760	190	570	760
Highways Advance Payments	1,616	320	(279)	0	1,657	298	1,359	1,657
Highways	0	2,000	0	0	2,000	2,000	0	2,000
Waste Management	109	0	(36)	0	73	37	36	73
Landfill Allowances	350	0	350	0	700	0	0	0
Insurance - Claims	4,479	1,473	(1,172)	0	4,780	1,090	3,690	4,780
Insurance - Liability	0	650	0	0	650	650	0	650
Restructure Costs	444	308	(444)	0	308	308	0	308
Carbon Reduction Commitment	540	530	(540)	0	530	530	0	530
	<u>18,124</u>	<u>15,369</u>	<u>(11,866)</u>	<u>0</u>	<u>21,627</u>	<u>15,191</u>	<u>5,736</u>	<u>20,927</u>
Yorwaste Limited - Restoration	4,621	633	(819)	0	4,435	0	4,435	4,435
Yorwaste Limited - Aftercare	3,485	300	(255)	0	3,530	0	3,530	3,530
Nynet Limited / Veritau Limited Deffered Tax	9	0	0	0	9	9	0	9
	<u>26,239</u>	<u>16,302</u>	<u>(12,940)</u>	<u>0</u>	<u>29,601</u>	<u>15,200</u>	<u>13,701</u>	<u>28,901</u>

**NORTH YORKSHIRE PENSION FUND**  
**FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2014**

2012/13 £000		2013/14 £000	£000
<b>CONTRIBUTIONS AND BENEFITS</b>			
<b>Contributions</b>			
78,123	Employers - Normal	80,924	
0	- Special	0	
3,404	Employers - Early Retirement Costs Recharged	4,052	
23,756	- Normal	24,125	
353	- Additional Voluntary	303	
<u>105,636</u>	<b>Total Contributions Receivable (note 7)</b>	<u>109,404</u>	
6,772	<b>Transfers in (note 8)</b>		11,273
<b><u>Less</u></b>			
<b>Benefits</b>			
(62,211)	Pensions	(66,500)	
(20,181)	Commutation and Lump Sum Retirement Benefits	(19,936)	
<u>(2,201)</u>	Lump Sums Death Benefits	<u>(1,314)</u>	
<u>(84,593)</u>	<b>Total Benefits Payable (note 9)</b>		<u>(87,750)</u>
<b>Leavers</b>			
(17)	Refunds to Members Leaving Service	(8)	
0	Payments for Members Joining State Scheme	0	
<u>(6,241)</u>	Transfers Out	<u>(4,106)</u>	
<u>(6,258)</u>	<b>Total Payments on Account of Leavers (note 10)</b>		<u>(4,114)</u>
(1,664)	<b>Administration Expenses (note 11)</b>		(1,559)
<u>19,893</u>	<b>Net additions from dealings with Members</b>		<u>27,254</u>
<b>RETURNS ON INVESTMENTS</b>			
21,774	Investment income (note 12)	22,895	
(379)	Taxation (note 13)	(397)	
(3,324)	Investment Expenses (note 14)	(6,075)	
<u>237,204</u>	Change in market value of investments (note 15)	<u>198,746</u>	
<u>255,275</u>	<b>Net returns on investments</b>		<u>215,169</u>
275,168	<b>Net increase in the Fund during the year</b>		242,423
1,565,565	<b>Opening Net Assets of the Fund</b>		1,840,733
<u>1,840,733</u>	<b>Closing Net Assets of the Fund</b>		<u>2,083,156</u>

## NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2013 £000		31st March 2014 £000
	<b>INVESTMENT ASSETS (note 15 and 16)</b>	
72,005	Fixed Interest Securities	71,424
625,584	Equities	742,593
1,056,194	Pooled Investments	1,141,317
66,982	Pooled Property Investments	98,592
478	Private Equity	258
<u>1,821,243</u>		<u>2,054,184</u>
8,427	Cash Deposits	12,185
6,178	Investment Debtors	14,966
<u>1,835,848</u>	<b>TOTAL INVESTMENT ASSETS</b>	<u>2,081,335</u>
	<b>INVESTMENT LIABILITIES (note 15 and 16)</b>	
(2,863)	Derivate Contracts - Forward Currency Contracts	(23)
(3,857)	Investment Creditors	(11,785)
<u>(6,720)</u>	<b>TOTAL INVESTMENT LIABILITIES</b>	<u>(11,808)</u>
<u><b>1,829,128</b></u>	<b>NET INVESTMENT ASSETS</b>	<u><b>2,069,527</b></u>
	<b>CURRENT ASSETS</b>	
4,609	Contributions due from employers	9,233
3,083	Other Non-Investment Debtors	742
6,187	Cash	4,888
<u>13,879</u>	<b>TOTAL CURRENT ASSETS</b>	<u>14,863</u>
	<b>CURRENT LIABILITIES</b>	
(2,274)	Non-Investment Creditors	(1,234)
<u>(2,274)</u>	<b>TOTAL CURRENT LIABILITIES</b>	<u>(1,234)</u>
<u><b>1,840,733</b></u>	<b>TOTAL NET ASSETS (note 16)</b>	<u><b>2,083,156</b></u>

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

**NOTES TO THE NORTH YORKSHIRE PENSION FUND ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 2014**

**1. Description of the Fund**

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

The following description of the Fund is a summary only. For more detail, refer to the NYPF Annual Report 2013/14 and the statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

**(a) General**

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

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

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

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

**(b) Membership**

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

Organisations participating in NYPF include:

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

At 31 March 2014 there were 93 contributing employer organisations within NYPF including the County Council itself, as detailed below:

