

Agenda

Meeting: Audit Committee

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

Date: Thursday 17 July 2014 at 1.30 pm

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

1. **Minutes of the meeting held on 26 June 2014.**

(Pages 1 to 11)

2. **Public Questions or Statements.**

Members of the public may ask questions or make statements at this meeting if they have given notice to Stephen Loach of Democratic Services (*contact details below*) by midday on Monday 14 July 2014. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

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

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

3. **External Auditor – Audit Planning Reports:-**
 - (a) North Yorkshire Planning Report for the 2013/14 Audit. **(Pages 12 to 55)**
 - (b) North Yorkshire Pension Fund Planning Report for the 2013/14 Audit. **(Pages 56 to 88)**
4. **Statement of Final Accounts 2013/14 – North Yorkshire Pension Fund – Report of the Corporate Director – Strategic Resources.** **(Pages 89 to 91)**
5. **Statement of Final Accounts 2013/14 – North Yorkshire County Council - Report of the Corporate Director – Strategic Resources.** **(Pages 92 to 116)**
(Draft Statement of Accounts 2013/14 collated as a separate document)
6. **Review of Assurance over Value For Money – Report of the Corporate Director – Strategic Resources.** **(Pages 117 to 125)**
7. **Review of Contract, Property and Financial Procedure Rules - Report of the Corporate Director – Strategic Resources.** **(Pages 126 to 221)**
8. **Annual Report on Partnership Governance 2013/14 – Joint report of the Chief Executive and the Corporate Director – Strategic Resources.** **(Pages 222 to 235)**
9. **Programme of Work – Report of the Corporate Director – Strategic Resources.** **(Page 236)**
10. **Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances.**

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)

County Hall
Northallerton

9 July 2014

Notes:

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

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

(b) **Emergency Procedures for Meetings**

Fire

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

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

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

Accident or Illness

First Aid treatment can be obtained by telephoning Extension 7575.

AUDIT COMMITTEE

1. Membership

County Councillors (8)							
	<i>Councillors Names</i>				<i>Political Party</i>		
1	ATKINSON, Margaret			(Vice-Chairman)	Conservative		
2	BACKHOUSE, Andrew			(Chairman)	Conservative		
3	BROADBENT, Eric				Labour		
4	CHANCE, David				Conservative		
5	CLARK, Jim				Conservative		
6	HOULT, Bill				Liberal Democrat		
7	JORDAN, Mike				Conservative		
8	PARSONS, Stuart				NY Independent		
Members other than County Councillors (3)							
1	Vacancy						
2	Vacancy						
3	Vacancy						
Total Membership – (11)				Quorum – (3) County Councillors			
Con	Lib Dem	NY Ind	Labour	Liberal	UKIP	Ind	Total
5	1	1	1	0	0	0	

2. Substitute Members

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

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 26 June 2014 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillors Margaret Atkinson, Andrew Backhouse, Eric Broadbent, David Chance, Jim Clark, Helen Grant (as Substitute for Stuart Parsons), Bill Hoult and Mike Jordan.

External Members of the Committee:-

Mr James Daghish and Mr David Portlock.

In Attendance:-

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

Deloitte LLP Officer: Celia Craig.

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

Audit North Officers: Angela Mulroy and Stuart Fallowfield.

County Council Officers: Pete Dwyer (Corporate Director – Children and Young People’s Services), Gary Fielding (Corporate Director – Strategic Resources), Ruth Gladstone (Principal Democratic Services Officer), Anton Hodge (Assistant Director - Strategic Resources, Children and Young People’s Services Directorate), Barry Khan (Monitoring Officer and Assistant Chief Executive (Legal and Democratic Services)), Tom Knox (Emergency Planning Manager), Tom Morrison (Principal Accountant) and Fiona Sowerby (Corporate Risk and Insurance Manager).

Copies of all documents considered are in the Minute Book

58. Election of Chairman

Resolved –

That County Councillor Andrew Backhouse be elected Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2015.

County Councillor Andrew Backhouse in the Chair

County Councillor Andrew Backhouse, in taking the chair, thanked Members for re-electing him and announced the following:-

- Roman Pronyszyn was leaving Veritau. The Chairman wished him well for the future and thanked him for all the work he had undertaken for the Committee.
- James Daghish's term of appointment was scheduled to conclude on 27 June 2014. The Chairman, on behalf of the County Council, thanked and paid tribute to James Daghish, referring to the thoroughness of his work, his great knowledge, and the high respect in which Members regarded him.
- David Portlock's current term of appointment was also scheduled to conclude on 27 June 2014. The Chairman advised that the recruitment of External Members to the Committee was continuing and would be finalised shortly. The Chairman invited David Portlock, as the Committee's guest, to attend all Audit Committee meetings in the meantime. David Portlock advised that he was pleased to accept that invitation.
- Barry Khan had recently taken up appointment as the County Council's Monitoring Officer and Assistant Chief Executive (Legal and Democratic Services). The Chairman welcomed Barry Khan to the meeting.

59. Minutes

Resolved –

That the Minutes of the meeting held on 6 March 2014, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

60. Election of Vice-Chairman

Resolved –

That County Councillor Margaret Atkinson be elected Vice-Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2015.

61. Public Questions or Statements

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

62. Progress on Issues Raised by the Committee

Considered –

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

During debate:-

- The Corporate Director – Strategic Resources advised that he felt unable to make further progress with the Society of County Treasurers regarding the response to CLG’s consultation of late 2013 regarding a proposal to condense the timescale within which external auditors completed year-end financial accounts. He recommended that the Committee’s Minute 38 be regarded as implemented. Members expressed support for that recommendation.
- The Corporate Risk Management Group would be considering, at its next meeting, the presentation of Directorates’ Risk Registers. The Group had not met on 20 June 2014, as stated in the report.
- With regard to the appointment of External Members of the Committee, the Corporate Director – Strategic Resources advised that the County Council and the City of York Council had agreed a job description and person specification and were now deciding how to publicise the vacancies. This work had been delayed due to preparations for the Tour de France 2014.
- With regard to the Payroll audit, the Corporate Director – Strategic Resources circulated copies of the findings to Members and advised that Veritau would be undertaking a follow up review during July and August 2014, the results of which would be reported to the Committee in accordance with usual procedure.
- With regard to the Highways Maintenance Contract, the Corporate Director – Strategic Resources clarified that the suggestion which a Member had made at the Committee’s last meeting had been superseded by other actions, including discussions at full County Council and by the Executive.
- Members thanked Peter Yates (Assistant Director - Corporate Accountancy) for responding quickly to the questions they had raised outside this meeting concerning Treasury Management.
- Members queried whether it was appropriate for current reports to the Executive concerning Treasury Management to refer to the “Police Authority”. The Corporate Director – Strategic Resources undertook to arrange for future reports to the Executive to clarify the liabilities of the former Police Authority.

Resolved –

- (a) That the report be noted.
- (b) That Minute 38, concerning the Society of County Treasurers’ response to a CLG’s consultation regarding a proposal to condense the timescale within which external auditors complete year-end financial accounts, be regarded as implemented.
- (c) That the Corporate Director – Strategic Resources arrange for future Treasury Management reports to the Executive to clarify the liabilities of the former Police Authority.

The meeting adjourned for 5 minutes for a comfort break.

63. Internal Audit Work/Internal Control Matters for the Children and Young People's Services Directorate

Note: During discussion, Mr David Portlock requested that the Minute record that he was currently Chair of Governors at two primary schools.

Considered -

- (a) The report of the Head of Internal Audit advising of the internal audit work performed during the period 1 March 2013 to 31 May 2014 for the Children and Young People's Services Directorate. It was reported that the Head of Internal Audit was satisfied with the progress that had been made by management to implement previously agreed actions necessary to address identified control weaknesses and that, in the opinion of the Head of Internal Audit, the framework of governance, risk management and control operating in the Children and Young People's Services Directorate provided "Substantial Assurance".
- (b) The report of the Corporate Director - Children and Young People's Services providing an update of progress against the areas of improvement identified in the Children and Young People's Directorate's Statement of Assurance and details of the latest Risk Register for that Directorate.

During debate:-

- It was clarified that the information now presented relating to the Children and Young People's Services Directorate's Risk Register dated back to January 2014. It was reported that the Register was scheduled to undergo a full review in July/August 2014. The officers clarified that the Risk Register was not the Directorate's only planning tool and, as such, the suggestion that risks were being left unattended for six months was incorrect. The Corporate Director – Strategic Resources suggested that improvements were needed in the alignment of the Audit Committee meetings to which the various Directorates reported.
- Members commented that there appeared to be no Fallback Plan for some risks within the Risk Register. The officers advised that Fallback Plans were identified in other documents and acknowledged that, where Fallback Plans existed, they should be referenced in the Risk Register. Members also commented that, if Risk Reduction Actions were more specific (eg incorporating numbers), it would be easier to identify whether the actions had been successful. The officers responded that other documents, such as the Children and Young People's Plan, included specific milestones which were very visible. Members suggested that, if papers gave an incorrect impression, perhaps those papers should not be submitted to the Audit Committee. *(A discussion, about whether the Risk Register was the correct document to inform the Committee, took place during a later stage during the meeting and is recorded at Minute 71.)*
- County Councillor Eric Broadbent asked whether there was any action which the County Council could take in relation of accidents at schools because there had been a number of recent accidents in Scarborough schools. Anton

Hodge (Assistant Director - Strategic Resources, Children and Young People's Services Directorate) offered to look into the circumstances relating to the accidents if County Councillor Eric Broadbent wished to contact him, outside this meeting, to supply information about each case.

Resolved -

- (a) That it be noted that this Committee, having considered the report of the Head of Internal Audit, is satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.
- (b) That the position on the Children and Young People's Services Directorate's Statement of Assurance be noted.
- (c) That the updated Risk Register for the Children and Young People's Services Directorate, for the period to January 2014, be noted.
- (d) That the Corporate Director – Strategic Resources alter the alignment of Audit Committee meetings to which the various Directorates report in order that Directorate Risk Registers submitted to those meetings are as up-to-date as possible.

64. Annual Report of the Head of Internal Audit

Considered -

The annual report of the Head of Internal Audit which advised of:-

- internal audit work performed during the year ended 31 March 2014 and that, in the opinion of the Head of Internal Audit, the framework of governance, risk management and control operating within the County Council provided "Substantial Assurance";
- breaches of Finance, Contract and Property Procedure Rules identified during 2013/14 audit work;
- internal audit performance outturn for 2013/14 and Veritau's 2014/15 performance targets; and
- the conclusions arising from the Quality Assurance and Improvement Programme, the outcome of which demonstrated that the service provided by Veritau conformed to International Standards for the Professional Practice of Internal Auditing.

During debate:-

- Members commented that, overall, the 2013/14 breaches of Finance, Contract and Property Procedure Rules were minor in both number and nature.
- Members asked whether there were any underlying weakness behind the cases identified of inadequate contract monitoring. The Chairman asked the Head of Internal Audit to research this and inform Members of the outcome.

- The Corporate Director – Strategic Resources advised that contract management was an increasing risk and might be worthy of coverage at a future Audit Committee Members’ Seminar. Members expressed support for that suggestion.

Resolved -

- (a) That the overall “Substantial Assurance” opinion of the Head of Internal Audit regarding the control environment within the County Council be noted.
- (b) That the outcome of the quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards be noted.
- (c) That the breaches to Contract, Finance and Property Procedure Rules and the actions taken to address these matters be noted.
- (e) That Veritau’s performance outturn for 2013/14 and the performance targets for 2014/15 be noted.
- (f) That the Head of Internal Audit research whether there are any underlying weaknesses behind the cases identified of inadequate contract monitoring and inform Members of the outcome.
- (g) That contract management be the subject of a future Audit Committee Members’ Seminar.

65. Corporate Governance

Considered -

The report of the Corporate Director - Strategic Resources inviting the Committee to review the Annual Governance Statement for 2013/14 in advance of approving a later version at the meeting on 25 September 2014 and to recommend to the Executive that the updated Local Code of Governance be approved by the County Council.

It was noted that a version of the Local Code of Corporate Governance, which incorporated tracked changes to show amendments, had been circulated to Members by email on 24 June 2014.

The Corporate Director – Strategic Resources suggested that the Members’ Group giving detailed consideration to the Annual Governance Statement should be called a Working Group rather than a sub-group. Nominations were sought from Members interested in serving on that Working Group.

In response to Members’ questions, the officers:-

- reported that the Independent Panel on Members’ Remuneration reported to meetings of the full County Council, the Panel could decide the methodology for its work, and it was open and transparent about that methodology;
- undertook to consider whether all references to Members had been included within the draft Annual Governance Statement 2013/14;

- provide, to County Councillor Mike Jordan, a copy of the presentation about Procurement which had been provided to Audit Committee Members before County Councillor Mike Jordan was re-appointed to the Committee;
- share, with the Members' Working Group, the Corporate Governance Self-Assessment Checklist;
- include, in the record of recent work undertaken as part of the Corporate Governance agenda, the Ethical Framework training provided to Members;
- replace "2012/13" with "2013/14" alongside the space for the Audit Committee Chairman's signature on page 30 of the draft Annual Government Statement 2013/14;
- to consider a Member's suggestion to examine the costs of residential and nursing homes which were functioning well and to encourage this as part of benchmarking;
- arrange for the Business and Environmental Services Directorate to provide County Councillor Bill Hoult with a response to his question about the legacy of the Tour de France 2014;
- confirmed that the County Council's long term waste services contract was a major piece of contract management and the County Council needed to ensure the governance was correct; and
- confirmed that the governance arrangements relating to the Better Care Fund had been identified by Management Board and would be addressed during the forthcoming year.

Resolved -

- (a) That the updated Local Code of Corporate Governance, as set out at Appendix A to the report, be recommended to the Executive for approval by the County Council.
- (b) That, in respect of the draft Annual Governance Statement 2013/14, Members' comments, as recorded in the preamble to this Minute, be taken on board and that an updated version of the Statement be submitted to the Committee's meeting on 25 September 2014 for approval.
- (c) That the Committee's Chairman and Vice-Chairman, Mr David Portlock and County Councillor David Chance be appointed to the Members' Working Group to give detailed consideration to the Annual Governance Statement and report feedback to the full Committee on 25 September 2014.
- (d) That the Statements of Assurance, as set out at Appendix C to the report, be noted.

66. Governance Arrangements of the North Yorkshire Pension Fund

Considered -

The report of the Corporate Director - Strategic Resources providing details of the governance arrangements of the North Yorkshire Pension Fund.

During debate:-

- It was noted that very few amendments had been required to update the documents adopted in the previous year.
- A Member queried whether the references to expected returns, as mentioned on the following pages, were consistent statements:- “2.4%” on page 137; “1.5% pa” on page 171; and “3.0%” and “2.6%” on page 176. Tom Morrison (Principal Accountant) undertook to check and report back to Members.
- It was noted that significant changes to Pensions were being considered nationally and officers would keep Members informed of developments.

Resolved -

That the governance arrangements for the North Yorkshire Pension Fund be noted.

67. External Audit 2014/15 Fee Letters

Considered –

- (a) The letter from Deloitte LLP dated 23 April 2014 which advised of the external audit work they proposed to undertake for the 2014/15 financial year at North Yorkshire County Council, that new external auditors for the County Council would be appointed by the end of 2014 for the 2015/16 audits onwards, and that the planned fee for the 2014/15 audit, excluding the audit of the pension scheme and the certification of claims and returns, was £125,987 excluding VAT.
- (b) The letter from Deloitte LLP dated 23 April 2014 which advised of the external audit work they proposed to undertake for the 2014/15 financial year at North Yorkshire Pension Fund, that new external auditors for the Pension Fund would be appointed by the end of 2014 for the 2015/16 audits onwards, and that the planned fee for the 2014/15 audit was £24,943 excluding VAT.

During debate:-

- Celia Craig (Audit Director, Deloitte) highlighted that Deloitte had requested and received permission from the Audit Commission for a one year extension, for 2014/15, as the External Auditor to the County Council and North Yorkshire Pension Fund. Deloitte were happy with such an arrangement on the basis that the post holders in the relevant senior posts within the County Council had all changed in recent years.

- The Corporate Director – Strategic Resources advised that he had been asked, by the Audit Commission, if he was aware of any reason it would be inappropriate for KPMG to be the County Council's External Auditor for 2015/16 onwards. He added that, at this stage, he was unaware of any reason why that appointment would not be appropriate.
- Mr David Portlock advised that he had been a Partner at KPMG until 2003/04.
- Members expressed the hope that the handover between Deloitte and the new External Auditor would be smooth.

Resolved -

That the Audit Fee Letters 2014/15 be noted.

68. Progress on 2014/15 Internal Audit Plan

Considered –

The report of the Head of Internal Audit advising of the progress made to date in delivering the 2014/15 Internal Audit Plan and developments likely to impact on the Plan throughout the remainder of the financial year. Veritau's Client Relationship Manager highlighted that Veritau's audit work had been focussed on concluding all outstanding reviews from 2013/14. Most of those audits had now been completed and the relevant reports issued in final form. Only one audit from the 2014/15 audit plan had so far been completed and the final report issued. Six cases of suspected fraud or malpractice have been referred to Veritau for investigation since 1 April 2014. 233 requests under the Freedom of Information Act had been received between 1 April and 31 May 2014, representing a 24% increase on the corresponding period in 2013.

Resolved –

That the report be noted.

69. Review of Assurance over Value for Money

The Chairman expressed the view that insufficient time was available during the remainder of this meeting for the Committee properly to consider this item of business. Other Members supported that view.

Resolved -

That consideration of this item of business be deferred to the Committee's meeting on 17 July 2014.

70. Business Continuity - Update

Considered -

The report of the Corporate Director - Strategic Resources:- providing an overview of the current Business Continuity situation for North Yorkshire County Council with particular reference to Business Continuity arrangements for the Tour de France; and

responding to the Veritau internal audit of October 2013 to provide continued assurance for the management of risk within North Yorkshire County Council Directorates and Service Areas.

During debate, Tom Knox (Emergency Planning Manager) confirmed that consistency of understanding was improving amongst staff within Directorates in relation to Business Continuity Plans, that Plans were tested, and that he would like more engagement and to build trust between Emergency Planning staff and Directorates' staff.

Resolved -

That the progress made on the implementation of the updated strategy and revised structure for Business Continuity within North Yorkshire County Council be noted.

71. Risk Management - Progress

Considered -

The report of the Corporate Director - Strategic Resources setting out details of the updated Corporate Risk Register and highlighting the links between the Corporate Risk Register and the Directorate Risk Registers.

During debate:-

- The officers confirmed that they would, in accordance with an earlier decision of today's meeting, alter the alignment of Audit Committee meetings to which the various Directorates reported in order to ensure that Directorate Risk Registers submitted to those meetings were as up-to-date as possible.
- Members referred to earlier discussion at today's meeting (as recorded as Minute 63) and discussed whether Directorate Risk Registers were the correct document to inform the Committee. Members emphasised that Risk Register entries must be complete, risk reduction actions must be quantifiable, and Registers must be treated with importance within Directorates. The Corporate Director – Strategic Resources confirmed that Directorates took Risk Registers seriously. He added, however, that Risk Registers were not the chief planning document which drove business, although they were very important because they made management look at business through a different prism.

Resolved -

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, be noted.
- (c) That the links between the Corporate Risk Register and the Directorate Risk Registers, as shown in the diagram at Appendix B to the report, be noted.
- (d) That Directorate Risk Registers continue to be submitted to Audit Committee, although officers be asked to note that Committee Members wish Risk Register entries to be complete, risk reduction actions to be quantifiable, and Registers to be treated with importance within Directorates.

72. Programme of Work

Considered -

The Committee's Programme of Work for 2014/15.

Resolved –

- (a) That the Programme of Work be approved, subject to the following amendments:-
- “Partnership Governance – Progress Report” be submitted to the Committee's meeting on 17 July 2014, rather than to the 25 September 2014 meeting, on the basis that the report will be available in time for the 17 July 2014 meeting.
 - The business deferred from today's meeting, namely “Review of Assurance over Value For Money”, be rescheduled for the Committee's meeting on 17 July 2014.
- (b) That dates and times for the Committee's meetings scheduled for the period 1 January 2015 to 30 April 2015 be emailed to Mr David Portlock.

The meeting concluded at 4.20 pm.

RAG/JR

Deloitte.



Planning Report to the Audit Committee
31 March 2014

8 July 2014

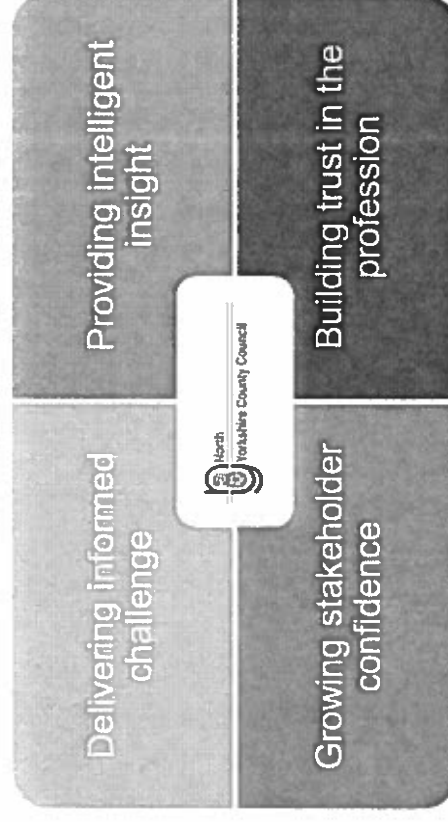
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Distinctive
audit

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I am delighted to present this planning report for the 2013/14 audit of North Yorkshire County Council. This report sets out our audit approach and the more significant areas where we will focus our attention this year.

Chris Powell, Audit Partner



The big picture

The big picture

We have set out below an overview of the key developments at the Council and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

Relevant developments

- Continuing budgetary pressure means that savings of £19.3m have been agreed for 2014/15 and a further £73.4m will be required over the following four years.
- Following the withdrawal of the PFI credits for the Waste project, the Council is still working with the appointed contractor, AmeyCespa to achieve financial close.
- As part of the savings proposals within the budget, the Council has undertaken restructuring within key corporate areas such as Finance.

Key developments in financial reporting requirements

- Clarification regarding the frequency of revaluations for properties which clarifies previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.
- Changes to Code requirements in respect of the classification, recognition, measurement and disclosure of post-employment benefits.
- The national Council Tax Benefit scheme has been replaced by a local Council Tax Reduction scheme, which the District Councils have implemented from the start of the year, and which will impact on the income received under the precept arrangements.
- There are changes to the accounting requirements arising from the localisation of business rates in England from 1 April 2013 as well as other smaller changes to presentation and disclosure matters in the financial statements.

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

Key measures from the FY13 Accounts

General Fund Net Expenditure **£342.9m**

Earmarked Reserves **£101.3m**

General Fund Capital Expenditure **£72.0m**

Materiality

Our materiality is based on our assessment of risk and calculated on the basis of gross expenditure, we estimate materiality to be £16m for the current year.

Significant Accounting Risks

- Valuation of non-current assets
- Accounting for interests in group companies and the recoverability of inter-organisational balances
- Management override of controls
- Revenue recognition

Value for Money Risks

- Financial planning and efficiency plans
- Reduction in capacity resulting from the reduction in the financial settlement
- Revision of the waste project following withdrawal of PFI credits

Our audit quality promise

Our audit quality promise

Our new quality standard



“The quality of our audit delivery is of great importance to us. In order to ensure we deliver excellent service to you we have developed our Audit Quality Promise.

Key aspects of this delivery are:

- how we communicate with you throughout the year;
- what insight we bring around the quality of control environment, systems and audit risk areas; and
- how we ensure that our team is delivering the best quality audit.

This document sets out our commitments to management and officers and members in these areas and we will actively seek feedback on how we have performed against them.

From discussion with you and with other Local Government Bodies, we know that you value an integrated audit approach which encompasses the main financial statements audit, whole of government accounts and value for money conclusion.

We have developed a deep understanding of the Council during our appointment as auditors and we have identified a team with continuity to deliver the 2013/14 audit. We will supplement this team with skilled, experienced and knowledgeable individuals to ensure the timely and effective delivery of our audit. We pledge to take the same approach with a consistent audit team, drawing on experts as necessary.”

Our commitment to you

Communication

We believe that regular face to face communication is essential to delivering quality and insight through our audit. We have set out below our planned communications schedule for both the audit period and throughout the year.

Year round communication

We will hold regular meetings with Richard Flinton and Gary Fielding to discuss strategic developments of the Council and in-year performance. We will also hold regular meetings with Peter Yates and officers to discuss accounts and audit related issues.

Senior members of the audit team will attend the Audit committee where updates on the audit process are to be provided.

We will make ourselves available through the year for ongoing discussions as necessary.

Responding to queries and requests

We will always endeavour to respond to queries and requests within 24 hours and to give definitive timescales for delivery or their resolution.

We will proactively set up meetings to discuss any technical accounting or regulatory developments, which could have a significant impact on the council as soon as we become aware of them.

We will make ourselves available to discuss issues as they arise, in advance of the year end to assist the efficiency and effectiveness of the closedown and accounts production process.

During the main audit period

We will hold regular progress updates with Peter Yates and Katy Riley to discuss findings and any emerging issues on the financial statement audit.

We will hold a close meeting with Gary Fielding and Peter Yates ahead of drafting our Audit Committee papers.

Open feedback process

We will carry out debrief meetings with Katy Riley and the finance team to discuss how we have delivered against the commitments on both sides, as set out in this document, and any other aspects of our delivery.

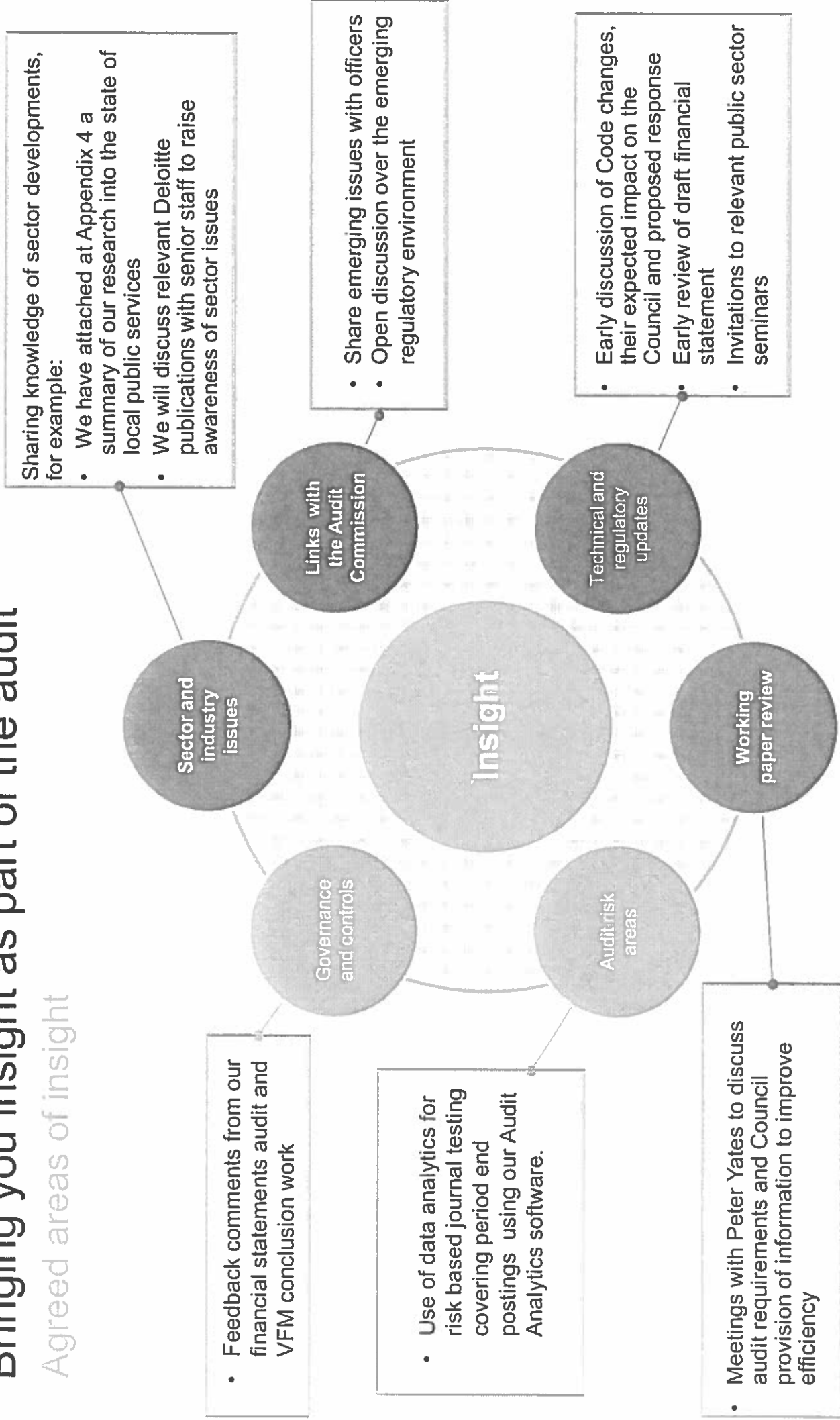
We will respond to this feedback with agreed actions and timescales.

We will also seek direct feedback through regular meetings during the year.

We are also happy to hear and act upon informal feedback at any point during the year.

Bringing you insight as part of the audit

Agreed areas of insight



Changes in your Statement of Accounts

Changes in your Statement of Accounts

New reporting requirements

We welcome this opportunity to set out for the Audit Committee a summary of the latest developments in financial reporting which will impact this year end.



Change in Code of Practice on Local Authority Accounting requirements	Impact on the Council
<p>Presentation of Financial Statements – The Code makes amendments to the format of the Comprehensive Income and Expenditure Statement resulting from changes to IAS 1.</p> <p>This is in respect of items that are potentially reclassifiable to Surplus or Deficit on the Provision of Services at a future time. Where authorities have transactions that include amounts that are reclassifiable in the Surplus or Deficit on the Provision of Services, the items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:</p> <ul style="list-style-type: none"> a) will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services; and b) will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met. 	<p>Where local authorities do not have such transactions, no change is needed to the format of the Comprehensive Income and Expenditure Statement. However CIPFA recommends in such circumstances that authorities clarify in their summary of significant accounting policies that where this is the case, they do not have such transactions and have therefore not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be reclassifiable and amounts that are not.</p>
<p>Accounting for business rates retention: the Code provides guidance on the accounting requirements arising from the localisation of business rates in England from 1 April 2013.</p>	<p>This will require a change in the form of accounting for the 2013/14 Statement of Accounts.</p>
<p>Dedicated Schools Grant (DSG) – there is a change in the disclosures for DSG.</p>	<p>Changes will be needed to the format of the note to bring into line with the latest guidance.</p>

Changes in your Statement of Accounts

New reporting requirements

<p>Revaluation of properties - Clarification regarding the frequency of revaluations for Property, Plant and Equipment which amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.</p>	<p>This is considered in more detail in the next section.</p>
<p>Post-employment benefits – changes have been made to the Code in respect of the classification, recognition, measurement and disclosure requirements introduced as a result of amendments to IAS 19.</p>	<p>This will require a number of changes to the calculation and presentation of entries.</p>
<p>The Carbon Reduction Commitment (CRC) Energy Efficiency scheme – The Code has been updated for changes in the scheme applicable to 2013/14. In particular, as 2013/14 is the end of the introductory phase, there is no option to carry forward allowances for use in respect of emissions in 2014/15 with any remaining unused allowances at the end of the introductory phase become invalid. Guidance on any allowances purchased prospectively for 2014/15 is pending.</p>	<p>Management should consider whether this has a material impact.</p>

Scope of work and approach

This section sets out our planned scoping for the audit of the Council's financial statements. We discuss our estimated materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

Areas of responsibility under the Audit Commission's Code of Audit Practice

Responsibilities related to the financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and the Audit Commission's Code of Audit Practice. The Council will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility.

Value for money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusion is given in respect of two criteria:

- Whether the organisation has proper arrangements in place for securing financial resilience
- Whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we take into account our work on the Annual Governance Statement and the work of regulators.

Pensions Audit

Our audit of the pension fund is planned in accordance with the Code of Audit Practice and additional guidance in relation to the audit of pension funds issued by the Audit Commission.

Based on this guidance, auditors are required to treat the Local Government Pension Scheme (LGPS) as a stand-alone body, with separate audit plan and reports to those charged with governance.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will also review reports from regulatory bodies and any related action plans developed by the Council.

Assurance report on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Council's WGA return. Our report is issued to the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

Grants

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority.

The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

Scope of work and approach (continued)

Approach to controls testing

As set out in "Briefing on audit matters" circulated to you within Appendix 6 of this report, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

Our audit approach consists of the following:

- Obtain an understanding of the entity and its environment including the identification of relevant controls;
- Identify risks and any controls that mitigate those risks;
- Carry out 'design and implementation' work on relevant controls;
- If considered necessary, test the operating effectiveness of selected controls; and
- Design and perform a combination of analytical procedures and tests of details that are responsive to the assessed risks.

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the Council, although we will report to management and those charged with governance any recommendations on controls that we may have identified during the course of our audit work.

Liaison with Internal Audit

We continue to rely on the work of Internal Audit to inform our risk assessment. The Auditing Standards Board has issued a revised version of ISA 610 (UK & Ireland) 'Using the work of Internal Audit' which prohibits the use of Internal Audit to provide direct assurance to the audit. Our current approach to use the work of Internal Audit to inform our risk assessment is compatible with the new requirements. We plan to hold a discussion with the Head of Internal Audit to understand the work performed and findings identified. Where weaknesses in the control environment have been identified we will consider the impact on our risk assessment and consider adjusting our audit response as required.

Materiality and error reporting threshold

For the 2013/14 financial statements, we will calculate materiality on the basis of gross expenditure. An initial indication of materiality based on the Council's draft financial statements is £16 million. We will report to the Audit Committee on all unadjusted misstatements greater than 2% of our calculated materiality and other adjustments that are considered qualitatively material.

Whole of Government Accounts

Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Council's Whole of Government Accounts return. We will review the return to check consistency with the audited statutory accounts.

Value for money conclusion

Value for money conclusion

Our work will focus on the extent to which the Council has proper arrangements in place to secure value for money.

Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the Council has put in place proper arrangements to secure financial resilience and economy, efficiency and effectiveness in its use of resources - this conclusion is known as "the VFM conclusion".

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2014
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the Council's system of internal control as reported in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there was none in 2014; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Preliminary assessment

We have carried out a risk assessment, involving consideration of common risk factors for local authorities identified by the Audit Commission, our prior year audit findings, and our understanding of corporate management arrangements in place for risk, performance and project management, and concluding on whether they represent risks for the purpose of our VFM conclusion on the Council.

We have undertaken this preliminary work through review of relevant documentation, including Executive and Committee papers, the Council's strategic risk register and financial and non-financial performance management information, and discussion with officers as necessary. We will update our detailed risk assessment from April to take account of the outturn financial and performance information for 2013/14, and through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

Value for money risks

This section sets out the nature of the Value for money risks identified from our initial assessment and discussions with management. As well as the specific work we will undertake to address these risk.

1. Financial planning and efficiency plans

Efficiency plans are still being developed to address the medium term financial pressures.

Nature of risk

The Council continues to face severe financial pressures over the next few years. A medium term financial strategy (MTFS) with financial projections to 2018/19 is in place. Savings of £19.3m have been agreed for 2014/15 and a further £73.4m will be required over the following four years. Proposals for £22.5m are in place for 2015/16 and high level proposals totalling £38.7m have been identified for the subsequent years, leaving a current gap of £12.2m to identify. The 2020 North Yorkshire programme will be critical to the achievement of the financial strategy and addressing the savings.

Audit work planned to address the significant risk

We will select a sample of budget reduction measures to assess the reasonableness of the quantification of the savings to be achieved, the risk assessment and the processes for identifying and addressing any costs of implementation.

We will maintain a watching brief over the delivery of the savings plans and progress in the development of the savings plans to address the remaining balance to be addressed.

Given the Council's strong track record in delivering the One Council, we do not at this stage anticipate undertaking any detailed audit work in relation to 2020 North Yorkshire programme. We will, however, carry out a high level review of project management arrangements to develop our understanding and consider the implications for our VFM risk assessment.

2. Reduction in capacity

The Council must deliver significant change in response to financial pressures at a time when resource has and continues to reduce.

Nature of risk

As part of the savings proposals within the budget, the Council has undertaken restructuring within key corporate areas such as Finance and is continuing to reduce capacity across the organisation, including key functions such as Internal Audit. Although we have not identified any issues arising during our 2012/13 audit and have not identified any specific risks in 2013/14, the adequacy of capacity and capability in these functions continue to be critical during the current period of change and financial pressures. Reduction in capacity also increases the risk of slippage in or non-compliance with the current control environment which has previously been assessed as strong.

Audit work planned to address the significant risk

We will maintain a "watching brief" over the adequacy of the capacity within the Finance and Internal Audit functions during the course of our audit. We will liaise with Internal Audit and consider the implications of any concerns identified from their work. This will be carried out in conjunction with our audit work on the accounts.

3. Withdrawal of Waste PFI credits

The withdrawal of the waste PFI credits has a significant impact on the feasibility of the scheme.

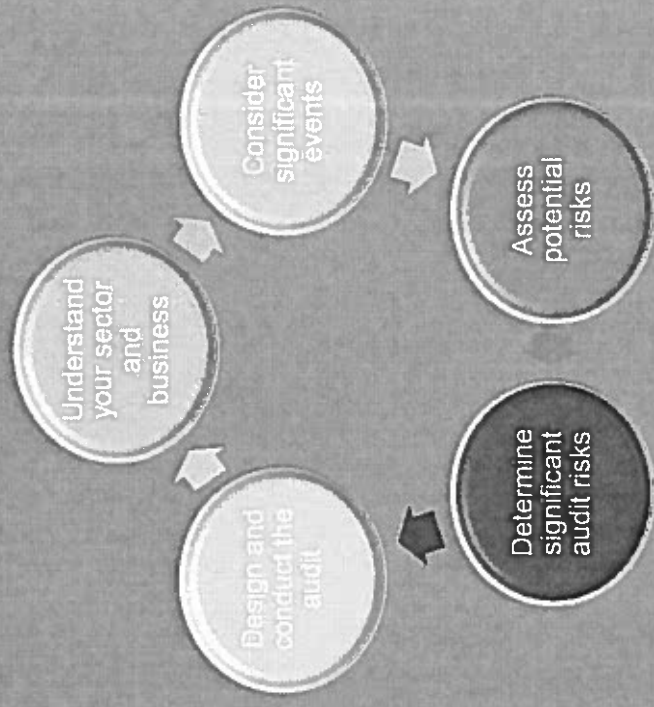
Nature of risk

Following the withdrawal of the PFI credits for the Waste project, the Council is still working with the appointed contractor, AmeyCespa to achieve financial close. At the time of our risk assessment, the Council was waiting for AmeyCespa to pull together the funding package.

Audit work planned to address the significant risk

We will review the progress of the re-evaluation of the scheme and, in due course, consider the affordability of the revised scheme and its impact on the Council's financial position and MTFS.

Significant audit risks



This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

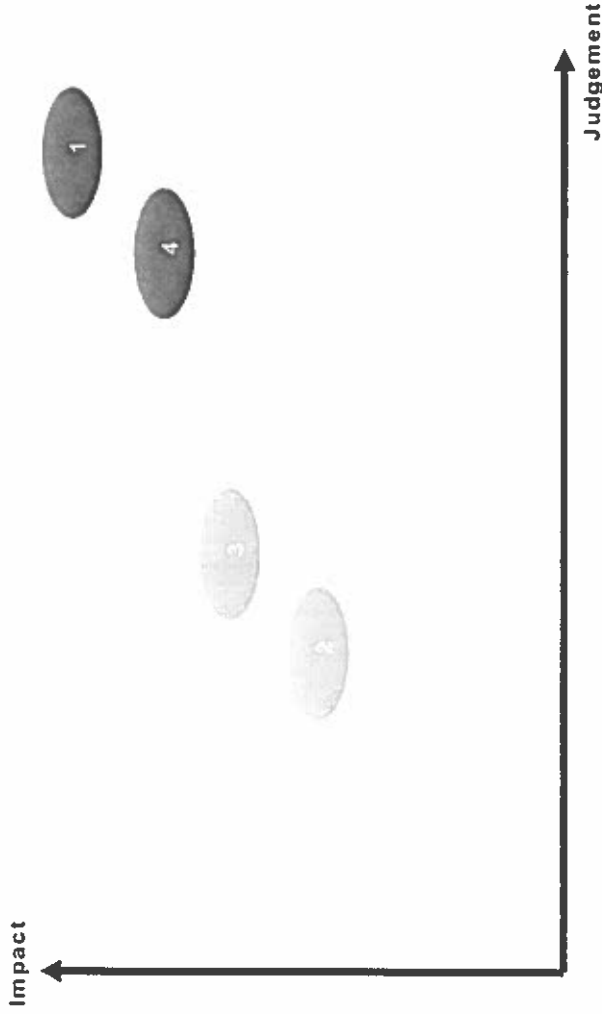
We will perform an assessment of risks which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you in due course any significant findings from our scoping work.

Significant audit risks

Risk Assessment

Based upon our initial assessment and following discussion with management, we will concentrate specific effort on the significant audit risks set out below.

We have plotted the key audit risks to show where we believe there is highest level of judgement and impact on the financial statements.



Accounting risks

1. Valuation of non-current assets
2. Accounting for interest in group companies and the recoverability of inter-organisational balances
3. Management override of controls
4. Revenue recognition

1. Valuation of non current assets

This is a key accounting estimate, which can result in large movements within the accounts.

Nature of risk

There has been a clarification of the Code of Practice for 2013/14, the Council is required to revalue property, plant and equipment with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The council's approach has been to value land and buildings on a 5 year rolling basis with a selection of categories being revalued each year, so that all categories are valued each cycle. To comply with the change in the requirement in the current year they have obtained a valuation of a sample of assets from each category that has not been revalued in full to ensure that they are not materially different to their fair value.

The key judgement areas and their potential impact on the financial statements

The number and value of the non-current assets held by the Council is significant and due to the current economic climate the calculation of the valuation requires management to exercise a significant amount of judgment.

Audit work planned to address the significant risk

We will obtain a copy of the third party valuation report for the full categories revalued in the year as well as the sample of land and buildings from the remaining categories prepared by Bruton Knowles. We will select a sample of revaluations within the year and will undertake an evaluation of the appropriateness and validity of the underlying assumptions used in reaching the valuations using our in-house property specialists.

We will review the data extract supplied by the Council to Bruton Knowles, as at 31 March 2013, to determine if the valuation has been prepared based on information from the Council that is both accurate and complete. We will also review the fixed asset register as at 31 March 2014 to ensure the results of the valuation have been appropriately reflected in the underlying accounting records.

We will review management's consideration of the Bruton Knowles report for impairments and assess whether these will have an impact on other assets controlled by the Council that have not been revalued in the current year.

2. Group companies

Accounting for interests in group companies and the recoverability of inter-organisational balances can require significant judgment from management.

Nature of risk

Accounting for interests in group companies and the recoverability of inter-organisational balances can require significant judgment from management to determine the appropriate accounting treatment for each group company.