### **59 Scheduled Bodies**

City of York Council	Skipton Girls High School
Craven District Council	South Craven School
Hambleton District Council	St Aidan's Church of England High School
Harrogate Borough Council	The Woodlands Academy
North Yorkshire County Council	Thomas Hinderwell Primary Academy
Richmondshire District Council	Easingwold Town Council
Ryedale District Council	Filey Town Council
Scarborough Borough Council	Foss Internal Drainage Board
Selby District Council	Fulford Parish Council
North Yorkshire Police & Crime Commissioner	Glusburn Parish Council
North Yorkshire Police Force	Great Ayton Parish Council
North Yorkshire Fire & Rescue Authority	Haxby Town Council
North York Moors National Park	Hunmanby Parish Council
York & North Yorkshire Probation Trust	Knaresborough Town Council
Yorkshire Dales National Park	Malton Town Council
Askham Bryan College	Marston Moor Drainage Board
Craven College	Northallerton Town Council
Scarborough Sixth Form College	Norton on Derwent Town Council
Selby College	Northallerton / Romanby Burial Board
York College	Pickering Town Council
Archbishop Holgate's School	Riccall Parish Council
Great Smeaton Academy Primary School	Richmond Town Council
The Grove Academy	Ripon City Council
Harrogate Grammar School	Selby Town Council
Harrogate High School	Skipton Town Council
Manor Church of England Academy	Sutton in Craven Parish Council
Norton College	Tadcaster Town Council
Outwood Academy	Thornton Internal Drainage Board
Robert Wilkinson Academy	Whitby Town Council
Rossett School	

### **34 Admission Bodies**

Catering Academy Ltd	Premier Support Services
Chartwells Compass	Ringway
Churchill Security	Richmondshire Leisure
Community Leisure	Scarborough Museums Trust
Craven Housing	Sheffield International Venues
Elite	Springfield Home Care
Enterprise	Superclean
Future Cleaning	University of Hull
Grosvenor Facilities Management	Veritau Ltd
Human Support Group	Veritau North Yorkshire Ltd
ISS Mediclean Ltd	Welcome to Yorkshire
Interserve	Wigan Leisure & Culture Trust
Jacobs UK Ltd	York Archaeological Trust
Joseph Rowntree Trust	York Museums & Gallery Trust
Mellors	Yorkshire Coast Homes
Northern Care	Yorkshire Housing Ltd
NYBEP	York St John University

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

	31st March 2014 No.	31st March 2013 No.
Employees in the Fund		
NYCC	18,960	17,336
Other employers	<u>12,541</u>	<u>11,700</u>
Total	<u>31,501</u>	<u>29,036</u>
Pensioners		
NYCC	9,463	8,979
Other employers	<u>8,205</u>	<u>7,776</u>
Total	<u>17,668</u>	<u>16,755</u>
Deferred Pensioners		
NYCC	18,204	16,830
Other employers	<u>11,286</u>	<u>10,673</u>
Total	<u>29,490</u>	<u>27,503</u>

### (c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) and range from 5.5% to 7.5% of pensionable pay for the financial year ended 31 March 2014. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013 and details of the rates for individual employers are available on the Fund's website.

### (d) Benefits

Pension benefits under the LGPS up to 31 March 2014 are based on final pensionable pay and length of pensionable service. For service up to 31 March 2008 each year worked is worth 1/80<sup>th</sup> of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60<sup>th</sup> of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

Under the CARE (Career Average Revalued Earnings) scheme which came into effect from April 2014 benefits will accrue at a rate of 1/49<sup>th</sup> of pensionable pay earned each year, indexed in line with CPI.

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

## 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its year end position as at 31 March 2014. The accounts have been prepared in accordance with

the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

### **3. Summary of Significant Accounting Policies**

#### **Fund Account – Revenue Recognition**

##### **(a) Contribution Income**

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

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

##### **(b) Transfers To and From Other Schemes**

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

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

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

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

##### **(c) Investment Income**

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

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

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

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

## **Fund Account – Expense Items**

### **(d) Benefits Payable**

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

### **(e) Taxation**

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

### **(f) Administrative Expenses**

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

### **(g) Investment Management Expenses**

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

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

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

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

Performance related fees were £2,275k in 2013/14 (£217k in 2012/13).

## **Net Assets Statement**

### **(h) Assets**

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



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

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

**(i) Foreign Currency Transactions**

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

**(j) Derivatives**

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

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

**(k) Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits.

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

**(l) Liabilities**

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

**(m) Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an Appendix to these statements.

## **(n) Additional Voluntary Contributions**

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

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

## **4. Critical Judgement in Applying Accounting Policies**

### **Unquoted Private Equity Investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment manager using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2014 was £258k (31 March 2013, £478k).

### **Pension Fund Liability**

The Fund's liability is calculated every three years by the Actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

The item in the Net Assets Statement as at 31 March 2014 for which there is a significant risk of material adjustment being required is the actuarial present value of promised retirement benefits, which is based on assumptions on the discount rate, salary increases, retirement ages, mortality rates and the return on investments.

The effects of changing individual assumptions on the value of pension liabilities can be measured. A 0.1% increase in the discount rate would reduce liabilities by £46m, a 0.1% increase in inflation would increase liabilities by £44m, and an increase in life expectancy of one year would increase liabilities by £52m.

## **6. Events After the End of the Reporting Period**

Since 31 March 2014 there have been significant movements in global financial markets which would impact upon the market value of the Fund's investments were they to be valued as at the date these Accounts were authorised. This change is deemed to be a non-adjusting post balance sheet event.

There have been no events since 31 March 2014, and up to the date when these accounts were authorised that require any adjustments to these Accounts.