The key judgement areas and their potential impact on the financial statements

There is a risk concerning the recoverability of inter-organisation balances made by the Council to its group companies. The Council holds 100% shareholding in NYnet Limited and an indirect 100% shareholding in its subsidiary NYnet 100 Limited, a 78% shareholding in Yorwaste Limited, a 50% shareholding in Veritau Limited and an indirect 25% in Veritau's subsidiary Veritau North Yorkshire Limited and a 30% shareholding in North Yorkshire Business and Education.

Audit work planned to address the significant risk

We will review the accounting treatment adopted for the 30% shareholding in the North Yorkshire Business and Education as management have historically excluded this from the consolidation on the grounds of materiality.

We will consider the recoverability of current trading balances with all group companies by reviewing management's processes to agree inter-organisational balances as well as reviewing post year cash receipts and payments. The recoverability of long term loans with all group companies will be assessed through review of current year trading profits and cash generation as a basis for assessing the future trading forecasts.

We will obtain management's consolidation workings and review the accounting treatments adopted and whether they reflect management's ability to control the group entities.

3. Management override of controls

This is a presumed risk under auditing standards, given management's unique position to perpetrate fraud.

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The significant risk in relation to management override and its potential impact on the financial statements

Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Management may override controls through:

- recording fictitious journal entries;
- applying inappropriate judgment;
- omitting, advancing, or delaying recognition of events and transactions;
- engaging in complex transactions that are structured to misrepresent financial position or financial performance;
- omitting disclosure of related parties and transactions; and
- altering records related to significant and unusual transactions.

Audit work planned to address the significant risk

We shall design and perform audit procedures to:

- test the appropriateness of journal entries and other adjustments recorded through use of our Audit Analytics software to analyse journal data as a basis for focusing our testing on higher risk journals;
- review accounting estimates for evidence of bias;
- test the related parties balances and disclosures for accuracy and completeness; and
- review the business rationale of significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual given our understanding of the organisation and its environment.

4. Revenue Recognition

Evaluating whether recognition is consistent with the Code can involve significant judgement.

Nature of risk

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

The key judgement areas and their potential impact on the financial statements

For the Council, based on our knowledge gained from previous audits, we consider that the specific revenue recognition risk relates to accounting for grant income.

The key judgment relating to grant income is the timing at which revenue is recognised with reference to the relevant standards, including IAS 20: "Accounting for Government Grants and Disclosure of Government Assistance". It can be complicated to determine the timing of the recognition of the grant income revenue, and require management's judgment to determine that there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received.

Audit work planned to address the significant risk

We will perform a review of a sample of grant income that has been recognised in the Comprehensive Income and Expenditure account to test that the conditions of the grant have been met and the associated expenditure incurred.

We will perform a review of a sample of grant income which has been deferred to future accounting periods (in either creditors or reserves) to test whether the accounting treatment of the grant is appropriate based on whether the Council has met the conditions of the grant, the grant is subject to claw back if the conditions are not met or the Council is yet to incur the associated expenditure.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit; and
- Key accounting updates, relevant to you

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Audit Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" which has been included at Appendix 6.
- The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audit bodies by summarising the different responsibilities of auditors and of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP
Chartered Accountants

Leeds
8 July 2014

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of North Yorkshire County Council.

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below:

Independence confirmation We confirm we are independent of North Yorkshire County Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2014 in our final report to the Audit Committee. Audit Commission standing guidance on the rotation of audit partners means that a new engagement lead should be appointed for the 2014/15 audit. As 2014/15 will be our last year of appointment we have requested and received permission from the Audit Commission to a one year extension. As a safeguard a review of our independence will be performed by a partner who is not associated with the audit.

Fees Our audit fees are set by the Audit Commission in line with national scale fees. Details of audit fees, for the year ending 31 March 2014, for those services for which we have been engaged or proposed for as at the date of this report are presented in the table below. We confirm that we have not performed any non-audit work for the year ending 31 March 2014.

	Current year £	Prior year £
Audit of Council under Audit Commission Code of Audit Practice		
Audit Commission scale fee	125,987	125,987
Audit of the Pension Fund	24,943	24,943
Total Audit	150,930	150,930

Non-audit services In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Appendix 2: Fraud: responsibilities and representations

As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets

Responsibilities

Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant audit risk section above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risks for your organisation.

Appendix 2: Fraud: responsibilities and representations (continued)

We make enquiries of Management, internal audit and those charged with governance regarding fraud.

We will make the following inquiries regarding fraud:

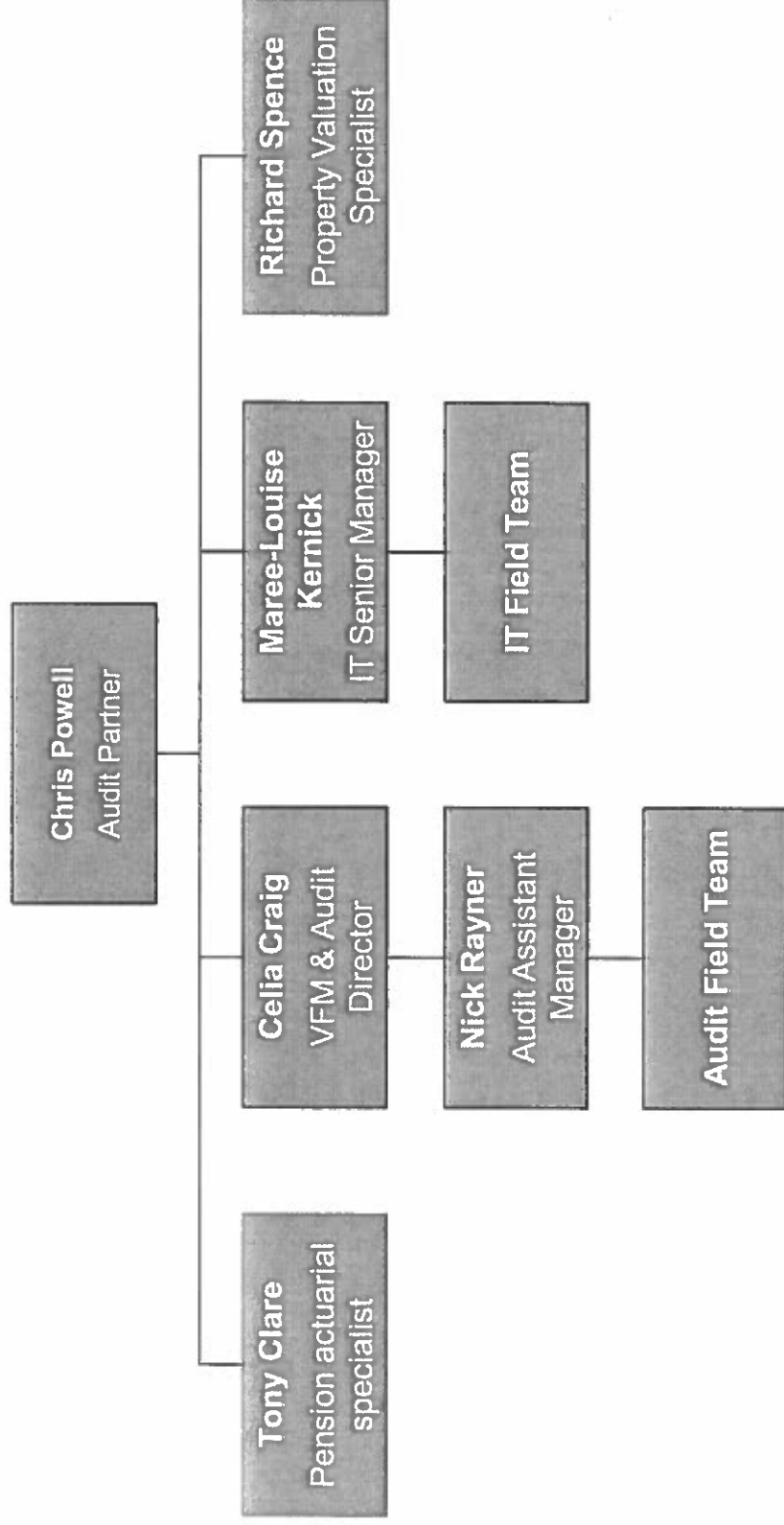
Management	Internal Audit	Those charged with governance
<p>Managements assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments</p> <p>Managements process for identifying and responding to the risks of fraud in the entity</p> <p>Managements communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity</p> <p>Managements communication, if any, to employees regarding its views on business practices and ethical behaviour</p> <p>Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud</p>	<p>How those charged with governance exercise oversight of managements processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks</p> <p>Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity</p>

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 3: Your audit team

A senior team, with continuity from last year, that incorporates specialists to perform audit work over pensions and property valuations and also provide insight and add value to the Council in those areas.



Appendix 3: Timetable

Timing of our work and communication

Set out below is the approximate expected timing of our reporting and communication with the Council and its officers.

Planning	Interim results review	Year end fieldwork	Reporting	Post reporting activities
<p>Meetings with management to:</p> <ul style="list-style-type: none"> confirm risk assessment and management response; and agree on key judgemental accounting issues <p>Early discussion on areas to improve financial statements</p>	<p>Review of results for the year to date</p> <p>Complete audit work to refresh our understanding of the Council and its systems, processes and internal controls</p>	<p>Present the audit plan to the Audit Committee</p> <p>Complete audit testing as set out in this Audit Plan</p> <p>Complete testing on the annual report and the whole of government accounts returns</p> <p>Finalisations of work in support of Value for Money conclusion</p> <p>Discuss and agree conclusions with the finance team and present findings to the Corporate Director – Strategic Resources</p>	<p>Present findings, final report and the audit opinions to the Audit Committee</p> <p>Sign the audit opinions</p> <p>Report to the National Audit Office on the Whole of Government Accounts returns</p>	<p>Hold a lessons learned meeting with the finance team</p> <p>Seek feedback on the audit process from Officers and the Audit Committee</p> <p>Issue of annual audit letter</p>
March 2013	April – June 2013	July – August 2013	September - October 2013	October 2013 onwards
Ongoing communication and feedback				

Appendix 4: State of local public services

We summarise the outcome of our research which provides further context for our audit.



During the spring and summer of 2013, Deloitte conducted detailed research to answer a simple question: what is the state of the UK state? As part of the research, we commissioned IPSOS MORI to capture the attitudes of people that run local public services. The results provide a snapshot of local services during a period of profound change. We have summarised the key messages in relation to local public services below.

Overall

Overall chief executives told us that they feel their organisations are coping well and responding effectively to the challenging circumstances.

They also said that while the depth and speed of change has been difficult for staff, morale is holding up, although future cuts create understandable concerns.

Link between local economies and local services has moved up the agenda

Combined with cuts, the recession has put the health of local economies high on the agenda. Weak economic growth and unemployment has increased pressure on the local public sector as demand for spending has increased. This concern was a clear theme, particularly at a time when cuts are reducing capacity to provide. One police respondent reported that while crime was down overall, shoplifting for food has increased.

Local public service executives fear the impact of welfare reforms

Our research suggests that public service leaders are particularly concerned about the fallout from welfare reform. Some wondered if central government has assessed whether savings on welfare spending will be counterbalanced by increased demand on local services. This was particularly a concern for directors in children's services where interviewees described rises in child protection cases. Many expressed concerns that cuts will affect their ability to invest in preventative services.

The people in our local public services are focused on opportunities – not just challenges

Our research showed that local public service executives see the current climate as an opportunity to refocus their services on residents' needs and outcomes, as well as to use creativity rather than resources to solve problems. One police respondent told us that in the past, additional finance would have been used to deliver change – but now, the force explores service redesign. On balance, interviewees felt that the opportunities of the coming five years outweigh the challenges.

Appendix 4: State of local public services (continued)



The game has changed – so have leadership priorities

When interview responses were collated, a striking trend emerged: organisational leaders are focused on their people and how they can be empowered to rise to their organisation's challenges. Public value is a notably important issue; a number of executives mentioned values – such as caring, fair and trusted – as being central to the public service ethos. At a time of public sector headcount reductions, interviewees spoke of the importance of attracting staff with the right skills.

A new public services landscape has brought a new set of risks

A number of interviewees told us about the advantages of public sector partnerships in delivering joined-up services, transferring knowledge and generating savings. Most thought that partnerships with the private and third sectors were also beneficial. They thought that cross-sector working brought specific benefits, including exposure to new ideas and new delivery models, efficiency and quality from private sector and local knowledge and niche services from the third sector. But many also recognised that commissioning and partnerships outside the public sector brought new, critical risks that needed to be managed.

Appendix 5: Prior Year Uncorrected Misstatements

The following uncorrected misstatement was identified during the course of our audit in the prior year.

The Audit Committee considered that the uncorrected misstatement was immaterial in the context of the Statement of Accounts taken as a whole, and therefore no adjustments were required.

Description	Liabilities DR / (CR) £	Income Statement DR / (CR) £
Overstatement of the accumulated absence provision		
Dr accumulated absence provision	275,280	-
Cr cost of services	-	(275,280)
Total	275,280	(275,280)

Appendix 6: Briefing on Audit matters Published for Those Charged With Governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Financial Reporting Council ("FRC") and the Code of Audit Practice as established by the Audit Commission. Our statutory audit objectives are:

- to express an opinion in true and fair view terms to the members on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting;
- to satisfy ourselves that the entity has put in place appropriate systems and processes to secure economy, efficiency and effectiveness in its use of resources, we are required to report any matters that prevent us being satisfied that the audited body has put in place such arrangements; and
- to express an opinion as to whether the Annual Governance Statement, is consistent with the financial statements and our knowledge of the Council.

Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Appendix 6: Briefing on Audit matters (continued)

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

Appendix 6: Briefing on Audit matters (continued)

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK and Ireland)”) we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of ‘clearly trivial’. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for ‘clearly trivial’. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to members and create value for management and the Audit Committee whilst minimising a “box ticking” approach.

Our audit methodology is designed to give officers and members the confidence that they deserve.

For controls considered to be ‘relevant to the audit’ we evaluate the design of the controls and determine whether they have been implemented (“D & I”). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures

Appendix 6: Briefing on Audit matters (continued)

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities related to other information in documents containing audited financial statements

Appendix 6: Briefing on Audit matters (continued)

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board (“APB”), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.

In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm’s policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT, formerly known as the Audit Inspection Unit), which is part of the FRC’s Conduct Division, and the ICAEW’s Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW’s Audit Registration Committee.

Appendix 6: Briefing on Audit matters (continued)

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any closely-related person) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any closely-related person) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any closely related persons) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.

Deloitte.

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North Yorkshire Pension Fund

Planning Report to the Pension Fund
Committee and Audit Committee

Year ending 31 March 2014

the
Distinctive
audit

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I am delighted to present this planning report for the 2013/14 audit of the North Yorkshire Pension Fund. The report sets out our audit approach and the more significant areas where we will focus our attention this year.

(Chris Powell, Engagement Partner, June 2014)



The Big Picture

The Big Picture

We have set out below an overview of the key developments in the Pension Fund and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

Developments in your Pension Fund

- There are no significant changes to the scheme rules or other arrangements affecting the year ended 31 March 2014
- There are no significant changes to the financial reporting framework
- Focus within the sector on administration and investment manager fees

Developments in our audit and areas of audit focus

- No changes to the overall scope of the audit. Materiality will increase due to an increase in the materiality for the administering authority, North Yorkshire County Council. We have estimated materiality and will confirm it when the materiality for North Yorkshire County Council and the other admitted and scheduled bodies is finalised.
- Contributions remain a significant audit risk in view of the complexity arising from the participation of different admitted bodies within the fund, together with the fact that members may pay different rates depending on their pensionable pay.
- Benefits in retirement and ill health remain significant audit risks in view of complexities around their calculation.
- The pension fund in the past has made some use of investments in simple derivatives, absolute return vehicles and quoted property funds which can give rise to complexities in accounting, disclosure and measurement and therefore this area remains a significant audit risk.
- Risk of management override of controls, is presumed by auditing standards to be a significant audit risk.

Significant audit risks

- Contributions
- Benefits
- Investments – namely simple derivatives, absolute return vehicles and quoted property funds
- Management override of key controls, as presumed by auditing standards

Scheme net assets

2013: £1,840.7m
2012: £1,565.6m

Contributions

2013: £105.6m
2012: £105.2m

Benefits

2013: £84.6m
2012: £82.2m

Materiality

2014: £20.9m (est)
2013: £12.1m
2012: £12.8m

Our audit quality promise

Our audit quality promise

Our new quality standard



"The quality of our audit delivery is of great importance to us. In order to ensure we deliver excellent service to you we have developed our Audit Quality Promise

Key aspects of this delivery are:

- how we communicate with you throughout the year;
- what insight we bring around the quality of control environment, systems and audit risk areas; and
- how we ensure that our team is delivering the best quality audit.

This brief document sets out our commitments to management and officers and members in these areas and we will actively seek feedback on how we have performed against them.

We have developed a deep understanding of the Pension Fund during our previous audits and we have identified a team with a good degree of continuity to deliver the 2013/14 audit. We will supplement this team with skilled, experienced and knowledgeable individuals to ensure the timely and effective delivery of our audit. We pledge to take the same approach next year with a consistent audit team, drawing on experts as necessary."

Chris Powell
Audit Partner

Ongoing commitment

The vision for our audit relationship

	FY14	FY15
Overall environment	<ul style="list-style-type: none"> Focus on contributions, benefits, investments and management override of controls as areas of Significant Risk. 	<ul style="list-style-type: none"> First year that Career Average regulations will be implemented. First year of new contribution rates as determined by the Actuary.
Scope	<ul style="list-style-type: none"> Risk based approach tailored using experience from the previous year. 	<ul style="list-style-type: none"> A risk focused approach that adapts with the changing risks of the Pension Fund, particularly around calculations of benefits based on the new Career Average regulations.
Focused insight	<ul style="list-style-type: none"> Sector updates and insight (see insight slide). 	<ul style="list-style-type: none"> Insight will be at the heart of our audit and will be delivered by our core audit team. Regulatory updates and sector updates.
Embedded Analytics	<ul style="list-style-type: none"> Use of Excel Analytics throughout the audit. Risk focused journals testing using Excel Analytics tools. 	<ul style="list-style-type: none"> Continued emphasis on the involvement of analytics with a view to streamline our approach to obtaining valuations of publicly available share prices.
Team	<ul style="list-style-type: none"> Continuity of senior staff and audit team and Pension's experts. 	<ul style="list-style-type: none"> Commitment to continuity of staff.
Technical/ regulation	<ul style="list-style-type: none"> Sector Development updates for management. 	<ul style="list-style-type: none"> Focus on changes to the Code.

Our commitment to you

Communication

We believe that regular face to face communication is essential to delivering quality and insight through our audit. We have set out below our planned communications schedule for both the audit period and throughout the year.

Year round communication

We will hold quarterly calls with Tom Morrison, Pensions Accountant to discuss:

- Developments and changes in the Scheme;
- Regulatory / technical updates; and
- Industry issues and briefings

Senior members of the audit team will attend the Pension Fund Committee and Audit Committee where we will present updates on the audit progress.

During the main audit period

We will diarise status updates with the Principal Accountant to discuss audit progress and any issues arising before issuing our report.

We will hold an audit close meeting with Tom Morrison to discuss findings and final results.

Responding to queries and requests

We will always endeavour to respond to queries and requests within 24 hours and to give definitive timescales for delivery or their resolution.

We will proactively set up meetings to discuss any technical accounting or regulatory developments, which could have a significant impact on the Authority as soon as we become aware of them.

We will make ourselves available to discuss issues as they arise, in advance of the year end to assist the efficiency and effectiveness of the closedown and accounts production process.

Open feedback process

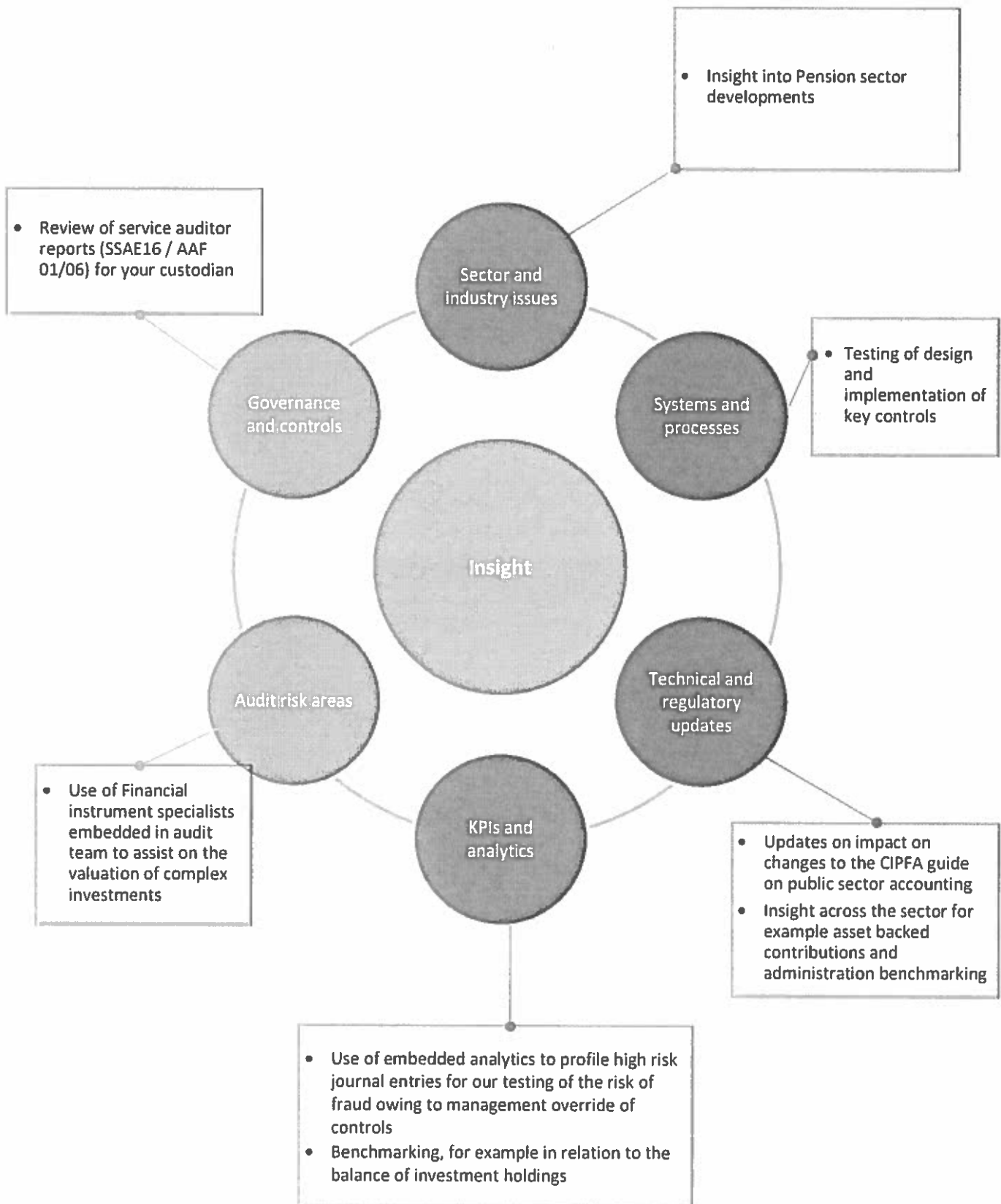
We will carry out debrief meetings with Gary Fielding, Treasurer of the North Yorkshire Pension Fund to discuss how we have delivered against the commitments on both sides, as set out in this document, and any other aspects of our delivery.

We will respond to this feedback with agreed actions and timescales.

We are also happy to hear and act upon informal feedback at any point during the year.

Bringing you insight as part of the audit

Agreed areas of insight



Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

Areas of responsibility under the Audit Commission's Code of Audit Practice

Responsibilities related to the accounts of the administering authority and value for money

Based on guidance issued by the Audit Commission, auditors are again asked, for audit purposes, to treat the Local Government Pension Fund (LGPS) as a stand-alone body, with separate audit plan and reports to those charged with governance.

LGPS funds administered by administering authorities are not statutory bodies in their own right. Therefore, it is not possible for separate audit appointments to be made for LGPS audits. We are therefore appointed to the audit of the LGPS through the existing Audit Commission appointment arrangements.

Our audit of the pension fund is conducted in accordance with International Standards on Auditing (UK and Ireland) (ISA (UK and Ireland)) as adopted by the UK Auditing Practice Board and the Audit Commission's Code of Audit Practice and in accordance with additional guidance issued by the Commission in relation to the audit of pension funds. However, this only extends to the audit of the accounts and there is no requirement for a value for money conclusion on the pension fund accounts specifically. Aspects of the use of resources framework will inform the value for money conclusion for the Authority and cover issues relating to the pension fund.

Responsibilities related to the Pension Fund annual report

The audit opinion we intend to issue as part of our audit report on the Authority's financial statements will reflect the financial reporting framework adopted by the pension fund. This is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the "Code of Practice").

The Audit Commission has also determined that auditors should give an opinion in accordance with auditing standards on the financial statements included in the pension fund annual report. This entails the following additional work over and above giving an opinion on the pension fund accounts included in the Authority's financial statements:

- comparing the accounts to be included in the pension fund annual report with those included in the Authority's statement of accounts;
- reading the other information published within the pension fund annual report for consistency with the Authority's statement of accounts; and
- where the pension fund annual report is not available until after the auditor reports on the Authority's financial statements, undertaking appropriate procedures to confirm that there are no material post-balance sheet events arising after giving the opinion on the pension fund accounts included in the Authority's statement of accounts.

The financial statements included in the pension fund annual report are prepared on the basis of the same proper practices - the Code of Practice - as the financial statements included in the Authority's statement of accounts.

Scope of work and approach (continued)

Approach to controls testing

As set out in "Briefing on audit matters" attached as an appendix to this document, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

Liaison with internal audit

The audit team, consistent with previous years, will rely on the work of Internal Audit to inform our risk assessment.

The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide direct assistance to the audit. Our approach this year to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and therefore this development in auditing guidance will not change the existing scope of Internal or External Audit's work. However, this will prevent us from further increasing the extent of our use of Internal Audit's work in future.

Over the course of the audit, we will review the findings of internal audit and where internal audit identifies specific material deficiencies in the control environment, we will consider adjusting our testing so that the audit risk is covered by our work.

For those areas where a significant risk has been identified, no reliance will be placed on the work of internal audit and we will perform all work ourselves.

Materiality and error reporting threshold

We calculate materiality on the basis of the net assets of the fund and where appropriate we may restrict this to the materiality established for the audit of the Authority's financial statements as a whole. We have estimated materiality for the year to be £20.9 million (2013: £12.1 million) as we are still waiting for confirmation of materiality from the scheduled and admitted bodies that participate in the Fund. We will report to the Pension Fund Committee and Audit Committee on all unadjusted misstatements greater than £402,000, (2013: £242,000) unless they are qualitatively material.

The materiality for the pension fund has historically been calculated using 3% of the Fund's net assets and then capped at the level of materiality for the Authority as the figures form part of the authority financial statements. Following research with pensions governance bodies, the market and regulators we will determine materiality for the 2014 financial statements based on 1% of the Fund's net assets. We note however that historically, due to our materiality caps for reporting to other auditors for assurance in relation to their audits of the contributing bodies that our materiality level has been below 1% of net assets and hence we estimate an increase in materiality of £8.8m to £20.9m for the 2014 year end audit. Materiality for the Fund has increased due to an increased materiality for the administering employer, North Yorkshire County Council given that they have the largest membership in the Fund. Furthermore, the net assets of the Fund have increased and the materiality level is capped at 1% of net assets. We will update our assessment during the planning and interim visit based on latest outturn expectations

Further details on the basis used for the calculation of materiality are given in our audit plan for the audit of the Authority's financial statements.



Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/or disclosure matters within the financial statements. Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

We will perform an assessment of risk which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of our audit procedures to address the risk of material misstatement. We will report to you in due course any significant findings from our scoping work.

Significant audit risks

Our risk focused approach

Developing our approach

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

Our risk assessment process is a continuous cycle throughout the year, with a large number of inputs influencing each stage of the process.

a) Understand the industry and Pension Fund

Our understanding of the industry and North Yorkshire Pension Fund draws from a wide variety of sources including:

- meetings and discussions with Tom Morrison and other senior Finance staff;
- our understanding of your Pension Fund built up during prior year audits; and
- our broader experience of the industry including current and anticipated trends.

b) Consider significant events

The second stage of the process involves identification of the significant events in the period under audit, consideration of recent press coverage and assessment of the principal risk factors and uncertainties as defined by management and documented in the financial statements.

c) Assess potential risks

Once we have considered the significant events in the period, we assess each of these to understand the potential impact, accounting treatment, and level of judgement when assessing whether this represents a material risk.

At this stage, we perform a top-down risk approach at the financial statement level to identify material account balances and disclosures and consider the level of judgement. We conduct preliminary analytical reviews, understand internal controls over financial reporting, and carry out other procedures to help us determine our risks.

d) Determine significant audit risks

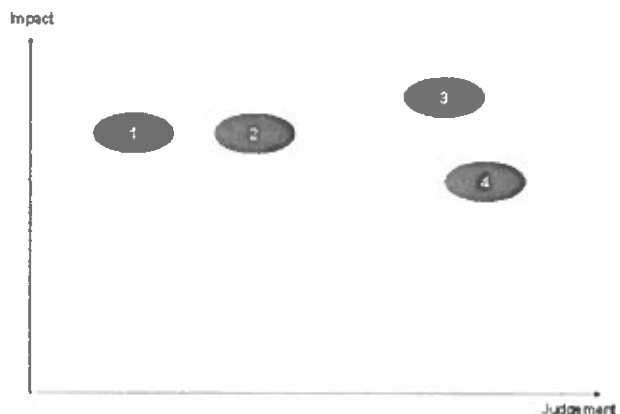
Based on the risks identified in the previous stage, we assess each risk and determine which of the risks identified above are the most significant to our audit and, as such, should be communicated to the Pension Fund Committee and Audit Committee. At this stage, we would also consider any presumed risks not already identified in the process. Namely the risk of risk of fraud through management override of controls.

e) Design and conduct the audit

The final step is to design and conduct the relevant audit procedures to address the risks identified. This would typically include a combination of control and substantive procedures. At this stage and again at the end of the audit, we reconsider our audit approach to assess whether all risks were appropriately identified and addressed. We may also identify new risks that need consideration, which would be fed back into the process described above.

Based upon our initial assessment and following discussion with management, we will concentrate specific effort on the significant audit risks set out below.

We have plotted the key audit risks to show where we believe there is highest level of judgment and impact on the financial statements.



1. Contributions
2. Benefits
3. Investments
4. Management Override of Controls

1. Contributions

There are complexities around the calculation of contributions.

Nature of risk

Unlike the position in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, this remains a material income stream (2013: £105.6m, 2012: £105.2m) and in view of the complexity arising from the participation of different employers within the Fund, the fact that members pay a tiered contribution rate depending on their pensionable pay and that additional complexities were introduced to the employer contribution rates from 1 April 2011, we have included the calculation and payment of contributions as an area of significant risk.

The key judgement areas and their potential impact on the financial statements

We note that the authority is not responsible for the calculation of contributions and that any tests to ensure the accuracy of contributions will need to be undertaken with the assistance of the other scheduled and admitted bodies. Given the material nature of contributions, incorrect calculation of employee/employer contributions by contributing bodies could lead to a material error.

Audit work planned to address the significant risk

We will:

- request that Officers provide an analysis of contribution rates by employer;
- agree monthly payments of contributions to independent member body returns;
- review the design and implementation of controls and perform tests of detail to consider whether each material income stream has been calculated in accordance with the recommendations of the Actuary;
- on a sample basis we will review individual payslips to test the accuracy of the calculation of pensionable pay and confirm whether the contributions deducted from members have been calculated correctly in accordance with the schedule of rates as stated in LGPS regulations;
- reconcile the membership movements in year to the financial statements; and
- perform an analytical review to gain assurance over the completeness of contributions.

2. Benefits

There are complexities surrounding the calculation of both benefits in retirement and ill health and death benefits.

Nature of risk

Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits. In respect of benefits in retirement, benefits are accumulated on two different bases for service pre and post 1 April 2008. The calculation of the pensionable pay on which benefits will depend may be varied by the individual opting to take account of pay earned in any of the 10 years prior to retirement. Also individuals enjoy greater flexibility in their choice of the mix of pensions and lump sum. In respect of ill health and death benefits, the calculation of the pensionable pay on which benefits will depend may be varied by the individual opting to take account of pay earned in any of the 10 years prior to retirement. The Government has completed the process to amend the revaluation and index factors for statutory minimum uplift from the Retail Price Index to the Consumer Price Index. This change has further increased the complexity of benefit calculations. Furthermore, it is noted that some employers may not have retained the necessary records to enable these calculations to be undertaken by the Fund. The value of benefits paid (2013: £84.6m, 2012: £82.2m) is material to the financial statements and hence represents an area of significant risk in it's own right.

The key judgement areas and their potential impact on the financial statements

The significant number of Benefits paid each year means that incorrect calculations could yield a material error. Given that payments are made based on clearly defined rules, there is very limited scope for management judgement in this area.

Audit work planned to address the significant risk

We will:

- request that Officers provide us with a schedule of benefits paid and supporting calculations and test whether benefits paid are in accordance with Scheme rules;
- review the design and implementation of controls and perform tests of detail on a sample of benefits paid, by agreement to supporting documentation, to test whether benefits have in all material respects been correctly calculated, by reference to their qualifying service, scheme rules and benefit choices made;
- develop an expectation based on changes in membership numbers and pension increases to analytically review the benefits paid in the year;
- we will review the NFI matches to identify level of payment made by the Fund to deceased members, and
- consider on a test basis whether any changes in benefit rates were applied on a timely basis and correctly calculated.

3. Investments

There are areas of judgement involved in the valuation of investments.

Nature of risk

The pension fund's investments include derivatives, absolute return vehicles and quoted property funds.

The pension fund invests in derivative financial instruments. These investments are more complex to measure, account for and disclose on. Accordingly we have treated the appropriateness of the accounting and disclosure of these investments as a specific risk for our audit.

The valuation of absolute returns and property funds is normally undertaken by the fund managers.

The key judgement areas and their potential impact on the financial statements

Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Audit work planned to address the significant risk

We will first understand the approach taken to the valuation of such investments and inspect documentation relating to data sources used by the Fund. We will tailor further procedures depending on the outcome of that work and our assessment of the risk of material error taking into account the Fund's investment holding at the year end. We will liaise with internal financial instrument specialists as part of the above assessment of our approach. For publically available investments we will compare the valuation by BNP Paribas for the Fund with Bloomberg and other such research materials.

4. Management override of controls

We will focus on the testing of journals, significant accounting estimates, and any unusual transactions in the year.

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The key judgement areas and their potential impact on the financial statements

Any significant judgements made by management could materially impact the financial statements. Items that are particularly of audit interest are estimates and provisions that have been put into the year end accounts.

Audit work planned to address the significant risk

We will:

- request that Officers provide us with an analysis and supporting documentation for journal entries, key estimates and judgements;
- perform substantive testing on journal entries using our Analytics toolbar to confirm that they have a genuine, supportable rationale;
- review ledgers for unusual items and investigate the rationale for any such postings; and
- review significant management estimates and judgements such as year end accruals and provisions and consider whether they are reasonable.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit.
- Key regulatory and industry updates, relevant to you.

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Pension Fund Committee and Audit Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" included at Appendix 5.
- Our Audit Quality Promise and Insight Plan are included in the planning document of the Authority.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Chartered Accountants

Leeds
25 June 2014

This report has been prepared for the Pension Fund Committee and Audit Committee, as separate bodies, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of the North Yorkshire Pension Fund

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Audit Commission's Code of Audit Practice, we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of the North Yorkshire Pension Fund - and will reconfirm our independence and objectivity to the Pension Fund Committee and Audit Committee for the year ending 31 March 2014 in our final report to the the Pension Fund Committee and Audit Committee.
Fees	Our audit fees are set by the Audit Commission in line with national scale fees. Details of audit and non-audit fees have been presented separately on the following page.
Non-audit services	No non-audit services fees relating to the pension fund have been paid to Deloitte in the year. In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We summarise our relationships with the Authority and explain our assessment of threats to auditor independence and safeguards in the Authority audit plan document.

Appendix 1: Independence and fees (continued)

We summarise earned or proposed audit fees for the year

The professional fees earned or proposed by Deloitte in the period from 1 April 2012 to 31 March 2014 are as follows:

	Current year £000	Prior year £000
Audit of the North Yorkshire Pension Fund	24	24

There are no non audit services provided or proposed to North Yorkshire Pension Fund for the period from 1 April 2012 to 31 March 2014.

Professional fees earned or proposed by Deloitte for services in the period from 1 April 2012 to 31 March 2014 in respect of other funds of the Authority are set out in our audit plan for the Authority.

Appendix 2: Fraud: responsibilities and representations

As auditors, we obtain reasonable, but not absolute assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Characteristics	<ul style="list-style-type: none">• Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.• Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.	
Responsibilities	Your responsibilities <ul style="list-style-type: none">• The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.	Our responsibilities <ul style="list-style-type: none">• We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.• As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.• As set out in 'Significant Audit Risks' above, we have identified the risk of fraud in management override of controls as a key audit risk for your organisation.

Appendix 2: Fraud: responsibilities and representations (continued)

We will make inquiries of management, internal audit and those charged with governance regarding fraud

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments.</p> <p>Managements process for identifying and responding to the risks of fraud in the entity.</p> <p>Managements communication to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</p> <p>Managements communication, if any, to employees regarding its views on business practices and ethical behaviour.</p> <p>Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.</p>	<p>How those charged with governance exercise oversight of managements processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.</p> <p>Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.</p>

We will require the following to be stated in the representation letter signed on behalf of the Pension Fund:

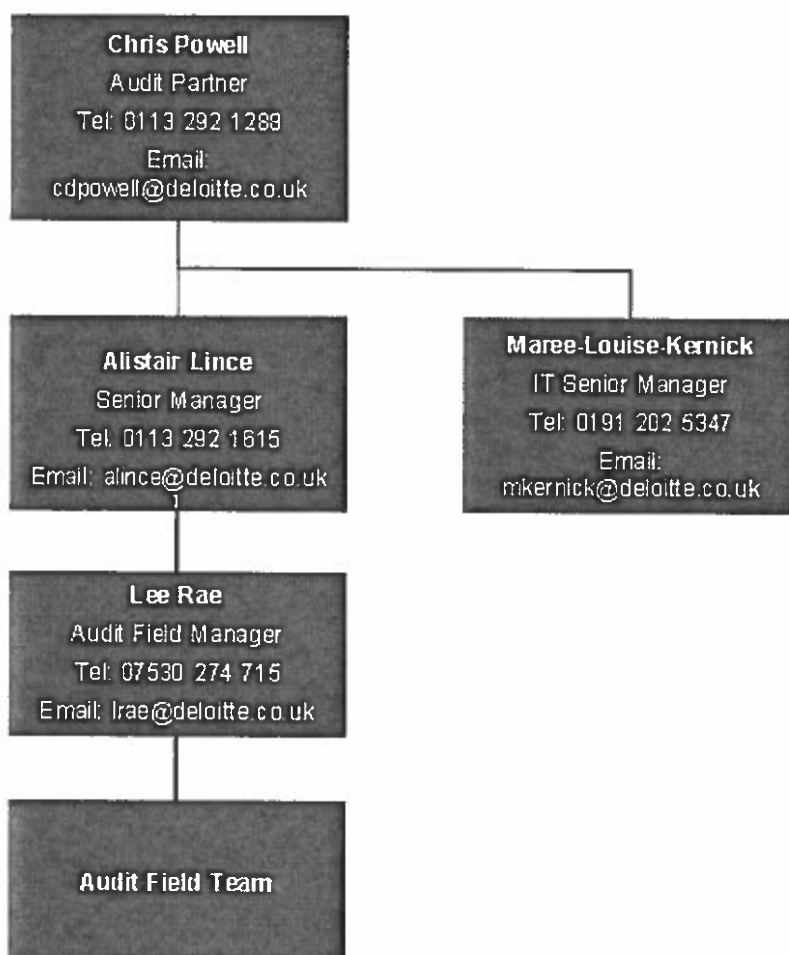
- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 3: Operational arrangements

A senior team, with continuity from last year, that incorporate pensions specialist to provide insight and add value.

The work will be led by Chris Powell, supported by Alistair Lince as audit manager.

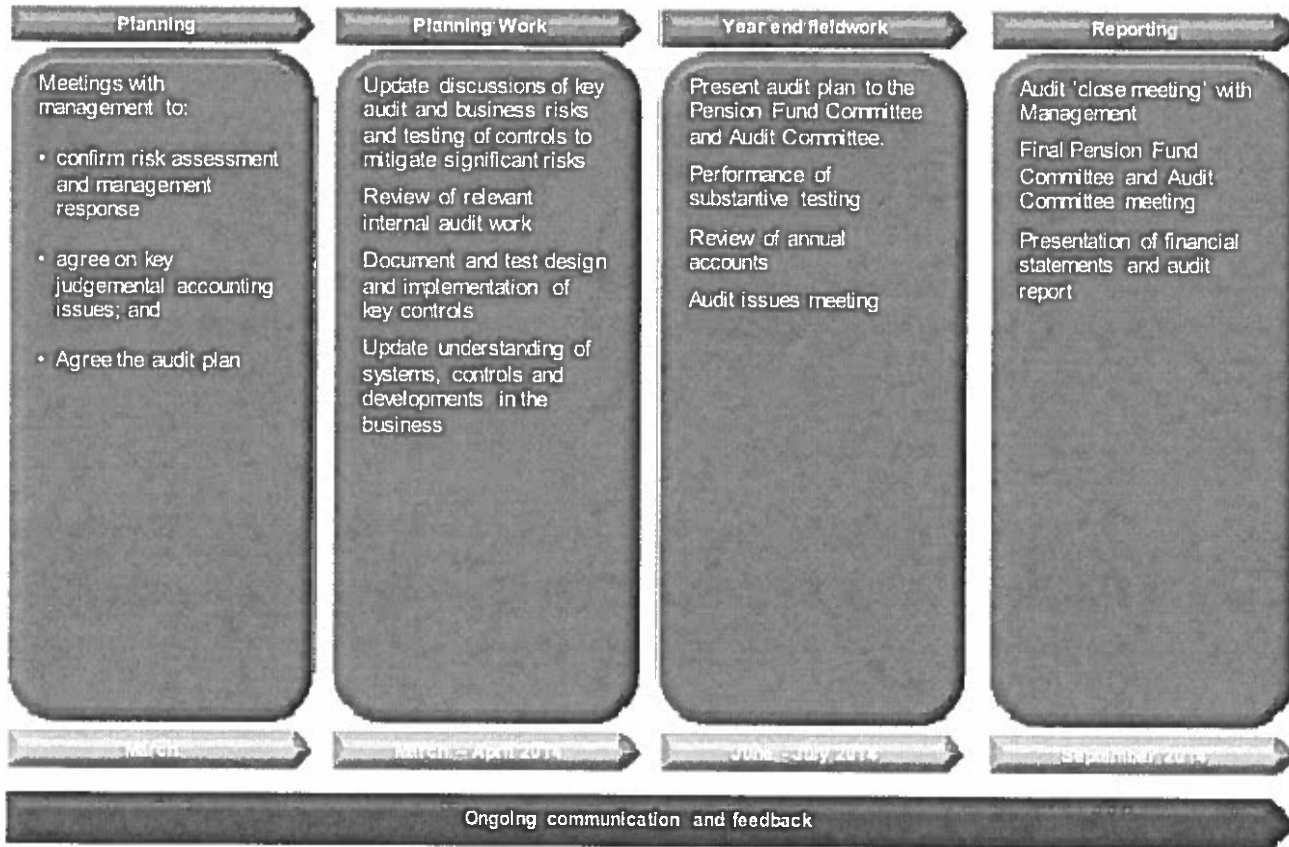
A senior team, with continuity from last year, that incorporate pensions specialist to provide insight and add value.