## 7. Contributions Receivable

	2013/14 £000	2012/13 £000
Contributions Receivable		
North Yorkshire County Council	47,466	45,284
Other Scheduled Bodies	55,557	53,647
Admitted Bodies	6,381	6,705
	<u>109,404</u>	<u>105,636</u>

## 8. Transfers In from Other Pension Funds

During the year there was one group transfer from the Cumbria Pension Fund to Askham Bryan College of £2.4m. All other Transfers In were individual transfers.

## 9. Benefits Payable

	2013/14 £000	2012/13 £000
Contributions Payable		
North Yorkshire County Council	37,126	36,751
Other Scheduled Bodies	45,979	42,928
Admitted Bodies	4,645	4,914
	<u>87,750</u>	<u>84,593</u>

## 10. Payments To and On Account of Leavers

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

## 11. Administrative Expenses

	2013/14 £000	2012/13 £000
Administration and Processing	1,378	1,554
Actuarial Fees	137	58
Legal and Audit Fees	44	52
	<u>1,559</u>	<u>1,664</u>

## 12. Investment Income

	2013/14 £000	2012/13 £000
Fixed Interest and Index Linked Securities	1,928	1,790
Dividends from Equities	19,485	19,304
Pooled Property Investments	1,067	472
Interest on Cash Deposits	22	13
Other	393	195
	<u>22,895</u>	<u>21,774</u>

### 13. Taxes on Income

	2013/14 £000	2012/13 £000
Withholding Tax on Dividends	<u>397</u>	<u>379</u>

### 14. Investment Expenses

	2013/14 £000	2012/13 £000
Administration, Management and Custody	5,890	3,010
Performance Measurement Services	30	22
Other Advisory Fees	155	292
	<u>6,075</u>	<u>3,324</u>

### 15. Investments

#### (a) Reconciliation of Movements in Investments and Derivatives

	Value at 31st March 2014 £000	Change in market value at 31st March 2014 £000	Sale proceeds & derivate receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2013 £000
Fixed Interest	71,424	(2,399)	(316,193)	318,011	72,005
Equities	742,593	97,814	(442,188)	464,702	622,265
Pooled Funds	1,141,317	72,708	0	9,096	1,059,513
Pooled Property	98,592	10,010	0	21,600	66,982
Private Equity	258	(59)	(180)	19	478
Derivative Contracts	<u>(23)</u>	<u>16,055</u>	<u>(788,658)</u>	<u>775,443</u>	<u>(2,863)</u>
Total Invested	2,054,161	194,129	(1,547,219)	1,588,871	1,818,380
Cash Deposits	12,185	3,758			8,427
Net Investment Debtors	<u>3,181</u>	<u>860</u>			<u>2,321</u>
Net Investment Assets	<u>2,069,527</u>	<u>198,747</u>			<u>1,829,128</u>

	Value at 31st March 2013 £000	Change in market value at 31st March 2013 £000	Sale proceeds & derivate receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2012 £000
Fixed Interest	72,005	5,695	(316,823)	318,011	65,122
Equities	622,265	127,613	(593,881)	426,885	661,648
Pooled Funds	1,059,513	109,111	(2,651)	162,821	790,232
Pooled Property	66,982	1,405	(783)	42,592	23,768
Private Equity	478	(294)	(300)	0	1,072
Derivative Contracts	<u>(2,863)</u>	<u>(6,938)</u>	<u>(911,217)</u>	<u>913,219</u>	<u>2,073</u>
Total Invested	1,818,380	236,592	(1,825,655)	1,863,528	1,543,915
Cash Deposits	8,427	586			7,841
Net Investment Debtors	<u>2,321</u>	<u>26</u>			<u>2,295</u>
Net Investment Assets	<u>1,829,128</u>	<u>237,204</u>			<u>1,554,051</u>

Transaction costs are included in the cost of purchases and sale proceeds. These include costs charged directly to the Fund, such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £871k (2012/13 £959k). In addition indirect costs are incurred through the bid–offer spread on investments within pooled investment vehicles. These investment vehicles are managed by Investment Managers registered in the UK. The amount of indirect costs is not separately provided to the Pension Fund.

**(b) Analysis of Investments (excluding derivative contracts)**

	2013/14 £000	2012/13 £000
Fixed Interest Securities		
UK Public Sector Quoted	<u>71,424</u>	<u>72,005</u>
Equities		
UK Quoted	408,273	314,260
Overseas Quoted	<u>334,320</u>	<u>308,005</u>
	<u>742,593</u>	<u>622,265</u>
Pooled Investments		
UK Equity	51,942	41,262
UK Property	98,592	66,982
UK Fixed Income	128,667	142,721
Overseas Equity	570,674	501,679
Overseas Fixed Income	<u>225,783</u>	<u>213,543</u>
	<u>1,075,658</u>	<u>966,187</u>
Diversified Growth Funds - UK	<u>164,251</u>	<u>160,308</u>
Private Equity - UK	<u>258</u>	<u>478</u>
Total Investments (excl Derivatives)	<u>2,054,184</u>	<u>1,821,243</u>

**Objectives and Policies for Holding Forward Foreign Currency Derivatives**

Up until February 2014 the Fund hedged a proportion (25%) of the US Dollar, Euro, Japanese Yen, Swiss Franc and Swedish Krona exposure in relation to overseas equity investments. Contracts outstanding at the year-end relate to positions taken by the Fund's investment managers for efficient trading purposes, were valued at £23k and settled within one month. Forward currency contracts as at 31 March 2013 were valued at £(2,863k).