Appendix 4: Timetable

Timing of our work and communication

Set out below is the approximate expected timing of our reporting and communication with the Pension Fund and its members.



Appendix 5: Briefing on audit matters

Published for those charged with governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality. Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Financial Reporting Council ("FRC"). Our statutory audit objectives are:

- to express an opinion in true and fair view terms to the trustees on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with the relevant financial reporting framework;
- to form an opinion as to whether the Annual Report contains the information specified in regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008

Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Appendix 5: Briefing on audit matters (continued)

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements. We use a different materiality for the examination of the summary contributions to that used for the financial statements as a whole.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

The materiality in relation to the audit of the pension scheme's financial statements will not necessarily coincide with the expectations of materiality of an individual member of the scheme in relation to his or her expected benefits. Our judgments about materiality are made in the context of the financial statements as a whole and the account balances and classes of transactions reported in those statements, rather than in the context of an individual member's designated assets, contributions or benefits.

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to trustees and create value for management and those charged with governance whilst minimising a "box ticking" approach.

Our audit methodology is designed to give trustees the confidence that they deserve.

Appendix 5: Briefing on audit matters (continued)

Audit methodology (cont'd)

For controls considered to be 'relevant to the audit' we evaluate the design of the controls and determine whether they have been implemented ("D & I"). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures.

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities relating to fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities relating to other information in documents containing audited financial statements

Appendix 5: Briefing on audit matters (continued)

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.

Safeguards and procedures (cont'd)

- Periodic rotation takes place of the audit engagement partner and, where appropriate, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board ("APB"), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.
- In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm's policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT, formerly known as the Audit Inspection Unit), which is part of the FRC's Conduct Division, and the ICAEW's Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee.

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any immediate family member) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any immediate family member) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any immediate family member) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Appendix 5: Briefing on audit matters (continued)

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.

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Member of Deloitte Touche Tohmatsu Limited

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

17 JULY 2014

STATEMENT OF FINAL ACCOUNT 2013/14 – NORTH YORKSHIRE PENSION FUND

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

- 1.1 To consider the draft Statement of Final Accounts of the North Yorkshire Pension Fund for the financial year 2013/14

2.0 BACKGROUND

- 2.1 The Draft Statement of Final Accounts for the North Yorkshire Pension Fund (NYPF) for 2013/14 is contained in the attached booklet 'North Yorkshire County Council Draft Statement of Accounts 2013/14' on pages 122 to 145.
- 2.2 As explained in the report of the Governance arrangements of the NYPF submitted to the Audit Committee on 26 June 2014 and the Pension Fund Committee on 10 July 2014, the Pension Fund Final Accounts are subject to a separate external audit.
- 2.3 At the meeting of 26 June 2014 the Audit Committee also considered a range of issues relating to the governance of the NYPF (marked as pages 130 to 210). Whilst there is no Annual Governance Statement for the NYPF the report provides useful context to consider the accounts. These papers have not been re-produced for this agenda item but can clearly be referenced in considering the SOFA. The Audit Committee noted the governance arrangements of the NYPF.

3.0 STATEMENT OF FINAL ACCOUNTS

- 3.1 The Pension Fund Committee will be considering the attached report (Appendix A) at its meeting on the 10 July 2014 together with the draft statement of accounts for 2013/14 which is set out on pages 122 to 145 of the attached booklet.
- 3.2 Subject to the outcome of the external audit, these Final Accounts will be incorporated into the Pension Fund Annual Report which will be circulated to all Employers and also placed on the NYPF website. The Annual Report will be submitted to the Pension Fund Committee meeting on 18 September 2014.

4.0 RECOMMENDATIONS

- 4.1 Members are asked to consider the draft Statement of Final Accounts of the North Yorkshire Pension Fund for 2013/14.

GARY FIELDING

Corporate Director, Strategic Resources

County Hall, Northallerton

7 July 2014

NORTH YORKSHIRE COUNTY COUNCIL

PENSION FUND COMMITTEE

10 JULY 2014

STATEMENT OF FINAL ACCOUNTS 2013/14

Report of the Treasurer

1.0 **PURPOSE OF REPORT**

1.1 To approve the draft Statement of Final Accounts for the financial year 2013/14.

2.0 **STATEMENT OF ACCOUNTS**

2.1 The draft Statement of Final Accounts for 2013/14 is attached as **Appendix A**. This complies fully with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 governing the preparation of the 2013/14 Financial statements for Local Government Pension Scheme Funds.

2.2 The Accounts are being reported separately to Members so that they can then be referred on to the County Council's Audit Committee (meeting on the 17 July 2014) prior to their submission to the External Auditor. Since 2008/09 there has been a statutory requirement for the Accounts to be audited separately from the County Council's Accounts by the External Auditor, thus the need to refer them separately to the Audit Committee.

2.3 Any material amendments to the draft Accounts arising from the External Audit will be reported to the September PFC meeting (see **paragraph 2.5** below).

2.4 For 2013/14 the NYPF Statement of Final Accounts will also be consolidated in the County Council's Statement of Accounts for approval by the Audit Committee in addition to being considered separately by this Committee.

2.5 Once audited, these Accounts will be incorporated into the Pension Fund Annual Report which will be placed on the NYPF web site www.nypf.org.uk. The Annual Report will be submitted to Members at the PFC meeting on 18 September 2014.

3.0 **RECOMMENDATIONS**

3.1 Members are asked to approve the draft Statement of Final Accounts 2013/14 for referral to the County Council's Audit Committee.

GARY FIELDING
Treasurer
Corporate Director – Strategic Resources
County Hall
Northallerton
27 June 2014

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

17 JULY 2014

STATEMENT OF FINAL ACCOUNTS 2013/14

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

1.1 To consider a draft Statement of Final Accounts for 2013/14 for the County Council in advance of:

- (a) these accounts being audited by Deloitte during July and August 2014 and
- (b) being re-submitted to this Committee for formal approval on 25 September 2014 after the external audit has been completed.

2.0 BACKGROUND

- 2.1 The *Accounts and Audit Regulations* set out the requirements and timelines for Member approval of Local Authority Accounts and one of the Terms of Reference for this Committee is to approve the Annual Statement of Accounts (SOFA).
- 2.2 There is no longer a formal requirement for Member approval of the SOFA by 30 June, in advance of consideration and review by External Audit. The previous requirement was out of step with the private sector and elsewhere in the public sector and carried the implication that the Audit Committee was not aware of the outcome of the external audit before their requirement to approve the SOFA.
- 2.3 The requirement that the SOFA is certified by the Section 151 (Chief Finance) Officer by 30 June and approved by Members (the Audit Committee) in advance of the certification and publication of the Accounts by 30 September remains unchanged.
- 2.4 Given this change, both DCLG and CIPFA suggest that it would be good practice for the SOFA still to be presented to Members (at this meeting) for review and comment prior to audit and that this is an area where the Audit Committee can still add value. Therefore the approach taken in recent years of

submitting draft accounts to the Audit Committee in June/July for information and review/comment only, not formal approval, is being continued in 2013/14.

2.5 The draft SOFA includes the draft Annual Governance Statement (AGS) which was considered as part of the overall review of corporate governance at the Audit Committee on 26 June 2014.

2.6 The final SOFA, after External Audit, will be re-submitted to this Committee on 25 September 2014 for formal approval.

3.0 **STATEMENT OF FINAL ACCOUNTS 2013/14**

3.1 Reports on the 2013/14 Revenue Budget and Capital Plan outturn were Considered by the Executive on 17 June 2014 (**see paragraph 10**). However those outturn reports and the spending details reported form only part of the information reflected in the full SOFA documentation – the latter also includes a Balance Sheet, Cash Flow Statement, Statement of Accounting Policies, Notes to the Accounts, Group Accounts, Pension Fund Accounts etc. In addition, the format of the SOFA has to comply with statutory accounting requirements which differ in a number of areas from the County Council's organisational structure and day-to-day accounting and budgetary arrangements (**see paragraph 5.3**).

3.2 The County Council's draft SOFA for 2013/14 is attached as a separate booklet circulated with the agenda after being certified by the Corporate Director – Strategic Resources on 26 June 2014 (page 30) to satisfy the statutory requirement referred to in **paragraph 2.3** above. It has also been co-signed by the Chief Executive. (**paragraph 7.5**).

3.3 The format and content of the SOFA must comply with CIPFA's IFRS based *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* and is therefore, largely outside the County Council's control. This Code prescribes the accounting treatment and disclosures for all transactions and balance sheet items of a Local Authority's Accounts. The Code constitutes 'a proper accounting practice' under the terms of Section 21 (2) of the Local Government Act 2003.

3.4 The SOFA also complies with *CIPFA's Service Reporting Code of Practice (SeRCOP)*. The aim of this Code is to achieve an accounting framework for Local Authorities so that financial data reported is comparable between authorities. The Code applies to a wide range of financial data that has to be published and provided in a variety of sources including the SOFA and various budget/outturn returns required by Central Government. The Code has the full backing of Central Government and is usually updated on an annual basis.

3.5 A Summary sheet giving a brief explanation of the various statements included in the SOFA is attached as **Appendix A** and as indicated in **paragraphs 3.3 and 3.4**, the various accounts and notes included in the SOFA are to comply with the IFRS based *Code of Practice on Local Authority Accounting and Service Reporting Code of Practice*.

4.0 CHANGES REFLECTED IN THE 2013/14 SOFA

4.1 A number of relatively minor changes are reflected throughout the 2013/14 SOFA which principally arise from the 2013 *Code of Practice on Local Authority Accounting* (**paragraph 3.3**) and these are as follows:

4.2 Changes in Accounting Policies for:

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.

Although these changes do not impact on the value of pension related assets and liabilities in the Balance Sheet, they do impact on the Comprehensive Income and Expenditure, Movement in Reserves and Cash Flow Statements. These statements for 2012/13 have also had to be restated to reflect the changes.

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 ended in 2012/13.

Presentation of Financial Statements

Following the changes to IAS 19 mentioned above, 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.

Although CIPFA class this as a change in accounting policy, it is really no more than a presentational change.

Localisation of Business rates from 1 April 2013

The previous accounting policy for Council Tax Income has been expanded to reflect the introduction of the business rates retention scheme from 1 April 2013 which has resulted in changes to how Business rates are collected, allocated and retained locally.

The Comprehensive Income and Expenditure Statement for 2013/14 reflects the impact of the new arrangements and also reflects an accruals basis for debtors, creditors and bad debts etc.

4.3 Other changes for:

Transfer of Public Health from 1 April 2013

On the 1 April 2013 Public Health staff and services were transferred from the NHS to local government and local authorities were provided with a ring fenced public health grant to pay for the cost of these staff and services.

The Comprehensive Income and Expenditure Statement has been updated to reflect this additional spending and grant in 2013/14 with an extra line entitled 'Public Health' to reflect this change.

Revaluation of Land and Buildings

The Code of Practice requires authorities to consider the componentisation of properties when determining the depreciation of its buildings. Componentisation effectively divides properties into identifiable elements with differing useful lives. Thus each component is depreciated at a separate rate as opposed to depreciating the overall property at a single rate.

The County Councils componentisation policy from 2010/11 has been to identify components through the property revaluation process where the component value is in excess of £600k and has a useful life differing to that of the overall building by 10 years. In 2013/14 following discussions with the External Auditor the County Council reviewed its componentisation policy in order to more effectively identify components within its buildings.

The review resulted in an updated policy based on a model framework approach to componentisation. A framework has been established, in conjunction with the County Councils Property Consultants Jacobs UK, which provides a breakdown of each classification of asset 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

then depreciated separately at rates representative of their remaining useful lives. The framework model is applied to all capital expenditure and asset valuation figures once calculated in order to provide a breakdown at component level for depreciation purposes.

The updated componentisation policy has resulted in an increase in the depreciation charge of £3.2m in 2013/14.

Componentisation of Assets for calculating depreciation

In accordance with the Code of Practice, the County Council valuers, Bruton Knowles, value its land and buildings over a 5 year rolling programme. However, following further recent clarification by CIPFA with regard to the requirements for the revaluation of land and buildings, the Code of Practice 2013/14 also requires that where assets are revalued on a rolling basis, local authorities must ensure that all land and building values are up to date at the end of each financial year. Therefore, in order to ensure that the value of land and buildings not considered in year by the rolling revaluation programme are up to date the County Council introduced an annual desktop review of land and building valuations, undertaken by Bruton Knowles, in 2013/14.

The 2013/14 review considered a sample of assets from each category of land and buildings not revalued as part of the overall rolling revaluation programme. The review identified an increase in valuations across a range of various categories and resulted in a total £46.7m increase in land and building values in 2013/14.

Various other Minor Refinements including a required change in the disclosure for the Dedicated Schools Grant (DSG)

- 4.4 The key changes outlined above were reported to the Audit Committee on 5 December 2013 as part of the *Accounting Policies* report.

5.0 REVENUE OUTTURN FOR 2013/14

- 5.1 The Comprehensive Income and Expenditure Statement, presented in a format required to comply with the IFRS based Accounting Code of Practice and the SeRCOP, is included at page 35 of the SOFA.
- 5.2 The day-to-day accounting and budgeting arrangements of the County Council designed to fit in with its own organisational structure, are different to both the statutory year end and SeRCOP requirements. Therefore, the management accounts as reported to the Executive on 17 June 2014 have had to be reworked to fit these formal requirements. However, although the

presentation of the figures in the SOFA (Income and Expenditure Account) is very different, the resulting changes do not affect the overall net expenditure to be funded from Central Government Grant and Council Tax or the levels of working balances.

5.3 The main differences between the County Council’s management accounts and the published statutory accounts are as follows:

(a) **Service Headings**

County Council	Required SeRCOP Service Headings
Children and Young People’s Service	Central Services to the Public
Business and Environmental Services	Court Services
Health and Adult Services	Environmental and Regulatory Services
Business and Community Services	Cultural and Related Services
Central Services	Planning Services
Corporate Miscellaneous	Education and Children’s Services
	Highways, Roads and Transport Services
	Adult Social Care
	Public Health
	Housing Services
	Corporate and Democratic Core
	Non-distributed costs

(b) **Capital Charges**

In the SOFA, the County Council is required to adopt CIPFA’s *Capital Accounting Regulations* which means that each service has to reflect a depreciation charge for the assets they use (land, building, plant and machinery etc.) Adjustments are also made for the following other types of capital charge:

- impairment of non-current (fixed) assets
- revaluation losses following the revaluation of propriety, plant and equipment
- changes in the market value of Investment Properties
- amortisation of intangible assets
- revenue expenditure funded from capital under statute (capital expenditure that does not result in a County Council asset)

These capital charges replace the minimum revenue provision (MRP) for debt repayment which is included in the management accounts, and charged against the County Council’s budget requirement funded from Council Tax, Business Rates and General Government Grant. The MRP is therefore not charged to the Comprehensive Income and Expenditure Account. Similarly, capital expenditure

which is funded directly by the General Fund (funded by Council Tax, General Revenue Grant and Business Rates) is not charged to the Comprehensive Income and Expenditure Account.

Capital charges are off-set by capital grants and contributions (which are used to fund expenditure on non-current (fixed assets)). These contributions are credited in full to the Comprehensive Income and Expenditure Account in the year where the terms and conditions of these contributions have been satisfied but this treatment does not impact on the management accounts of the County Council. Where the conditions of these capital grants have not been met at year-end, the grant is held in the balance sheet as 'Capital Grant Unapplied'.

(c) Transfers to and from Reserves

Transfers into, and expenditure funded from, reserves are not considered part of the net cost of services and are therefore not reflected at all within the Income and Expenditure account.

(d) Central Support Services

Under SeRCOP, the costs of Corporate Support Services (Central Services) and an allocation of certain central expenses (Corporate Miscellaneous) have to be reflected as additional service costs rather than Central 'corporate' costs. Such services include Financial, Legal, HR and IT etc.

(e) Employer's Pension Fund contributions and adjustments involving the Pension Fund Reserve

Accounting for retirement benefits (IAS 19) requires that employer's contributions to pension schemes, reflected in service accounts should only consist of 'current service' costs. As the actual contributions made to the North Yorkshire Pension Fund by the County Council include an element of back-funding to recover the Pension Fund deficit, the service expenditure figures reported in the SOFA have to be adjusted to reflect the current service cost as calculated by the Fund actuary.

In addition, the Comprehensive Income and Expenditure Statement also includes, as part of operating expenditure, the net impact of the notional return (County Council share) of the Pension Fund assets and the increase in accrued future pension liabilities.

The required changes also reflect the inclusion of the attributable share of Pension Fund assets and liabilities in the County Council's Balance Sheet. This

reflects the County Council's commitment to the Pension Fund but does not mean however that legal title or obligation has passed from the trustees of the Pension Fund to the employer.

(f) Council Tax and Business Rates (Collection Fund) Accounting

The County Council's Income and Expenditure Statement now includes the County Council's share of the carried forward Council Tax and Business Rates Collection Fund surpluses/deficits of each of the seven District Councils at the year end. This is in place of the estimated sums at the previous year end that have been paid over to the County Council during the year and used for Budget/Council Tax setting purposes in future years.

(g) Holiday and Flexi Pay Accrual

The County Council has to charge the Income and Expenditure Account with an estimate of accrued and untaken Annual Leave and Flexi Leave at 31 March 2014. This figure includes a substantial figure for untaken Teacher's (and other schools-based staff) holiday pay, in relation to the days worked and taken as holiday in the Spring Term at each school. This adjustment is purely notional and does not impact on the County Council's budget requirement or level or working balances (GWB).

(h) Gains and losses on the disposal on Non-current (Fixed) Assets

A topical example of this would be where a School acquires Academy status and there is an automatic transfer of the ownership of the Land and Building of the school premises to the School's Board of Governors for nil value. Such a notional loss does not, however, impact on the day to day management accounts or level of general working balances.

(i) Other Differences

Certain other transactions such as interest earned and paid, precept payments to other bodies, dividends receivable and corporate internal trading units are not considered as part of the net cost of services and are required to be shown as separate items below service expenditure totals in the Income and Expenditure account. Similarly some Government Grants and Funding sources are required to be shown as overall general funding, rather than being included in the Income and Expenditure Account as Service income.

5.4 **All of the above presentational changes have no effect on the actual net spending of the County Council to be funded from Council Tax, Business Rates and General Government Revenue Grant funding and therefore do not impact on the level of Revenue Working Balances at 31 March 2014 as reported to the Executive on 17 June 2014.**

6.0 KEY FEATURES

6.1 As the attached SOFA is a very lengthy and technical document which is necessary to comply with the IFRS Code of Practice on Local Authority accounting, key features of the Accounts are highlighted below. The figures quoted relate only to the County Council's activities and do not include those relating to the Yorwaste, NYnet or Veritau, companies that are reflected in the group accounts section of the SOFA.

Revenue Shopping

6.2 The net cost of the provision of services reported in the Comprehensive Income and Expenditure Statement is £407.3m consisting of gross spending of £943.4m less income of £536.1m.