## Investments Analysed by Fund Manager

Investment Manager	31st March 2014		31st March 2013	
	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	345,185	16.6	306,092	16.7
Baillie Gifford & Co. - LTGG	214,838	10.3	178,193	9.7
Fidelity International	402,771	19.3	372,221	20.3
Standard Life Investments - Equities	416,767	20.0	315,193	17.1
Standard Life Investments - DGF	82,993	4.0	80,308	4.4
ECM Asset Management	125,783	6.0	120,243	6.5
Amundi Asset Management	228,667	11.0	236,024	12.8
RC Brown Investment Management	0	0.0	2,709	0.1
Hermes Property Unit Trust	25,799	1.2	23,640	1.3
Legal & General	27,984	1.3	24,891	1.4
Threadneedle	45,279	2.2	18,654	1.0
M&G Investments	71,922	3.5	73,344	4.0
Newton Investments	81,259	3.9	80,000	4.3
Currency Hedging	22	0.0	(2,863)	(0.2)
Yorks and Humber Equity Fund	258	0.0	478	0.0
Internally Managed (cash and net debtors)	13,629	0.7	11,606	0.6
	<u>2,083,156</u>	<u>100.0</u>	<u>1,840,733</u>	<u>100.0</u>

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

### (c) Stock Lending

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

## 16. Financial Instruments

### (a) Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table summarises the carrying amounts of financial assets and liabilities by category.

31st March 2013			31st March 2014		
Designated as fair value through profit £000	Loans and Receivables £000	Financial Liabilities amortised at £000	Designated as fair value through profit £000	Loans and Receivables £000	Financial Liabilities amortised at £000
<b>Assets</b>					
72,005	0	0	71,424	0	0
622,265	0	0	742,593	0	0
899,205	0	0	977,065		0
66,982	0	0	98,592	0	0
160,308	0	0	164,252	0	0
478	0	0	258	0	0
0	0	0	0	0	0
0	14,615	0	0	17,073	0
6,178	0	0	14,966	0	0
0	7,692	0	0	9,975	0
<u>1,827,421</u>	<u>22,307</u>	<u>0</u>	<u>2,069,150</u>	<u>27,048</u>	<u>0</u>
<b>Liabilities</b>					
2,864	0	0	23	0	0
3,857	0	0	11,785	0	0
0	0	2,274	0	0	1,234
<u>6,721</u>	<u>0</u>	<u>2,274</u>	<u>11,808</u>	<u>0</u>	<u>1,234</u>
<u>1,820,700</u>	<u>22,307</u>	<u>(2,274)</u>	<u>2,057,342</u>	<u>27,048</u>	<u>(1,234)</u>

**(b) Net Gains and Losses on Financial Instruments**

	2013/14 £000	2012/13 £000
Fair Value through Profit and Loss	194,128	236,592
Loans and Receivables	<u>4,618</u>	<u>612</u>
	<u>198,746</u>	<u>237,204</u>

**(c) Fair Value of Financial Instruments and Liabilities**

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

31st March 2013			31st March 2014	
Cost £000	Fair Value £000		Cost £000	Fair Value £000
<b>Assets</b>				
1,525,128	1,827,421	Fair Value through Profit and Loss	1,940,111	2,069,150
<u>22,307</u>	<u>22,307</u>	Loans and Receivables	<u>27,048</u>	<u>27,048</u>
<u>1,547,435</u>	<u>1,849,728</u>		<u>1,967,159</u>	<u>2,096,198</u>
<b>Liabilities</b>				
6,721	6,721	Fair Value through Profit and Loss	11,808	11,808
<u>2,274</u>	<u>2,274</u>	Liabilities at Amortised Cost	<u>1,234</u>	<u>1,234</u>
<u>8,995</u>	<u>8,995</u>		<u>13,042</u>	<u>13,042</u>

NYCC has not entered into any financial guarantees that are required to be accounted for as financial instruments

**(d) Valuation of Financial Instruments Carried at Fair Value**

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

**Level 1**

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

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

**Level 2**

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

**Level 3**

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



The value of the investment in private equity is based on a valuation provided by the manager of the fund in which NYPF has invested. This valuation has been prepared in accordance with the British Venture Capital Association guidelines. Formal valuations are undertaken annually as at the end of December.

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

Value at 31st March 2014	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3 £000	Total £000
<b>Assets</b>				
Fair Value through Profit and Loss	2,068,892	0	258	2,069,150
Loans and Receivables	<u>27,048</u>	<u>0</u>	<u>0</u>	<u>27,048</u>
	<u>2,095,940</u>	<u>0</u>	<u>258</u>	<u>2,096,198</u>
<b>Liabilities</b>				
Fair Value through Profit and Loss	11,785	23	0	11,808
Liabilities at Amortised Cost	<u>1,234</u>	<u>0</u>	<u>0</u>	<u>1,234</u>
	<u>13,019</u>	<u>23</u>	<u>0</u>	<u>13,042</u>
	<u>2,082,921</u>	<u>(23)</u>	<u>258</u>	<u>2,083,156</u>

Value at 31st March 2013	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3 £000	Total £000
<b>Assets</b>				
Fair Value through Profit and Loss	1,826,943	0	478	1,827,421
Loans and Receivables	<u>22,307</u>	<u>0</u>	<u>0</u>	<u>22,307</u>
	<u>1,849,250</u>	<u>0</u>	<u>478</u>	<u>1,849,728</u>
<b>Liabilities</b>				
Fair Value through Profit and Loss	3,858	2,863	0	6,721
Liabilities at Amortised Cost	<u>2,274</u>	<u>0</u>	<u>0</u>	<u>2,274</u>
	<u>6,132</u>	<u>2,863</u>	<u>0</u>	<u>8,995</u>
	<u>1,843,118</u>	<u>(2,863)</u>	<u>478</u>	<u>1,840,733</u>

## 17. Nature and Extent of Risks Arising from Financial Instruments

### Risk and Risk Management

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

to meet the Fund's forecast cash flows. NYCC manages these investment risks as part of its overall approach to Pension Fund risk.