- (a) service income of £536.1m includes specific grants totalling £429.6m the biggest of which is the Dedicated Schools Grant (DSG) of £350.0m. The remaining £106.5m is from sales, fees and other charges/reimbursements
- (b) after net service spend comes other operating expenditure totalling £19.0m (mainly relating to fixed asset transactions impacting on the Income and Expenditure Account) and financing and investment income and expenditure of £19.7m (relating mainly to capital charges, investment income and pensions contributions)
- (c) total reported funding (taxation and non-specific grant income) is £442.8m consisting of the demand on Direct Council Collection Funds for Council Tax of £228.5m (includes statutory Council Tax accounting requirements) , non-domestic rates income from the Government and seven local District Councils of (£58.3m), Revenue Support Grant of £88.9m, Capital Grants of £58.6m and other Government funding of £8.5m
- (d) the resulting reported deficit on the provision of services is £3.2m and is considered in further detail in **paragraph 6.3 to 6.7.**

- (e) the reported key figures mentioned above are from the SOFA's Income and Expenditure Statement and can be reconciled to the County Council's Out-Turn Management Accounts as follows:

Item	Net expenditure £m	- Funding £m	= Deficit in year £m
SOFA Comprehensive Income and Expenditure Statement deficit on the provision of services	446.0	-442.8	3.2
Different treatment of some Government funding (mainly Council Tax freeze grant)	-8.5	8.5	0
Other 'non cash backed' transactions reflected in the Income and Expenditure Account (- £30.0m)			
Capital Accounting	-72.8	58.6	-14.2
Pensions Accounting	-24.6		-24.6
Movement in earmarked reserves	11.9		11.9
Collecting Fund Accounting		1.3	1.3
Holiday Pay Accounting	0.5		0.5
= County Council's Management Accounts deficit	352.5	-374.4	-21.9
2012/13 underspends rolled forward to 2013/14 and funded from revenue balances		-22.8	-22.8
Agreed budgeted contribution from GWB		-0.4	-0.4
= Budget outturn in Management Accounts	352.5	-397.6	-45.1

(- = saving)

- (c) therefore net revenue spending of £352.5k was £45.1m below the revised estimate of £397.6m with a breakdown by Directorate being as follows:

Directorate	Revised estimate £m	2013/14 Outturn £m	Variation £m
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			
- Budgets	19.2	15.0	-4.2
- Corporate PIP	20.4	0.4	-20.0
- release of earmarked reserves	-	-8.0	-8.0
Total	397.6	352.5	-45.1

(d) the bottom line saving of £45.1m consisting of the following components:

Item	£m
Increase in the General Working Balance from sums not carried forward	20.0
Saving to be carried forward to future years	25.1
= Total savings	45.1

The £20.0m increase in the General Working Balance from sums not carried forward consists of:

- Unwinding of some earmarked reserves (£8m)
- Early achievement of Directorate Budget / MTFS savings (£4.7m)
- An unused element of the £3m HAS demographic growth contingency held in Corporate Miscellaneous (£1m)
- The late notification of some Government grants and returned top slice funding (£1.2m)
- Highways savings principally Winter Maintenance due to weather conditions in 2013/14 (£2.9m)
- Part year saving on a HAS inflation provision which is required in full in 2014/15 (£1.4m)
- Other net one off windfalls and savings across all Directorate and Corporate budgets (£3.9m)
- Offset by a one off contribution towards the SFNF (Super Fast North Yorkshire) project (£3.1m)

the £25.1m savings to be carried forward to future years consist of:

- Various projects and initiatives for future years (£2.1m)
- PIP allocations to be spent in future years (£0.3m)
- Directorate PIP allocation underspends to be recycled back to the PIP (£2.7m)
- Unallocated Corporate PIP funding (£20m)

(e) The net spend of £352.5m was funded by:

Item	£m
Revenue Support Grant from the Government	88.9
Business Rates Income (9% from District Councils)	18.8
Business Rates 'top up' funding from the Government	41.0
Council Tax payers for 2013/14	225.2
Council Tax from previous years	0.5
Increase in Working Balances from £56.6m to £78.5m)	-21.9
=total net spending in 2013/14	352.5

- (f) Income from Council tax payers totalling £225.2m was based on a charge of £1,057.48 for an average Band D property, which is unchanged from the previous three years.

Comprehensive Income and Expenditure Statement Deficit on Provision of Services

- 6.3 As mentioned in **paragraph 6.2(d)** the bottom line reported in the Comprehensive Income and Expenditure Statement is a deficit of £3.2m (£4.9m in 2013/14) on the provision services.
- 6.4 The IFRS based accounts introduced in 2010/11 reflects a number of notional transactions that have to be included but do not impact on the real spend, funding or working balances position of the County Council.
- 6.5 The notional transactions which cause the reported deficit are referred to in more detail in **paragraph 5.3** and basically fall into the following headings – capital accounting (mainly depreciation charges), Pension Accounting adjustment, transfers to and from reserves, Collection Fund accounting and Holiday Pay accrual adjustment. Their impact has been as follows:

Item	£m
Net budget saving in year	-45.1
Spend of previous year's carry forward funded from revenue balances	22.8
Other items impacting on balances (budgeted contribution)	0.4
Total increase in balances (surplus)	-21.9
Notional (not cash backed) entries reflected in I and E statement (£30.0m)	
Capital Accounting adjustments	14.2
Pensions Accounting adjustments	24.6
Movement in Earmarked Reserves adjustment	-11.9
Collection Fund Accounting	-1.3
Holiday Pay accrual adjustment	-0.5
= reported deficit in the I and E statement	3.2

6.6 Some comments on these significant notional (non cash backed) entries reflected in the Comprehensive I and E Statement are as follows:

(a) Capital Accounting Adjustments (+£14.2m)

The significant £14.2m “notional” increase in revenue spending resulting from capital accounting adjustments consists of the following elements:

	£m
<ul style="list-style-type: none"> • property valuation losses of £16.2m which arise from a combination of revaluation losses through the five year rolling valuation programme undertaken by Bruton Knowles, the evaluation of assets being re-classified as held for sale and an annual desktop valuation exercise for all properties introduced for the first time this year 	+16.2
<ul style="list-style-type: none"> • depreciation charges, based on asset valuations and associated estimated remaining useful life of £53.4m are also included in the Income and Expenditure account to replace the Minimum Revenue Provision (MRP) of £15.4m (£15.1m of which is included in the management accounts and funded from Council Tax/Grant Income etc.) This has a net impact of increasing the cost of services by £38.0m 	+38.0
<ul style="list-style-type: none"> • capital expenditure of £84.0m was incurred in 2013/14. £15.1m expenditure was identified as not enhancing the value of the County Council’s assets (e.g. capitalised maintenance) and has to be included against service costs in the Income and Expenditure account 	+15.1
<ul style="list-style-type: none"> • loss on disposal of assets – three schools gained academy status during 2013/14 and their land and buildings transferred to their Academy Trust for no consideration, resulting in a £11.5m loss being recorded in the Income and Expenditure account. This loss was reduced slightly to £11.0m by the profit realised on the disposal of other assets 	+11.0
<ul style="list-style-type: none"> • further capital accounting adjustments, including the write down in value of intangible fixed assets and capital expenditure which does not result in the creation/enhancement of a fixed asset belonging to the County Council, totalling £7.4m also have to be included in the Income and Expenditure account 	+7.4
<ul style="list-style-type: none"> • where the terms and conditions of capital grants received by the County Council have been met, the Income and Expenditure account has been adjusted to reflect the use of the grant in year, 	-63.3

resulting in a £63.3m credit

- credit of £10.2m in relation to revenue financing of capital expenditure -10.2 is also removed from service costs and replaced by an appropriate depreciation charge

= Total impact of Capital accounting adjustments +14.2

(b) Pensions Accounting adjustment (+£24.6m)

The nature of this notional Pensions charge of £24.6m is described in **paragraph 5.3 (e)** with the figure consisting of two elements.

Firstly, is a credit representing the difference between the County Council's actual contributions to pension schemes (principally the North Yorkshire Pension Fund), which includes an element of back funding to recover the Pension Scheme deficit, and current service costs which have to be reflected in the Income and Expenditure Statement. This past service gain is recognised in the Comprehensive Income and Expenditure statement as a credit against the provision of services (non distributed cost).

secondly is a charge relating to increased future liabilities of moving one year nearer retirement for all Fund Members, offset by increased investment return of assets in the scheme.

These figures are determined by the Pension Fund actuary.

(c) Movement in Earmarked Reserves adjustment (-£11.9m)

Contributions to and from reserves that are reflected in the County Council's management accounts and actual underspend position must be removed from Service expenditure within the Income and Expenditure account and replaced with actual expenditure being incurred. This adjustment consists of the year on year increase in earmarked reserves of £11.9m (from £101.2m to £113.1m – **see paragraph 6.9 (b)**)

(d) Council Tax and Business Rates accounting (-£1.3m)

This adjustment is described in **paragraph 5.3 (f)**

(e) Holiday Pay accrual (-£0.5m)

This IFRS adjustment is described in **paragraph 5.3 (g)**

6.7 It is not helpful to the understanding of the SOFA and therefore the real financial position of the County Council that the above technical and notional accounting adjustments that are required to be reflected in the Comprehensive Income and Expenditure Statement have such a significant impact to convert a £45.1m budget saving into a £3.2m deficit on the Provision of Services. However this situation is not unique to the County Council and is a direct result of the application of standards aimed at providing comparable financial information across local authorities; public sector organisations and potentially the private sector.

Capital Spending

6.8 The key features relating to capital are:

- (a) Capital spending was £84m which was £7.3m below the last Capital Plan update approved in February 2014 (£91.3m) and £9.1m below the original Capital Plan approved in February 2013 (£93.1m).
- (b) The £7.3m gross underspend resulted mainly from capital expenditure being rephased from 2013/14 to 2014/15
- (c) gross spending at Directorate level against the Capital Plan was as follows:

Directorate	Capital Plan update Feb 2014	2013/14 Outturn	Variation
	£m	£m	£m
Children and Young People's Service	30.0	29.1	-0.9
Business and Environmental Services	48.5	44.3	-4.2
Health and Adult Services	4.5	4.5	0
Central Services	8.3	6.1	-2.2
Total	91.3	84.0	-7.3

- (d) after accounting for grants and contributions income from Directorates, there was a net capital underspend of £2m
- (e) only £0.1m of the capital underspend is carried forward to 2014/15

(f) the £84m capital spend was funded by:

Item	£m
Borrowing	0
External sources (PWLB)	2.4
Internal sources (cash balances)	63.5
Capital Grants and Contributions	9.6
Schemes financed from revenue	8.5
Capital receipts (i) below	
= total capital expenditure to be financed	84.0

(g) in addition £0.5m was spent on fixed assets from within Directorate within budgets

(h) total capital investment in 2013/14 was therefore £84.5m

(i) capital receipts from the sale of assets in 2013/14 were £8.5m which is below earlier forecasts as a result of receipts slipping into 2014/15 and beyond

Balance Sheet

6.9 Significant features are:

(a) the General Working Balance (GWB) at 31 March 2014 was £78.5 of which £25.1m relates to savings which are approved for carry forward to 2014/15 and beyond. The free working balance is therefore £53.4m which is £11.1m above the forecast target of £42.3m at 31 March 2014 and £25.9m above the new minimum level set as part of the 2014/15 budget/MTFS process (2% of the net revenue budget and £20m buffer = £27.5m).

(b) other earmarked reserves total £113.1m compared with £101.2m at 31 March 2013 and consists of:

Earmarked Reserve	31 March 2013	31 March 2014	2013/14 variation
	£m	£m	£m
Earmarked for schools			
Schools balances (LMS reserve)	26.3	30.9	+4.6
Schools block / DSG	10.7	11.0	+0.3
Sub total	37.0	41.9	+4.9
Other Earmarked reserves			
Winter service	2.1	0	-2.1
Insurance reserve	6.9	6.9	0
Corporate redundancy reserve	1.3	0.7	-0.6
Redundancy costs in schools	3.1	1.1	-2.0
CYPS Special Education needs	1.4	1.0	-0.4
ICT SDT/Directorate refresh	2.7	2.8	+0.1
ICT – Strategy and infrastructure	2.6	3.5	+0.9
Trading Unit accumulated surpluses	6.4	4.9	-1.5
CYPS Service transformation	1.6	0.6	-1.0
HAS supporting people	1.6	2.4	+0.8
BES Civil parking enforcement	3.1	4.0	+0.9
SFNY contribution	0	3.1	+3.1
CYPS special projects	0	1.1	+1.1
Other smaller reserves	8.6	10.0	+1.4
Sub total	41.4	42.1	+0.7
Revenue Income reserves (mainly grants and contributions) (paragraph 6.41)			
CYPS	1.8	3.5	+1.7
BES	2.1	4.1	+2.0
HAS	1.8	1.5	-0.3
HAS health funding	13.9	17.9	+4.0
Central services	0.2	0.2	0
LAA performance reward grant	3.0	1.9	-1.1
Sub total	22.8	29.1	+6.3
=Total earmarked reserves	101.2	113.1	+11.9

(c) In addition to earmarked reserves, sums set aside a provisions are as follows:

Provisions	31 March 2013	31 March 2014
	£m	£m
Highways advance payments	1.7	2.4
Highways liability	2.0	0
Insurance claims	4.8	4.0
Insurance liability	0.6	0.2
Carbon reduction	0.5	0.5
HAS residence fees	0.8	0.3
Other smaller provisions	0.4	0.2
Sub total	10.8	7.6
IFRS holiday pay provision	10.1	9.6
= Total provisions	20.9	17.2

(d) There are unusable ‘technical accounting’ reserves of £836.9m at 31 March 2014 (£549.1 at 31 March 2013). These reserves are required to neutralise required accounting treatment elsewhere and ensure that there is no cash impact on the County Council’s Tax requirement or General Working Balance. These reserves relate to capital, pensions, IFRS, Council Tax and Business Rates accounting requirements.

(e) Property, plant and equipment assets (land, buildings and infrastructure etc.) are valued at £1,469.3m at 31 March 2014 compared with £1,457.2m at 31 March 2013. The £12.1m increase in 2013/14 reflects the following factors:

	£m
• new capital spending in 2013/14 adding	+55.0
• depreciation in 2013/14 reducing the value by	-53.4
• disposal of properties (mainly transfer of schools becoming academies)	-12.9
• property revaluations (CYPS non schools, Corporate offices plus annual desktop valuation for all others)	+33.4
• transfer relating to operational property held for sale	-10.0
Total movement in year	+12.1

(f) external debt in relation to capital spending is £344.6m at 31 March 2014 compared with £350.0m at 31 March 2013. The £5.4m reduction reflects scheduled loan repayments being made to the Public Works Loan Board together with the 2013/14 borrowing requirement being funded internally from cash balances, with no new external loans being taken

- (g) a net £317.5m liability in relation to Pension Fund deficits (mainly the Local Government Pension Scheme) is reflected in the Balance Sheet (£559.1m at 31 March 2013). This liability is being addressed as part of the 27 year recovery strategy established as part of the 2013 Triennial valuation of the Fund and agreed by the Pension Fund Committee in February 2014. This strategy will be reassessed as part of the 2016 Triennial Valuation.
- (h) cash balances invested (wholly in house) at 31 March 2014 were £208.5m compared with £195.1m at 31 March 2013. A total of £15.6m of the sums invested belong to other organisations for whom the County Council undertakes treasury management on a Service Level Agreement basis and received an annual fee for doing so
- (i) cash and cash equivalents (IFRS balance sheet heading) of £144.8m at 31 March 2014 (£89.8m at 31 March 2013 consists mainly of short term (call accounts) investments (£115.0m which is part of £208.5m reported in (h) above) and funds in school bank accounts £40.2m which belong to individual schools rather than the County Council
- (j) short term creditors at 31 March 2014 were £69.2m (£76.4m at 31 March 2013) and consist of general creditors of £40.4m, creditors with government entities of £19.9m, and income in advance of £8.9m
- (k) short term debtors at 31 March 2014 were £42.4m (£38m at 31 March 2013) and consist of general debtors of £27.8m, debtors owed by government entities of £17.6m, payments in advance of £2.6m, less bad debt provision of £5.6m
- (l) loans to Limited Companies totalling £11.6m at 31 March 2014 (£3.7m Yorwaste and £7.9m NYnet) are included within Long Term debtors

Other issues

6.10 Items of note are:

- (a) Detailed group accounts reflecting the County Council's interest in Yorwaste (78%), NYnet (100%) and Veritau (50%) have been prepared to comply with the IFRS based Accounting Code of Practice. The consolidation has resulted in the deficit on the provision of services in the Comprehensive Income and Expenditure Statement increasing by £3.1m (from £3.2m to £6.3m) and the net assets of the County Council decreasing by £0.6m (from £1,035.2m to £1,034.6m)

- (b) The County Council employed 13,778 full-time equivalent staff at the end of the financial year, 9,794 of which were in schools
- (c) The value of the North Yorkshire Pension Fund was £2,083m compared with £1,841m at 31 March 2013 (an increase of £242m)
- (d) The £242m increase in the Pension Fund value consisted of:

Item	£m
Contributions and benefits income	120.7
Less Benefits payable etc.	-93.4
	27.3
Investment income	22.5
Increase in market value of investments	198.8
Less Investment management and administration expenses	-6.1
= Total increase in value of Pension Fund	242.5

- (e) the County Council's various trading units had a total turnover of £44.5m expenditure of £44.5m, resulting in an overall net breakeven position.

7.0 CERTIFICATION OF ACCOUNTS

- 7.1 As mentioned in **paragraph 2.2**, the *Accounts and Audit Regulations* do not require formal Member approval of the SOFA by 30 June but Member consideration, approval and certification by 30 September is still required.
- 7.2 Thus on completion of the external audit of the 2013/14 accounts, a report from the Auditor will be submitted to the meeting of this Committee scheduled for 25 September 2014. Following consideration of the Auditor's report, the Committee will be asked to consider and approve the SOFA with the Chairman being asked to sign and date the Accounts.
- 7.3 Any significant changes reflected in the final SOFA compared with the draft version attached, as a result of the audit, will be reported to Members on 25 September 2014.
- 7.4 The *Accounts and Audit Regulations* continue to require the responsible financial officer to sign and date the SOFA by 30 June and certify that it presents 'a true and fair view of the financial position of the Authority at the end of the year and its income and expenditure for that year'. This has been done on 26 June 2014.
- 7.5 The Chief Executive has also co-signed the SOFA recognising the unique position of the Chief Executive.
- 7.6 The responsible Financial Officer (Corporate Director – Strategic Resources) must also re-certify the SOFA before it is approved by the Audit Committee on 25 September 2014.

8.0 **AUDIT OF ACCOUNTS**

- 8.1 The *Accounts and Audit Regulations* require that the External Auditor formally signs off the County Council's accounts by 30 September 2014. To this end the audit of accounts by Deloitte's has recently started with completion expected during August 2014.
- 8.2 Following completion of his audit the External Auditor is then required to issue a report to those charged with governance, summarising the conclusions from the audit work. As indicated in **paragraph 7.2**, this detailed report will be submitted to this Committee on 25 September 2014 and will reflect the Auditors' responsibilities as covered by the Local Audit and Accountability Act 2014, the Audit Commission's Statutory Code of Audit Practice for Local Government and the International Standards of Auditing (ISA).
- 8.3 Following consideration of this report from the External Auditor on 25 September 2014, Members will then be asked to approve a final SOFA prior to it being formally signed off by the External Auditor.
- 8.4 The Auditors' conclusion from their audit will also be included as part of the overall audit of the County Council for 2013/14 which will be reported in the usual way through the Annual Audit Letter. This Letter will be submitted to a future meeting of this Committee and the Executive, although the Auditor will be requested to sign off the Final Accounts at the meeting of this Committee on 25 September 2014 in order to achieve the 30 September statutory deadline.
- 8.5 Sections 25 and 27 of the Local Audit and Accountability Act 2014 and Regulations 9, 10, 21, 22 and 23 of the Accounts and Audit Regulations 2011 require the County Council to notify the public that the Final Accounts are open for inspection for a four week period by way of advertisement and on its website. This Notice was placed in relevant newspapers during the week commencing 9 June 2014 with an inspection period between 30 June and 25 July 2014. Until the completion of the external audit, any local elector is able to question the External Auditor about the content of the Accounts.
- 8.6 As soon as reasonably possible after the conclusion of the audit on 25 September 2014, the County Council is also required, by advertisement and on its website, to give notice that the audit has been concluded and that the SOFA is available for inspection.

9.0 **OTHER STATUTORY FINAL ACCOUNTS REQUIREMENTS**

- 9.1 As indicated earlier in this report the key statutory requirements (Accounts and Audit Regulations 2011) in relation to Final Accounts are the approval of the accounts by an appropriate Committee and the External Auditor signing off the accounts by 30 September 2014.
- 9.2 There are however other statutory 'final accounts' requirements as follows:

- (a) the public are given a 4 week (20 working days) window to inspect the accounts and make representations to the External Auditor (**paragraph 8.5**)
- (b) a notice of audit conclusion must be made in the press and on the County Council's website stating that the SOFA is available for public inspection (**paragraph 8.6**)
- (c) the SOFA must be published (which must be included on the County Council's website), together with the Auditor's certificate and opinion by 30 September
- (d) detailed out-turn spending figures for both Capital and Revenue have to be submitted to the DCLG in July. This is provided in the form of detailed statistical returns that are completed by every local authority
- (e) detailed information for the Government's Whole of Government Accounts (WGA) initiative are required to be submitted by October 2014 with draft unaudited figures provided by July 2014. In addition to the basic set of accounts, the Government also require additional information in order to produce a set of consolidated accounts that covers the whole of the public sector. Submissions to the Government are subsequently audited by the External Auditor.

9.3 These additional requirements do not require any specific consideration or approval by this Committee.

10.0 **OUTTURN REPORTS SUBMITTED TO EXECUTIVE ON 17 JUNE 2014**

10.1 As mentioned in **paragraphs 3.1 to 3.5** the content and format of the SOFA must comply with statutory requirements which result in these accounts being different to the County Council's day to day management accounting arrangements.

10.2 For information purposes therefore, copies of the relevant outturn reports based on the County Council's management accounts as submitted to Executive on 17 June 2013, have been distributed to Members of this Committee. These reports are as follows:

- (a) Revenue outturn 2013/14
- (b) Capital expenditure outturn and financing 2013/14

The annual Treasury Management and Prudential Indicators report 2013/14 was sent separately to Members on 9 June 2014. The Revenue and Capital reports are therefore being sent to Members under separate cover.

11.0 **ANNUAL GOVERNANCE STATEMENT**

11.1 The Audit Committee considered the draft Annual Governance Statement (AGS) at its meeting on 26 June 2014. This was as part of a wider discussion on matters relating to Corporate Governance for both North Yorkshire County Council and the North Yorkshire Pension Fund.

- 11.2 The draft SOFA includes the same draft AGS which was considered by the Committee on 26 June. Potential changes to the AGS following the discussion on 26 June will be considered by a working group with a final version of the AGS being submitted to this Committee on 25 September 2014 when it is asked to formally approve the final SOFA.

12.0 **RECOMMENDATION**

- 12.1 That Members consider the draft Statement of Final Accounts for 2013/14 in advance of the accounts being audited and resubmitted to the Audit Committee on 25 September 2014 for formal approval.

GARY FIELDING
Corporate Director – Strategic Resources

Background Documents

Closedown Working Papers (P Yates, extension 2119)

Strategic Resources
Central Services
County Hall
Northallerton

8 July 2014

STATEMENT OF FINAL ACCOUNTS**Brief Explanation of Contents****(a) the Explanatory Foreword – pages 1 to 15**

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 – pages 16 to 29

which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Accounts.