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

#### **(a) Market Risk**

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

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

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

The Fund manages these risks in two ways:

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

#### **Other Price Risk**

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

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

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

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

Asset Type	Value as at 31st March 2014 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	12,185	0.0	12,185	12,185
UK Bonds	71,424	5.5	75,352	67,496
UK Equities	408,273	13.0	461,348	355,198
Overseas Equities	333,923	12.1	374,328	293,518
UK Pooled Equity	51,942	13.0	58,694	45,190
Overseas Pooled Equity	570,674	12.1	639,726	501,622
UK Pooled Bonds	128,667	5.5	135,744	121,590
Overseas Pooled Bonds	225,783	5.5	238,201	213,365
Pooled Property Investments	98,592	1.8	100,367	96,817
Diversified Growth Funds	164,251	9.3	179,526	148,976
Private Equity	257	13.0	290	224
Derivatives	(22)	0.0	(22)	(22)
Non Investment Debtors / Creditors	3,181	0.0	3,181	3,181
Total Assets	<u>2,069,130</u>		<u>2,278,921</u>	<u>1,859,339</u>

Asset Type	Value as at 31st March 2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	8,427	0.0	8,427	8,427
UK Bonds	72,005	5.5	75,965	68,045
UK Equities	314,260	13.0	355,114	273,406
Overseas Equities	308,005	12.1	345,274	270,736
UK Pooled Equity	41,262	13.0	46,626	35,898
Overseas Pooled Equity	501,679	12.1	562,382	440,976
UK Pooled Bonds	142,721	5.5	150,571	134,871
Overseas Pooled Bonds	213,543	5.5	225,288	201,798
Pooled Property Investments	66,982	1.8	68,188	65,776
Diversified Growth Funds	160,308	9.3	175,217	145,399
Private Equity	478	13.0	540	416
Derivatives	(2,863)	0.0	(2,863)	(2,863)
Non Investment Debtors / Creditors	2,321	0.0	2,321	2,321
Total Assets	<u>1,829,128</u>		<u>2,013,049</u>	<u>1,645,207</u>

## Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2013 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2013/14 £000	2012/13 £000
Cash and Cash Equivalents	12,185	8,427
Fixed Interest Securities	<u>71,424</u>	<u>72,005</u>
	<u>83,609</u>	<u>80,432</u>

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. No figures are available for a predicted movement in the long term average rate. However for illustrative purposes if it were to change by +/- 25 bps the values in the table above would change by £209k and for 2012/13 asset values, £201k.

## Currency Risk

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

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

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

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

Asset Type	Value as at 31st March 2014 £000	Value on 5.5% Increase £000	Value on 5.5% Decrease £000
Overseas Equities	904,597	954,350	854,844
Overseas Bonds	<u>225,783</u>	<u>238,201</u>	<u>213,365</u>
Total Assets	<u>1,130,380</u>	<u>1,192,551</u>	<u>1,068,209</u>

Asset Type	Value as at 31st March 2013 £000	Value on 5.5% Increase £000	Value on 5.5% Decrease £000
Overseas Equities	809,684	854,217	765,151
Overseas Bonds	<u>213,543</u>	<u>225,288</u>	<u>201,798</u>
Total Assets	<u>1,023,227</u>	<u>1,079,504</u>	<u>966,950</u>

## (b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of

investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

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

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

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

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

NYCC believes it has managed its exposure to credit risk and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements with NYCC at 31 March 2014 was £4.9m (31 March 2013, £6.2m) and was held with the following institutions:

	31st March 2014 £000	31st March 2013 £000
<b>Cash and Cash Equivalents</b>		
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	117	477
Institutions with Fitch Rating Long Term A and Short Term F1	1,640	1,434
Institutions with Fitch Rating Long Term AA- and Short Term F1+	938	0
<b>Deposits with Banks and Financial Institutions for less than 1 year</b>		
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	0	3,338
Institutions with Fitch Rating Long Term AA- and Short Term F1+	0	318
Institutions with Fitch Rating Long Term A+ and Short Term F1	0	636
Institutions with Fitch Rating Long Term A and Short Term F1	2,193	0
	<u>4,888</u>	<u>6,203</u>

### (c) Liquidity Risk

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

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31 March 2014 the value of illiquid assets was £257k, which represented less than 0.1% of total Fund assets (31 March 2013, £478k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2014 are due within one year.

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

## **18. Funding Arrangements**

In line with the Local Government Pension Scheme (Administration) Regulations 2008 the Fund's Actuary, Mercer, undertakes a funding Valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such Valuation took place as at 31 March 2013. The next Valuation will take place as at 31 March 2016.

The key elements of NYPF's funding policy are:

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

The aim is to achieve 100% solvency over a period of 27 years from April 2014 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2013 Triennial Valuation the Fund was assessed as 73% funded (67% at the 2010 Valuation). This reflected a deficit of £668m (£659m at the 2010 Valuation).

The common rate of employers' contributions is the average rate required from all employers calculated as being sufficient, together with contributions paid by employees, to meet all liabilities arising in respect of service after the Valuation date. For 2013/14 the common rate (determined at the 2010 Valuation) is 12.2% of pensionable pay and for the three years from 2014/15 it is 13.8%.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

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

	For Future Service Liabilities	
Investment Return	5.60%	per annum
Inflation	2.60%	per annum
Salary Increases	4.75%	per annum
Pensions Increases	2.60%	per annum

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

	Male	Female
Current Pensioners	22.9 years	25.4 years
Future Pensioners (assumed current age 45)	25.1 years	27.7 years

Life expectancy for the year to 31 March 2014 is based on 2012 CMI projections subject to a long-term improvement trend of 1.5% per annum.