(c) the Statement of Responsibilities for the Statement of Accounts – page 30

this outlines the County Council's responsibilities for the Accounts under local government legislation and any other requirements. It also details the legal and professional responsibility for the Accounts of the Corporate Director – Finance and Central Services (i.e. Section 151 officer).

(d) the Independent Auditor's Report – pages 31 to 34

this explains the auditors' responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a value for money opinion in terms of the arrangements for securing economy, efficiency and effectiveness.

(e) the Comprehensive Income and Expenditure Statement – pages 35 to 36

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 specified accounting principles, rather than the amount to be funded from taxation.

(f) the Movement in Reserves Statement – pages 37 to 38

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 – pages 39 to 40

this is a statement of the overall financial position of the County Council at the end of the year and shows the Balances and Reserves at the County Council's disposal, its long term indebtedness and the fixed and net current assets employed in its operations.

(h) the Cash Flow Statement – pages 41 to 42

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 – pages 43 to 104

these provide further details and explanation of the figures included in the Core Financial Statements.

(j) Group Accounts – pages 105 to 122

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 – pages 123 to 146

which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31 March 2014.

(l) the Annual Governance Statement – page 147

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.

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

REVIEW OF ASSURANCE OVER VALUE FOR MONEY

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To consider the arrangements made within the County Council in respect of achieving Value for Money
- 1.2 To consider how assurance is obtained about these arrangements

2.0 BACKGROUND

- 2.1 The Audit Committee terms of reference include that in respect of Value for Money “to have oversight of the arrangements across the County Council in securing Value for Money”. This is achieved through on-going evaluation of a range of activity within the Council but an annual report is considered by the Committee in order to give due focus to value for money.
- 2.2 A sound working definition of good value for money is the optimal use of resources to achieve intended outcomes. In this context ‘optimal’ should be taken as the most desirable possible given any valid restrictions or constraints.
- 2.3 Value for money (VfM) is achieved by having package of arrangements in place. A useful thought process is to consider how optimal the arrangements for achieving good value for money are in terms of planning (being clear about what is wanted), implementation (delivery) and monitoring (being able to assess performance).
- 2.4 The stages set out in **paragraph 2.3** are used as the structure for the remainder of this report with Planning in **section 3.0**, Implementation in **section 4.0** and Monitoring in **section 5.0**.
- 2.5 In addition, **section 6.0** highlights progress and further intentions since the presentation to the Audit Committee on 18 April 2013 on activities it noted as ‘moving forward’ in terms of further arrangements for VfM.
- 2.6 A summary of the already existing key arrangements and further developments during 2013/14 are set out in **Appendix 1**. This provides an at a glance overview and may help the Committee to visualise the overall picture. Further detail on these items is discussed in this report.
- 2.7 The period of austerity continues and it is increasingly important that VfM is a central part of what we do. The 2020 North Yorkshire Programme is a critical part

of the Council's response to this and more detail is given in **section 3.1**. Similarly Vfm is a critical part of our day-to-day activities and planning and efforts will continue to be made to embed this. Elements of this will be incorporated into the Performance Management Framework including service and team planning.

3.0 PLANNING

3.1 The key documents for strategy planning in the context of value for money are set out below:

- The **Council Plan** is the overall strategic plan, where vision, values and objectives are set out. At this stage we are asking for people's views on our vision, values and objectives. The feedback we receive will go into our 2020 North Yorkshire County Council plan to take us to the end of the decade. This plan also sets out key achievements for 2013/14.
- The refreshed **2014-17 North Yorkshire community plan** has recently been launched. This has gone through a period of partner consultation to ensure it focusses on important issues for our communities which need partnership effort to be tackled effectively.
- Financial aspects of our value for money planning are reflected in the **Budget** and **MTFS**. 2014/15 is the final year of the savings associated with the previous **One Council vision and approach**. Savings are on track to achieve the full quantum of savings required over the period 2011/12 to 2014/15. A post implementation review will be undertaken to assess the success of the delivery of the assigned benefits, financial and otherwise, to the programme.
- The **2020 North Yorkshire Programme** aims to realign the Council fundamentally in the face of the challenges from significantly reduced funding levels. Good governance arrangements have been put in place at strategic and directorate level. Lessons learned from the **One Council vision and approach** have been used to inform the governance of the current programme. The programme includes arrangements to design and realise significant benefits including a £62m savings programme. All six cross cutting themes within the programme have a direct impact on achieving value for money:
 - **Stronger Communities**: Working with communities to enable them to take a greater role in the shaping and provision of services
 - **Partnership Working and Alternative Delivery Models**: Working with others to provide new ways of delivering services
 - **Customer**: Changes to the ways in which customers access and/or receive services, for example, online access to services, greater use of the customer service centre or changes to physical access points
 - **Commercial Focus**: Changes to current charging models for services and/or opportunities to generate income and achieve the most value from existing and future contract arrangements
 - **Property**: Impacts on requirements for, and the use of, the property estate

- **Organisational Development:** Changes to the organisation including management/staffing structures and roles, skill sets and culture including a focus on innovation and productivity
 - The **Performance Management Framework** is under further review to ensure it best fits the new context for the organisation. The core component of this framework is to ensure the alignment of key management processes to deliver best performance and value for money. These are:
 - MTFS / Budget
 - Organisation Development
 - Programme Management
 - Risk Management
 - Performance Reporting
 - Data Management

The review is also setting out improvements to service and team planning that is aligned to organisation goals and is underpinned by a performance system to aid monitoring, reporting and decision making.
 - The **2020 Workforce Strategy** supports the **2020 North Yorkshire Programme**. The strategy sets out an approach to ensure we have the right people, with the right skills and working in the right way to achieve the aims of the organisation. One of the five key areas identified includes Driving Performance – this will work to ensure that we focus on performance and value for money in our everyday approach.
- 3.2 The plans and strategies above set out clear vision and objectives along with approaches to achieve them. This gives a sound footing for meeting the planning requirement for achieving value for money.

4.0 IMPLEMENTATION

- 4.1 The **Council Plan** sets out achievements for 2013/14 on **pages 4 to 6**. Examples are given across all directorates and also include achievements relating directly to service, budget and workforce including:
- New extra care schemes under construction for adult social care
 - Taking responsibility for Public Health for the first time in 2013/14
 - Established 20 projects from the Innovation Fund totalling £921k
 - Review and improvements in safeguarding for children and young people and adults
 - Delivery of a major highways capital programme
 - Further work under skills to increase the number of apprenticeship opportunities
 - Increased levels of volunteering in certain services
- 4.2 As well as those issues set out in the Council Plan itself, the new style Q performance reports presented to the Executive set out a number of achievements for 2013/14. The Q4 report is tabled for the 17 June Executive

meeting. There are always areas for improvement and these are also set out in those reports.

- 4.3 Within the context of a good level of performance in 2013/14, the council also achieved a sound financial outcome. Savings targets were achieved and in some cases accelerated savings from future years. This has led to a position where additional investments can be considered alongside resource requirements to implement the **2020 North Yorkshire Programme**. This represents a sound base and opportunity to achieve further VfM in the coming period.

5.0 MONITORING

- 5.1 As reported in April 2013 there are a number of monitoring mechanisms in place that contribute to ensuring the Council remains on track to achieve its objectives and value for money. These are listed below with a brief outline of key issues:

- Risk Registers are operated for individual services, directorate and at the corporate level. Items on the register are aligned to key service areas and activities with the Risk and Insurance Management team acting to ensure quality and consistency in the content and approach of each register. Items of enough significance appear in the next level up register. All registers are monitored regularly during the course of the year including at the Audit Committee itself. There are a number of items on the Corporate Risk Register that most directly relate to VfM matters. These are:
 - **Funding Challenges:** with a risk of not having sufficient funding to meet statutory obligations and public expectations.
 - **2020 North Yorkshire change programme:** Similar to the item above, a failure to deliver this programme could lead to unmet statutory obligations and an inability to deliver a balanced budget.
 - **Organisational Performance Management:** if the council does not operate a true performance management framework this could lead to a misalignment of activities and services to the objectives of the Council. This would yield a sub-optimal use of resources and not meeting our intended aims.
- Statements of Assurance are also co-ordinated corporately, in this case by the Corporate Governance Officers' Group (the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit). Directorate and corporate statements are monitored regularly and reported to the Audit Committee to provide assurance of the effective operation of them. Items in the corporate Statement of Assurance that most directly relate to VfM are:
 - Ensuring that performance management is embedded across the Council and increased productivity remains at the heart of Council plans.
 - Ensuring that the Council has the right skills, capacity and resilience in order to manage the 2020 North Yorkshire Programme and continue to deliver the best possible services for communities.
 - Ensuring that the Council has good decision making backed up by sound advice as it works its way through a significant period of change.

- Ensure Economic Growth is a key focus for all service areas.
 - External Audit provide key assurance through the annual audit of the accounts and express an opinion on whether the Authority has put in place 'proper arrangements to secure economy, efficiency and effectiveness in its use of resources'. The conclusion for 2012/13 was that proper arrangements were in place with an unqualified opinion. The assessment for 2013/14 is currently underway.
 - Matters arising from internal audit reports are also reported to the Audit Committee, timed to coincide with directorate reports on Risk Registers and Statement of Assurance. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the County Council for 2013/14 is that it provides **Substantial Assurance**. This is subject to a separate report on the same Committee of 26 June 2014.
- 5.2 The Q reports to the Executive were reviewed in 2012/13 and a new style and content has been in operation for the whole of 2013/14. Previous national indicators are no longer in place and this afforded the opportunity to focus our reporting on key indicators for our service delivery and outcomes. A wide range of officers and Members were involved in this review. A number of services were selected as theme areas that are reported in each Q report.
- 5.3 Overview and Scrutiny have taken on a role to provide additional in-depth review of those performance reports after the relevant service has presented their performance to the Executive. This provides an additional opportunity to scrutinise performance of the council as part of ensuring our services represent good VfM.
- 5.4 The new Q reports were reviewed in the fourth quarter of 2013/14 and a report taken to the **Corporate and Partnerships Overview and Scrutiny Committee** on 28 April 2014.
- 5.5 Overall good feedback has been received for the new reports. Further enhancements to performance reporting are being considered as part of the review of the Performance Management Framework. Options being considered include adopting more exception reporting to react appropriately to particular issues arising, look to further develop the integration of performance and financial dependencies and reporting and put in place a performance system to streamline the production of reports and enable timely consolidation of reports and provide transparent line of sight from team and service objectives to council level objectives.
- 5.6 Various benchmarking activities occur across the Council, some of which is reported to the Executive in the Q reports. Benchmarking activity includes:
- HAS unit costs through the annual data submission for the PSS-EX1 return to the Department for Health
 - CYPS CIPFA Benchmarking Clubs and section 251 returns
 - BES review of costs and budgets based on revenue outturn and estimate returns

5.7 In addition 'softer' learning from other local authorities also takes place. Two examples are given in **section 6.1**. Softer networking has also been used in developing the 2020 Finance Programme and future operating model for the finance function.

6.0 PROGRESS SINCE APRIL 2013 REPORT

6.1 A number of items were noted to the Audit Committee on 18 April 2013 as activities to further develop moving forward. These were:

- **On-going savings requirements closer alignment to performance aims:** savings targets have been closely aligned to the performance aims of the Council for the current MTFS starting from 2015/16. This is in recognition of the need to ensure that resources are allocated to meet our objectives and outcomes set out in the Council Plan. Under the **2020 Finance Programme** a financial planning model is being developed that again is centred round integration with performance. This will effectively be a joint service and financial planning model where service is the driver for resource allocation set within affordability limits, of course.
- **Learn from others:** there are specific examples of external peer reviews for 2013/14. Firstly, the Library service where a peer review was undertaken by the Local Government Association. Secondly a Sector Led Improvement review was carried out in Adult Social Care. The results for both services were positive and reported to the Executive in the Q2 and Q3 reports respectively. In addition specific benchmarking has been undertaken in HAS and CYPS covering unit costs and service delivery. Programmes and projects within the 2020 North Yorkshire Programme are also making use of 'softer' networking; for example as part of the 2020 Finance Programme other local authorities have been visited and surveyed as to determine best practice and lessons learned on similar change programmes. This type of work will be further utilised and reported to the Committee as part of its assurance arrangements.
- **VfM audits:** Internal Audit is now a member of the Corporate Performance Management Group and has undertaken a piece of work on data quality. Advice on major procurements is also available from Internal Audit at the early stages of such procurements and this is a valuable role to help ensure VfM. Internal Audit are also interested to explore carrying out more post implementation reviews (one was recently completed on the Highways Depot Programme). A review of the One Council programme is also under discussion in terms of the scope and timing.
- **Review of Q reporting:** Q reports have been reviewed, new ones implemented and subsequently reviewed and reported on - see **paragraphs 5.2 to 5.5** for details.
- **Review of Council Plan:** the Council Plan has been reviewed and is currently being consulted on. This was noted in **paragraph 3.1**. The new Council Plan will be a key driver for performance and the newly developing

Performance Management Framework will ensure alignment of activities to its objectives. This will be achieved through effective communication of Council objectives, aligned service and team plans, alignment of key management processes (as noted in **paragraph 3.1**) and an underpinning performance system that enables timely and efficient reporting to aid transparency, monitoring and decision making.

- **Team performance and innovation:** further internal peer reviews were carried out in 2013/14 focussed on how team performance is determined and managed. The foundation for the reviews were the Key Performance Questions (KPQs) set out as part of the Performance Management Framework. These focus teams on questions concerning:
 - What level of activity has the team dealt with?
 - How has the team performed in relation to budget?
 - What does the team know about the quality of its output?
 - How does the team demonstrate delivery to the required customer standard?
 - How is the team seeking to improve performance?

The results of the review indicated that team performance management was in a healthy position. Any enhancements to the KPQs will be considered as part of the review of the Performance Management Framework taking into account the vision and values of the 2020 North Yorkshire Programme.

6.2 Progress has been made on the items noted in the presentation to the April 18 2013 Audit Committee. There is more to do given the continuing funding challenges faced by the Council. This work is being aligned closely to developments in the 2020 North Yorkshire Programme.

6.3 Important elements of those improvements are:

- Finalise the Council Plan based on consultation results and ensure it acts as the driving force for performance.
- Deliver on the 2020 North Yorkshire Programme including developing our commercial skills, productivity and innovation.
- Put in place a refreshed Performance Management Framework that acts to align our management processes to delivering Council objectives and aid learning and decision making.
- Collaborate effectively within the organisation to make the maximum use of our skills and knowledge to deliver VfM.

7.0 SUMMARY

7.1 Good VfM is the optimal use of resources to achieve intended outcomes.

7.2 A wide ranging package of activities is required to ensure delivery of good VfM and as such the assurance framework is also wide ranging.

7.3 Previously reported arrangements provided sound assurance and further enhancements have been made. This will continue as part of how the Council develops itself to meet future challenges and expectations.

8.0 RECOMMENDATIONS

8.1 That the Audit Committee -

- a) Consider the arrangements currently in place for assuring value for money;
- b) Identify any areas for further development in the assurance arrangements;
- c) Confirm if they are satisfied that this report adequately contributes to the requirements of fulfilling the terms of reference noted in **section 2.1**.

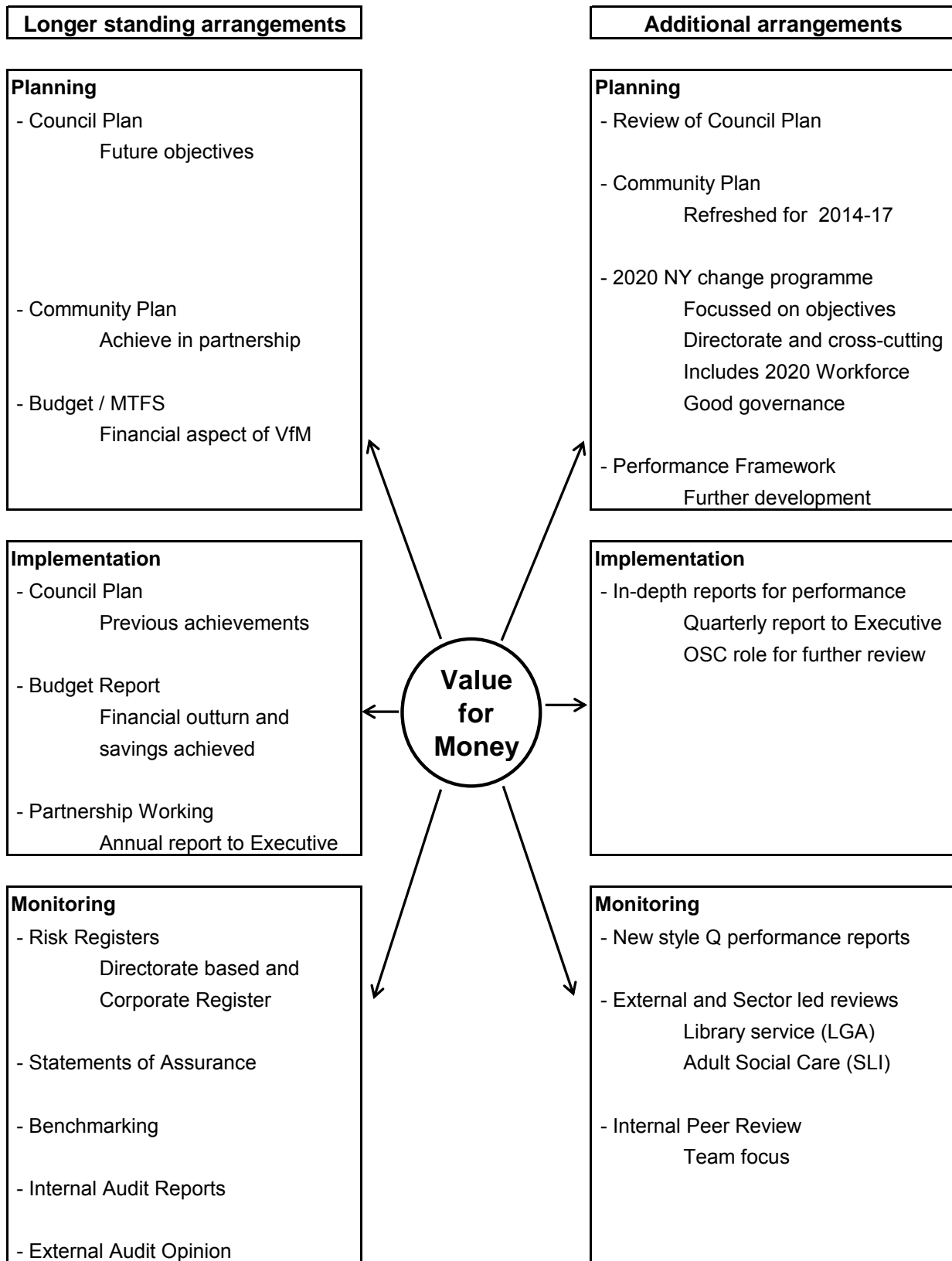
GARY FIELDING

Corporate Director – Strategic Resources

7 July 2014

Report prepared by Trevor Clilverd, Assistant Director - Strategic Resources

Tel no. 01609 532355



Note: the longer standing arrangements continue to operate. The additional arrangements noted above complement and add to them

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

17 JULY 2014

REVIEW OF CONTRACT, PROPERTY AND FINANCIAL PROCEDURE RULES

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To consider, for recommendation to the Executive, various proposed changes to Contract, Property and Financial Procedure Rules.

2.0 BACKGROUND

- 2.1 According to the Terms of Reference of the Audit Committee one of its functions is:

“To review and recommend to the Executive changes to the Financial, Contract and Property Procedure Rules”.

- 2.2 The need for changes to any of these Rules can arise from a number of factors including changes in legislation/regulation, issues identified during the course of internal audit reviews and/or developments in business practice, which in turn may be the result of changes in the operating context of the County Council.

- 2.3 A review of the Contract Procedure Rules, Property Procedure Rules and Financial Procedure Rules has been undertaken involving relevant lead officers and colleagues. The resulting amendments to the Rules attempt to clarify, simplify and update them to best fit legislation, reflect sound internal control and to assist the County Council to achieve Value for Money.

3.0 PROPOSAL - PROPERTY PROCEDURE RULES (PPR)

- 3.1 The PPR have been reviewed by a group of officers within the Property Service and the Corporate Director – Strategic Resources, and follow the principles as set out by the Audit Committee in December 2013 and summarised in section 4.1 below. The proposed amendments to the PPR are set out in **Appendix A**.
- 3.2 An explanatory note to these amendments is attached at **Appendix B**.
- 3.3 In bringing forward the proposals, the main changes are summarised below:

a) Threshold Changes

A number of values have been updated, but generally thresholds for acquisition, redeployment, etc have remained as before. These are generally higher values and reflect the lack of significant movement in the property market in recent years.

b) Additional and Deleted sections

An additional clause has been inserted to state that acquisitions above market value must be justified.

Regarding the acquisition of property, three key changes are proposed:

- The approval for securing an option will rest with the Corporate Director, Strategic Resources (CD-SR) rather than with any Director.
- The value to be approved by the CD-SR will now be the total cost of the option fee payable plus the resulting transaction, rather than just the option fee.
- Approval for exercising an option will now be based on the same value bands as other acquisitions.

It is also proposed that the sale of land forming the County Farms estate will now be authorised by the CD-SR regardless of value (so that high value farm sales no longer have to be approved by the Executive). This is because there has already been a policy decision relating to the sale of Farms so no further approvals should be required of the Executive.