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

## 19. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an Appendix.

## 20. Current Assets

	2013/14 £000	2012/13 £000
<b>Debtors</b>		
<b>Investment Debtors</b>		
Investment Transactions	11,405	3,533
Accrued Dividends	2,359	1,785
Withholding Taxes Recoverable	1,202	860
	<u>14,966</u>	<u>6,178</u>
<b>Other Debtors</b>		
Contributions due from Scheduled (Government) Bodies	8,769	7,106
Contributions due from Admitted Bodies	464	494
Pensions Rechargeable	13	25
Interest on Deposits	2	0
Other	727	67
	<u>9,975</u>	<u>7,692</u>
	<u>24,941</u>	<u>13,870</u>

## 21. Current Liabilities

	2013/14 £000	2012/13 £000
<b>Creditors</b>		
Investment Creditors	11,808	6,721
Sundry Other Creditors	<u>1,235</u>	<u>2,273</u>
	<u>13,043</u>	<u>8,994</u>

All creditors are non government entities and individuals.

## 22. Additional Voluntary Contributions (AVCs)

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

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

AVC contributions of £2,390k were paid directly to Prudential during the year (£2,226k in 2012/13). The total value of the AVC Fund serviced by these contributions as at 31 March was:

	2013/14 £000	2012/13 £000
Prudential	<u>21,320</u>	<u>20,961</u>

## 23. Related Party Transactions

### North Yorkshire County Council

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

The Council incurred costs of £1,078k (£1,064k in 2012/13) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £47.5m to the Fund in 2013/14 (£45.3m in 2012/13). All monies owing to and due from the Fund were paid in the year.

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2013 the Fund had an average investment balance of £1.8m (£2.2m) during 2012/13) receiving interest of £15.6k (£26k paid in 2012/13) on these funds.

### Governance

As at 31 March 2014 there were five Pension Fund Committee Members who were also active members of the Fund, each of whom was required to declare their interests at each meeting. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was also an active member. Benefits for PFC Members and the Treasurer were accrued on exactly the same basis as for all other members of the Fund.



#### **24. Contingent Liabilities and Contractual Commitments**

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2012/13).

#### **25. Contingent Assets**

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

#### **26. Impairment Losses**

The Fund had no material impairment losses at the year end (£nil in 2012/13).



**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](http://www.northyorks.gov.uk)) or can be obtained from the office of the Corporate Director – Strategic Resources (telephone 01609 533304 or email [gary.fielding@northyorks.gov.uk](mailto: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](http://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><b>Economic Development</b></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><b>Waste Management Strategy</b></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><b>Performance and Contract Management</b></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>
<b>A4</b>	<p><b>2020 North Yorkshire Programme</b></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"> <li>a) Programme Management to be provided by Technology and Change within Central Services. This role to ensure coherency across the organisation.</li> <li>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.</li> <li>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.</li> </ul>
<b>A5</b>	<p><b>Health challenges</b></p> <p>Ensuring that optimal arrangements are in place for joint working with Health Partners.</p>	<ul style="list-style-type: none"> <li>a) Supporting the Health and Wellbeing Board and the Integrated Commissioning Board as part of the governance for joint working.</li> <li>b) Monitoring progress on the planning for and implementation of the Better Care Fund.</li> <li>c) Ensuring that Health and Social Care issues</li> </ul>

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.
<b>A6</b>	<b>The Care Bill</b>	<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>
<b>A7</b>	<b>Demand outstrips budget provision for adult social care</b>	<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><b>Self Assessment and Ofsted Inspection</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>a) North Yorkshire has set in train a number of actions to improve the integrity and availability of data.</li> <li>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).</li> <li>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.</li> <li>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.</li> </ul>
A9	<p><b>Information Governance</b></p> <ul style="list-style-type: none"> <li>• Information Governance has</li> </ul>	<ul style="list-style-type: none"> <li>a) On-going review of the effectiveness of</li> </ul>

Ref	Issue requiring improvement	Action taken to date / planned 2014/15
	<p>been an area of significant 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 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"> <li>– Further Information Governance sweeps by Veritau with disciplinary actions being taken against staff where appropriate.</li> <li>– A re-refresh of the training requirements for staff (which has been a mandatory course).</li> <li>– Practical arrangements to help staff ensure data is secure such as easier access to lockable cabinets etc.</li> <li>– Implementation of more secure systems and ways of working for transferring data securely between organisations.</li> <li>– On-going communications to staff on the importance of good Information Governance, including messages from the Chief Executive.</li> </ul>
<p><b>A10</b></p>	<p><b>Corporate Arrangements relating to Performance Management</b></p> <ul style="list-style-type: none"> <li>• Ensuring that performance is embedded across the Council and increased productivity remains the heart of Council Plans</li> </ul>	<ul style="list-style-type: none"> <li>a) Implementation of a revised Workforce Strategy in line with the 2020 North Yorkshire Programme.</li> <li>b) Further revision to the approach on performance management across the Council with focus on team and staff contributing to innovation.</li> <li>c) Ensuring that there remains a focus on simplifying, standardising and sharing across the Council where best practice is universally used across the council.</li> <li>d) Keep under review performance issues such as Highways North Yorkshire Improvement Action Plan.</li> </ul>
<p><b>A11</b></p>	<p><b>Right Skills, Capacity and Resilience</b></p> <ul style="list-style-type: none"> <li>• Ensuring that the Council has the right skills, capacity and</li> </ul>	<ul style="list-style-type: none"> <li>a) Ensuring strong leadership across the Council so that all staff feel engaged and</li> </ul>

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><b>A12</b></p>	<p><b>Good Decision Making</b></p> <ul style="list-style-type: none"> <li>• Ensuring that the Council has good decision making backed up by sound advice as it works its way through a significant period of change.</li> </ul>	<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><b>A13</b></p>	<p><b>Major Projects</b></p> <ul style="list-style-type: none"> <li>• Provide effective oversight over major projects.</li> </ul>	<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

Date:

Richard Flinton  
Chief Executive

Date:

Barry Khan  
Assistant Chief Executive  
(Legal and Democratic Services)  
(Monitoring Officer)

Date:

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

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:

## **GLOSSARY OF TERMS**

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

### **Actuary**

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme Actuary determines the rate of employer contributions due to the Pension Fund every three years.

### **Amortised**

Written off over a suitable period of time (usually in line with the useful life of a fixed asset). This is a proxy for depreciation for intangible assets.

### **Appropriations**

Amounts transferred from the Comprehensive Income and Expenditure Statement through the Movement in General Fund Balance to revenue or capital reserves.

### **Asset Rental Charges**

The County Council charges Asset Rentals to Services in order to reflect the economic costs of the assets they use in service provision. These charges do not impact on Council Tax.

### **Assets**

Anything which has a monetary value e.g. property, investments or cash.

### **Assets Held for Sale**

Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

### **Associate**

An entity is an associate of a reporting authority if it has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

### **AVC**

Additional Voluntary Contributions.

### **Benchmark**

A measure against which investment performance is assessed. The benchmark may take the form of a "market index" where performance is measured by comparison with a particular market or where measurement is against an average established by reference to the performance of a peer group or league table.

### **Bid Price**

In the context of stock trading on a stock exchange, the bid price is the highest price a buyer of a stock is willing to pay for a share of that given stock.

### **Bond**

A type of investment where cash is exchanged for a certificate of debt issued by the government or company, promising regular payment on a specified date, or range of dates, usually involving a final lump sum capital payment at the time the bond is given up by the investor.

### **Budget**

A statement of the County Council's expected level of service and spending over a set period, usually one year.



**SeRCOP**

Service Reporting Code of Practice.

**Callable Deposit**

Deposit with a bank or building society for an agreed term but where the bank has the option of repaying the full amount at set intervals. For example, a three year deposit with six monthly calls.

**Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to, or enhances, the life or value of an existing fixed asset.

**Capital Financing**

Funds used to pay for capital expenditure. These funds can come from both external and internal sources.

**Capital Plan**

The proposed budget for capital expenditure and funding for the County Council.

**Capital Receipts**

Proceeds from the sale of Fixed Assets. These are used to finance new capital expenditure.

**Carrying Amount**

The amount at which an asset is recognised in the Balance Sheet.

**Cash and Cash Equivalents**

A Balance Sheet heading to identify both cash (or overdraft) and other highly liquid resources, these liquid resources are deemed to be short term investments that are held with maturity periods of three months or less and are for the purposes of cash management.

**CCG**

Clinical Commissioning Groups.

**The Code**

In relation to the financial statements The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts are prepared.

**CFR**

Capital Financing Requirement.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy is the lead accountancy body for the Public Sector on accounting practice and the preparation of local authority Accounts.

**Consolidation**

The process of adjusting and combining financial information from the individual financial statements of a reporting authority and its subsidiaries. The overall aim is to prepare consolidated financial statements that present financial information for the group as a single entity.

**Contingencies**

Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budget (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

**Corporate Governance**

The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

**Council Tax**

The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

**Credit Rating**

A published ranking, based on detailed financial analysis by a credit bureau, of an organisation's financial history, specifically relating to an organisation's ability to meet its debt obligations.

**Creditors**

Amounts owed by the County Council for goods or services that it has received but for which payment had not been made by 31st March 2014.

**Current Assets and Liabilities**

Current assets are items that are owed to County Council and can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

**Current Service Cost IAS 19**

Employer pension contributions charged during the year have been removed from the Comprehensive Income and Expenditure Statement and replaced with an amount (i.e. current service cost) which reflects the increase in the scheme liabilities expected to arise from employee membership of the scheme in the year of account.

**DCLG**

Department of Communities and Local Government.

**Debtors**

Amounts owed to the County Council at 31st March 2014 where services have been delivered but payment has not been received.

**Delegated Budgets**

Budgets for which schools and other services have complete autonomy in spending decisions.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, age or obsolescence through technological or other changes.

**DfE**

Department for Education.

**DSG**

Dedicated Schools Grant. A ring-fenced grant which can only be applied to expenditure properly included in the Schools budget.

**Earmarked Reserves**

These reserves represent monies set aside that can only be used for a specific purpose.

**Expected Return on Assets**

The average rate of return expected on the actual assets held by the Local Government Pension Fund.

**Fair Value**

A rational and unbiased estimate of the potential market price of a good, service or asset.

**Finance Leases**

Under a finance lease agreement, most of the risks and rewards associated with ownership are transferred to the lessee. The accounting policy is to recognise these assets.

**GAAP**

Generally Accepted Accounting Practice.

**Government Grants**

Revenue grants and contributions are credited to the appropriate service Revenue Account where they relate to a specific service; general grants including capital grants are credited to non-specific grant income within the Comprehensive Income and Expenditure Statement to the extent that the conditions of the grant have been met.

**IAS**

International Accounting Standard

**ICT**

Information and Communications Technology.

**IFRIC**

Interpretations originated from the International Financial Reporting Interpretations Committee.

**IFRS**

International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

**Impairment**

The worsening of an asset, through damage, dilapidation etc., which affects the value of that asset.

**Income**

Amounts which the County Council receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rate.

**Income in Advance**

Amounts received by the County Council during 2012/13 relating to services to be delivered in 2013/14.

**Intangible Assets**

Assets that do not have physical substance but are identified and are controlled by the County Council through custody or legal rights.

**Interest Cost**

A financing charge reflecting the increases in the present value of Pension Fund scheme liabilities.

**Investments**

Short term investments comprise of deposits of funds with banks or similar institutions.

**Investment Properties**

Properties that are held for income or capital appreciation only, rather than used for any service delivery purposes.

**ISAB**

International Accounting Standards Board.

**ISB**

Individual School Budgets.

**ISP**

Internet Service Provider.

**Joint Venture**

An entity in which the reporting authority has an interest on a long term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding arrangement.

**LAA**

Local Area Agreement. A partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

**LAAP**

Local Authority Accounting Panel. Bulletins issued by CIPFA to provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements.

**LASAAC**

Local Authorities (Scotland) Accounts Advisory Committee.

**LGPS**

Local Government Pension Scheme.

**LIBOR**

The London Interbank Offered Rate. A daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money.

**LOBO**

Lender Option Borrower Option. Financial instrument used to borrow from the money market such loans feature on initial fixed interest period followed by a specified series of calls where the lender has the option to request an interest rate increase. The borrower has the option of repaying the loan (at no penalty) or accepting the higher rate.

**LPSA**

Local Public Service Agreement.

**LSP**

Local Strategic Partnership. A non-statutory, multi-agency partnership, which matches a local authority boundary, and includes representatives from the public, private, community and voluntary sector.

**LMS**

Local Management of Schools.

**Long Term Borrowing**

Long term borrowing is loans that have been raised to finance capital expenditure.

**Market Value**

The monetary value of an asset as determined by current market conditions.

**Mid-market price**

The mid-point between the bid price and the offer price for a security based on quotations for transactions of normal market size by recognised market-makers or recognised trading exchanges.

**Minimum Revenue Provision**

The statutory minimum amount that must be charged to a Revenue Account in each financial year to repay external debt.

**Minority Interest**

The interest in a subsidiary entity that is attributable to the share held by, or on behalf of persons other than the reporting authority.

**National Non-Domestic Rate**

The Government levies a standard rate on all properties used for commercial purposes. The rates are collected on behalf of the government by District Councils, and then redistributed nationally on the basis of resident population.

**Net Book Value**

The amount at which Fixed Assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Debt**

This comprises cash in hand, cash overdrawn, short term investments and long term borrowing.

**Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

**NHS**

National Health Service.

**NJC**

National Joint Council.

**Non-Current Assets**

Assets that yield benefits to the authority and the services it provides for a period of more than one year.

**NYBEP**

North Yorkshire Business and Education Partnership.

**NYnet Limited**

A company providing broadband connectivity within North Yorkshire.

**Past Service Cost**

The increase in Pension Fund liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**PFC**

Pension Fund Committee.

**PFI**

Private Finance Initiative. A means of securing new assets and associated services in partnership with the private sector.

**PIP**

Pending Issues Provision.

**Portfolio**

A block of assets managed by a fund manager, to an agreed performance specification, on behalf of an investor.

**Precept**

The amount of money the County Council has to levy on Council Tax payers (via district collection funds) to pay for County Council services.

**Prepayments**

Amounts paid by the County Council in 2013/14 that relates to goods and services not received until 2014/15.

**Provisions**

Provisions represent sums set aside for any liabilities of uncertain amount or timing that have been incurred.

**PWLB**

Public Works Loan Board. The Government agency set up to provide loans to Local Authorities to finance capital expenditure.

**REFCUS (Revenue Expenditure funded from Capital under Statute)**

Expenditure which may be properly capitalised, but which does not result in the creation of any fixed asset.

**REOTAS**

Reintegration in Education other than in Schools.

**Reserves**

There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements.

**Revenue Expenditure**

Revenue expenditure is spending on the day to day running costs of the County Council. It includes expenditure on employees, premises, transport and supplies and services.

**RICS**

Royal Institution of Chartered Surveyors.

**RSG**

Revenue Support Grant. Central Government grant support towards local government expenditure.

**Section 151 Officer**

The Officer designated to assume overall responsibility for the administration of the financial affairs of the County Council and for the preparation of the Council's Statement of Accounts.

**Settlements and Curtailments**

Settlements and liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

**Simple Investment**

The reporting authority's interest does not qualify the entity as a subsidiary, associate or a joint venture because the reporting authority has limited influence or its interest is not long term.

**SIF**

Special Investment Fund.

**SIP**

Statement of Investment Principles.

**Subsidiary**

An entity is a subsidiary of a reporting authority if the authority is able to exercise control over the operating and financial policies of the entity and is able to gain benefits / be exposed to risk of potential losses from this control.

**Surplus Properties**

Those properties that are not used in service delivery but neither do they meet the classification of investment properties or assets held for sale.

**Term Deposit**

A deposit held in a financial institution for a fixed term at a fixed rate.

**TMP**

Treasury Management Practices.

**TMPS**

Treasury Management Policy Statement.

**VAT**

Value Added Tax.

**Veritau Limited**

A company providing Internal Audit, Counter fraud and Information Governance Services.

**Work in Progress**

The value of rechargeable work which has not been recharged at the end of the financial year.

**YDHTP**

Yorkshire Dales and Harrogate Tourism Partnership.

**Yorwaste Limited**

A subsidiary waste disposal company.

**YPO**

Yorkshire Purchasing Organisation.