4.0 PROPOSAL - FINANCIAL PROCEDURE RULES (FPR)

- 4.1 The FPR have been reviewed by a Project Team consisting of Finance, Legal & Democratic Services, Internal Audit and Budget/Service Management colleagues. The resulting amendments attempt to clarify and simplify certain procedures as well as to update and adapt the rules to the operating context of the County Council and current legislation and guidance. In so doing design principles were considered as set out to the Audit Committee on 5 December 2013. They were that FPR should:
- Be clearly understandable and usable;
 - Clearly define and recognise responsibilities of Members, Corporate Director – SR, Corporate Directors and other delegated officers;
 - Enable aims to be delivered with the maximum value for money;
 - Reflect an appropriate level of risk and materiality given the operating context of the County Council;
 - Provide effective internal control focussed on achieving organisational objectives.
- 4.2 The proposed amendments to the FPR are set out in **Appendix C**.
- 4.3 A Table explaining the proposed amendments is attached at **Appendix D**.

4.4 There are a number of proposed changes that impact on the Council's financial administration. Key items are summarised as follows:

(a) Threshold changes

Changes to various thresholds have been made to reflect the overall materiality of the Council's revenue and capital budgets, recognition of the responsibility of Corporate Directors for their budgets and the operating context of the Council, which is characterised by fewer financial and staff resources.

The specific changes and reasoning are set out in **Appendix D**, with the major changes being made to virement (**Rule 6.22**), capital budget (**Rule 7.7**), debt write-off (**Rules 12.10 and 12.16**) and partnership arrangements (**Rules 20.2 and 20.4**). Members may be concerned with the effect of these changes on the control environment. However, improvements are also being made to the transparency of the operation of these activities through clearer definition of budget headings for measurement and reporting of virements ('divisions of service') and the maintenance of debt write-off records. In relation to partnership arrangements all medium and high risk partnerships will be subject to a full assessment regardless of the value of financial contributions by the County Council.

Details are contained in **Appendix D**.

(b) Additional and deleted sections

An additional section on Anti-Corruption has been proposed to reflect the importance of this matter in its own right. It was previously part of the section on Internal Audit.

The section on petty cash is removed with the key requirement of providing this facility included within the section on banking. The Finance Manual contains guidance on the operation of petty cash.

(c) Administrative amendments

Renumbering of sections and paragraphs has been done to reflect the amendments proposed in this report.

4.5 The Finance Manual, which is also part of the internal control framework, contains further guidance on procedures and practices. A review of that document has been undertaken in terms of its accessibility and user-friendliness. This review involved the same project team noted above and further collaboration was undertaken with a wider group of budget managers.

4.6 The review confirmed that improvements are required to ensure that it is accessible to its target audience, is up-to-date in terms of all content and as such fully fulfils its role to ensure adherence to FPR, sound internal control and help achieve value for money. The Finance Manual will be developed

alongside the 2020 Finance Programme to provide this improved access and usability.

- 4.7 This includes adopting various 'access points' through frequently asked questions, pictorial representation of processes and procedures and the use of video demonstrations where beneficial. All these approaches were noted as being useful by budget managers and are inexpensive to implement.

5.0 PROPOSAL - CONTRACT PROCEDURE RULES (CPR)

- 5.1 A group of officers within the Corporate Procurement Group have reviewed the CPRs which were subject to a number of significant changes on 13 July 2013. As a result the changes are relatively few, mainly clarifying arrangements although one change brings the procedure rules in line with transparency requirements. This involves the requirement to extend use of the E-sourcing (currently provided through YorTender) for all quotations between £5k and £20k. This will require some training for staff who are not familiar with this approach. The proposed amendments to the CPR are set out in **Appendix E**.

- 5.2 A Table explaining the proposed amendments is attached at **Appendix F**.

6.0 RECOMMENDATIONS

- 6.1 That the Audit Committee recommends to the Executive the following changes to the Constitution -
- (a) The changes to the Property Procedure Rules in **Appendix A**
 - (b) The changes to the Financial Procedure Rules in **Appendix C**
 - (c) The changes to the Contract Procedure Rules in **Appendix E**

GARY FIELDING
Corporate Director – Strategic Resources
7 July 2014

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Property Procedure Rules

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These Rules constitute the Council's Standing Orders in relation to property contracts and the redeployment of property.

1.0 INTERPRETATION

1.1 These terms will have the following meanings in the Property Procedure Rules:-

ACE(LDS) The Assistant Chief Executive (Legal and Democratic Services)

Acquisition The acquisition of Property by the Council by whatever means, including:

- an option for a purchase or a lease
- a new lease for a Property previously leased in (a lease renewal), including an option to renew contained in an existing lease
- a Co-habitation Arrangement with another organisation in a non-Council Property
- the surrender or assignment of a lease to the Council, including the operation of a break clause

but excluding:

- a mortgage of Property owned by a third party in favour of the Council
- a licence with a term of no more than one year and at a fee of no more than ~~£10,000~~ £15,000

Co-habitation Arrangement

An arrangement with a third party to use space in a Council Property or for the Council to use space in a third party's Property without a lease or licence or the payment of a rent or fee, but normally with payments for a share of running costs. This often relates to space shared by cross-organisation teams

Council North Yorkshire County Council

CD-SR The Corporate Director - Strategic Resources

Director A Corporate Director of the Council including the Chief Executive, ~~Officer for the purposes of his group~~

Disposal The disposal of Property by the Council by whatever means, including

- the surrender or assignment of a lease by the Council including the operation of a break clause

- a Co-habitation Arrangement with another organisation in a Council Property
- the grant of a licence of all or part of a Property to a third party

but excluding

- the granting of a mortgage in respect of Property owned by the Council
- a licence with a term of no more than one year and at a fee of no more than ~~£10,000~~£15,000

Licence from a third party	An agreement for the non-exclusive use of property owned by a third party. This is usually limited by hours of operation or by sharing occupation
Licence to a third party	An agreement for use of Council owned property by a third party. This is usually limited by hours of operation or by sharing occupation
Officer	A Council employee or other authorised agent
Property	Any estate or interest in land and/or buildings
Property Contract	A contract relating to Property including (but not limited to) transfers, leases, options, easements, (except easements for highway drainage granted under, or as a consequence of an agreement made under Section 38 (adoption of new highways) or Section 278 (development of existing highways) of the Highways Act 1980) ¹ tenancy agreements, licences, and variations and releases from restrictive covenants, user rights granted under local government reorganisation arrangements and wayleaves, but excluding those contracts entered into by school governing bodies under their delegated powers
Redeployment	The re-allocation of a Property by the Council for a purpose different to that for which it has hitherto been used including to disposal
Surveyor	A professionally qualified surveyor or valuer employed or otherwise retained by the Council to provide expert advice on Property Contracts
Tenderer	A person who has expressed an interest in tendering for a Property Contract or who has tendered for a Property Contract

¹ As approved by Audit Committee December 2009.

1.2 References in these Rules to:-

- (a) any legislation (e.g. Act of Parliament, Statutory Instrument, EU Directive) include a reference to any amendment or re-enactment of such legislation;
- (b) the singular include the plural and vice versa;
- (c) the masculine include the feminine and vice versa;
- (d) Directors, the CD-SR and the ACE(LDS) shall be taken to include such Officers as are designated by them to undertake the duties and responsibilities set out in these Rules.

1.3 References in **Rules 6.1, 7.2 and 8.1** to values for the purpose of the approvals which are necessary for Acquisitions, Disposals and Redeployments of Property are to the values estimated at the time the approval is given; any such approval is not invalidated by the fact that the actual Acquisition or Disposal figure differs from the estimated figure. The value of any transaction shall be taken to be the Surveyor's opinion as to the open market value as between willing parties.

1.4 Where these Rules refer to approvals being sought or given for the Acquisition, Disposal or Redeployment of Property, such approval may relate to one particular Property or to a particular description or class of Property; but where it relates to more than one Property, the value shall be calculated as the aggregate value of all of the Property of that description or class.

1.5 **Key Principles of Property Procedure Rules**

1.5.1 Subject only to the exception in **1.5.4** responsibility for all transactions relating to Council Property vests in the ~~Corporate~~ Asset Management Section (~~CAM~~) within the Corporate Directorate - Strategic Resources.

1.5.2 In nearly all respects, therefore, individual Officers outside ~~CAM~~ Asset Management have no authority to enter into any commitment relating to Property, or to conduct any negotiations in connection with Property even on an informal basis. Officers must therefore inform ~~CAM~~ Asset Management about any impending Property matter at the earliest stage practicable and, wherever possible, before any contact is made with the owner of a Property or with a person who wishes to use the Council Property.

1.5.3 The CD-SR is responsible for either granting or obtaining all approvals for property transactions.

1.5.4 The only exceptions to the key principle are set out in **Rule 4.4**.

2.0 GENERAL

2.1 These Rules are made by the Council on the advice of the CD-SR, in consultation with the ACE(LDS).

2.2 These Rules apply to all Property Contracts.

2.3 These Rules shall be applied in conjunction with the following documents:

- (a) Asset Management Planning Framework: Acquisition Process
- (b) Asset Management Planning Framework: Redeployment Process
- (c) Asset Management Planning Framework: Disposals
- (d) Asset Management Planning Framework: Rent and Rent Reviews

- 2.4 The Council has made Financial Procedure Rules ('FPR') which apply to budgetary and other issues relating to property; the FPR shall be applied in conjunction with these Rules. The Council has also made Contract Procedure Rules, but they do not apply to Property Contracts.
- 2.5 The CD-SR (in consultation with the ACE(LDS)) shall review the application and effect of these Rules and make an annual report to the Audit Committee recommending such amendments to the Rules as are considered appropriate.
- 2.6 Property Contracts and documentation and correspondence relating to them shall be retained for the periods prescribed by the Council's Records Retention and Destruction Schedule.
- 2.7 Every Officer shall comply with these Rules unless a waiver is granted under **Rule 11.1**. Failure to comply may lead to disciplinary action.
- 2.8 Each Director shall ensure that Officers within their Directorate, and contractors working for the Council, are aware of and comply with these Rules and the documents referred to in **Rule 2.3**.
- 2.9 The CD-SR shall be responsible for monitoring adherence to these Rules.

3.0 COMPLIANCE WITH LEGISLATION

- 3.1 Every Property Contract shall comply with all relevant applicable legislation and government guidance including:-
- (a) EU Law
 - (b) Acts of Parliament
 - (c) Statutory Instruments
- 3.2 The ACE(LDS) shall ensure that the Council has the legal power to enter into any Property Contract and that the Council does not purport to enter into any such contract which is ultra vires.

4.0 SIGNATURE/SEALING OF PROPERTY CONTRACTS

- 4.1 No Property Contract shall be completed unless proper approval has been given in accordance with these Rules.
- 4.2 Subject to **Rules 4.3 and 4.4**, every Property Contract must be: -
- (a) executed as a Deed by the ACE(LDS); or by a Legal and Democratic Services Officer authorised by her; or
 - (b) signed by the ACE(LDS); or by a Legal and Democratic Services Officer authorised by her (if the value is less than £50,000); or
 - (c) signed by the ACE(LDS); or by a Legal and Democratic Services Officer authorised by her and another officer authorised by ACE(LDS) (if the value is £50,000 or more).
- 4.3 The CD-SR is authorised to sign Property Contracts comprising wayleaves, agricultural tenancy agreements or agricultural licences provided that:-
- (a) the Property Contract is in a nationally recognised form or in a form prepared or approved by the ACE(LDS); and
 - (b) two signatories are required if the value is £50,000 or more.

4.4 All Directors are authorised to approve and sign Licences to or from third parties provided that:-

- (a) the Licence is for a period not exceeding one year; and
- (b) the Licence is for a fee not exceeding ~~£10,000~~£15,000.

5.0 ROLE OF SURVEYOR

5.1 The CD-SR shall instruct the Surveyor to act on behalf of the Council in connection with Property Contracts in accordance with these Rules.

6.0 ACQUISITIONS

6.1 Approval for Acquisitions

6.1.1 Subject to **Rule 6.1.4(a)** and **Rule 10** whenever it is proposed that Property should be acquired by the Council, the CD-SR is responsible for seeking the approval which is necessary in accordance with this **Rule 6.1**.

6.1.2 No approval shall be sought or given for the Acquisition of any Property unless there is adequate budgetary provision for the Acquisition and any expenditure consequent upon the Acquisition.

6.1.3 In respect of the Acquisition of Property **other than** by lease or licence or other agreement for a rent or licence fee or other annual payment or by option:

- (a) the CD-SR may approve any Acquisition up to £250,000 in value;
- (b) the Executive Member for Central Services may approve any Acquisition up to £1,000,000 in value;
- (c) the Executive may approve any Acquisition and must approve any Acquisition over £1,000,000 in value.
- (d) any Acquisition which is above market value in the opinion of the surveyor must be justified within the report which forms part of the approval process.

For the purposes of this Rule, the value in relation to the surrender of a lease to the Council is the capitalised value of the rent or licence fee foregone as a result of the surrender.

6.1.4.1 Subject to **Rule 6.1.4.2** in respect of the Acquisition of Property by lease or licence or other agreement for a rent or licence fee or other annual payment:

- (a) the CD-SR may approve any Acquisition where the annual rent or fee or other annual payment is £25,000 or less;
- (b) the Executive Member for Central Services may approve any Acquisition where the annual rent or fee or other payment is £100,000 or less;
- (c) the Executive may approve any Acquisition and must approve any Acquisition where the annual rent or fee or other annual payment is more than £100,000.
- (d) any Acquisition which is above market value in the opinion of the surveyor must be justified on the report which forms part of the approval process.

For the purpose of this Rule, the annual rent or fee or other annual payment means the initial rent or fee or other annual payment payable by the Council (but ignoring any discount or rent-free period).

6.1.4.2 In the case of the payment of a premium by the Council for a lease the approvals required shall be sought according to the value bands in **Rule 6.1.3**.

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6.1.5 In respect of the Acquisition of Property by option:

- a) ~~(a) — the Corporate Director for the service acquiring the option~~ CD-SR may approve the securing of an option providing that the anticipated total cost payable to secure the option does not exceed the available budget provision
- b) ~~(b) — the Executive may approve the securing of an option and must approve the securing of any option for which the anticipated total cost payable to secure the option exceeds the available budget provision~~
- ~~(c) — the CD-SR may approve the exercise of any option within the limits set for leases in **Rule 6.1.4.1(a)** or limits set for other Property Contracts set in **Rule 6.1.3(a)**~~
- ~~(d) — the Executive Member for Central Services may approve the exercise of any option within the limits set for leases in **Rule 6.1.4.1(b)** or the limits set for other Property Contracts set in **Rule 6.1.3(b)**~~
- ~~(e) — the Executive may approve the exercise of an option and must approve any triggering of an option within the limits set for leases within **Rule 6.1.4.1(c)** or the limits set for other Property Contracts set in **Rule 6.1.3(c)**.~~
- c) approval for the exercise of any option shall be subject to the same value bands as set out in **rules 6.1.3 and 6.1.4.1**.
- d) Should it become necessary to vary the terms of an existing option, approval shall be sought subject to the same value bands as set out in **rules 6.1.3 and 6.1.4.1**.

For the purpose of this Rule, the relevant value for securing options is the cost of securing the option ~~(as opposed to the value of any resulting transaction) and plus~~ the relevant value of the resulting for triggering options is the value of the transaction, to be entered into ~~(as opposed to the cost of securing the option). The relevant value for exercising options is the value of the transaction to be entered into.~~

Approval for Rent Reviews

~~6.1.6 The CD-SR may approve the completion of a rent review memorandum provided that the original lease included provisions for the rent review; in all other cases **Rule 6.1.4** shall apply.~~

Variation of Lease Terms

~~6.1.7 The CD-SR may approve any variation to the terms of an existing lease or licence (including the grant of a licence to assign or sublet), except that, if the variation would result in an increase to the rent or licence fee, **Rule 6.1.4** shall apply.~~

6.2 Terms of Acquisition

- 6.2.1 The Surveyor is responsible for negotiating the terms for the Acquisition of Property and for any subsequent rent reviews, if relevant.
- 6.2.2 The CD-SR is responsible for approving the terms for the Acquisition of Property, and shall report such terms to the ACE(LDS).
- 6.2.3 The ACE(LDS) is responsible for preparing and completing the documentation for the Acquisition of Property in accordance with the terms referred to in **Rule 6.2.1**, subject to any variations agreed with the CD-SR and subject also to such further terms as the ACE(LDS) considers appropriate in the best interests of the Council.

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7.0 REDEPLOYMENT OF PROPERTY – OTHER THAN FOR DISPOSAL

7.1 As soon as a Director identifies the fact that a Property used by his/her Directorate is no longer required for its current use, the Director shall inform the CD-SR. The CD-SR shall then enquire whether the Property is of use to any other Director in connection with the service(s) for which they are responsible and subject to the response received shall apply the redeployment process in **Rule 7 or 8** as appropriate.

7.2 Approval for Redeployment – other than for disposal

7.2.1 Whenever it is proposed that Property should be redeployed other than for disposal by the Council, the CD-SR is responsible for seeking the approval which is necessary in accordance with this **Rule 7.2**.

7.2.2 In the case of any Redeployment of Property other than for disposal which is **not** held by the Council on a lease or licence:

- (a) the CD-SR may approve any Redeployment of Property up to £500,000 in value;
- (b) the Executive Member for Central Services may approve any Redeployment of Property up to £1,000,000 in value;
- (c) the Executive may approve any Redeployment, and must approve any Redeployment of Property over £1,000,000 in value [\(subject to rule 7.2.2 d\)](#);

7.2.3.1 Subject to **Rule 7.2.3.2** in the case of any Redeployment of Property other than for disposal which is held by the Council on a lease or licence:

- (a) the CD-SR may approve any Redeployment where the annual rent or fee is £25,000 or less;
- (b) the Executive Member for Central Services may approve any Redeployment where the annual rent or fee is £100,000 or less;
- (c) the Executive may approve any Redeployment and must approve any Redeployment where the annual rent or fee is more than £100,000.

For the purpose of this Rule, the annual rent or fee means the rent or fee payable by the Council at the time of the Redeployment (but ignoring any discount or rent-free period).

7.2.3.2 In the case of a property held by the Council on lease where a premium has already been paid the approvals required shall be sought pursuant to 7.2.3.1.

7.3 Terms of Redeployment – other than for disposal

7.3.1 Once approval for Redeployment has been given, the CD-SR is responsible for arranging the Redeployment in accordance with the Redeployment Process Guidance which forms part of the Asset Management Planning Framework referred to in **Rule 2.3(b)**.

8.0 REDEPLOYMENT FOR DISPOSAL

8.1 Approval for redeployment for Disposal

8.1.1 Whenever it is proposed that Property should be disposed of by the Council, the CD-SR is responsible for seeking the approval which is necessary in accordance with this **Rule 8.1**.

8.1.2.1 Prior to a decision to dispose of a property, it is necessary to confirm whether this was purchased using grant funding. If so, steps must be taken to ensure that the disposal and the allocation of proceeds complies with any grant conditions. Any grant conditions that conflict with the rules set out below will always take precedence. If this is the case, the advice of the CD-SR and the ACE(LDS) should be sought before any steps to dispose are taken.

8.1.2.2 Subject to **Rule 8.1.4**, in respect of the Disposal of Property **other than** by lease or licence or other agreement for a rent or licence fee or other annual payment:

(a) the CD-SR may approve any Disposal up to £500,000 in value;

(b) the Executive Member for Central Services may approve any Disposal up to £1,000,000 in value;

(c) the CD-SR may approve any Disposal of land or property which forms part of the County Farms estate, irrespective of value.

(d) the Executive may approve any Disposal and must approve any Disposal over £1,000,000 in value (subject to rule 8.1.2.2 c).-

For the purpose of this Rule, the value in relation to options means the value of the transaction resulting from the option and not the value of the option itself. For the purposes of this Rule, the value in relation to the surrender of a lease by the Council is the capitalised value of the rent or licence fee which would have been paid, but for the surrender.

8.1.3.1 Subject to **Rule 8.1.3.2** and **Rule 8.1.4**, in respect of the Disposal of Property by lease or licence or other agreement for a rent or licence fee or other annual payment:

(a) the CD-SR may approve any Disposal where the annual rent or fee or other annual payment is ~~£2550,000~~ or less;

(b) the Executive Member for Central Services may approve any Disposal where the annual rent or fee or ~~after other~~ annual payment is ~~£75,000~~ ~~£100,000~~ or less;

(c) the Executive may approve any Disposal and must approve any Disposal where the annual rent or fee or other annual payment is more than ~~£75,000~~ ~~£100,000~~.

For the purpose of this Rule, the annual rent or fee or other payment means the initial rent or fee payable or other payment to the Council (but ignoring any discount or rent-free period). For the purposes of this Rule in relation to options, the annual rent or fee means the initial rent or fee payable to the Council under the lease or licence resulting from the option.

8.1.3.2 In the case of the Disposal of property by lease where a premium is payable to the Council the approval required shall be sought pursuant to the value bands referred to in **Rule 8.1.2**.

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8.1.4.1 Disposals at an Undervalue

Where the disposal of any property is being considered which is likely to result in either a sale or long lease (seven years or more) at an undervalue the following provisions shall apply subject to Rule 8.1.4.2:-

- (a) In respect of Disposal of Property other than by lease or licence or other agreement for rent or licence fee or other annual payment the relevant approvals shall be sought in accordance with the following:

Approver	Maximum market value	Maximum undervalue authority
Corporate Director – Strategic Resources	£ 50,000 25,000	100%
Corporate Director – Strategic Resources	£250,000	50%
Executive Member for Central Services	£250,000	100%
Executive Member for Central Services	£500,000	50%
Executive	No limit	100% except where the undervalue is £2m or more
Secretary of State	No limit	No limit

- (b) In respect of Disposal of Property by lease or licence or other agreement for rent or licence fee or other annual payment the relevant approvals shall be sought in accordance with the following:

Approver	Maximum annual rental value	Maximum undervalue authority
Corporate Director – Strategic Resources	£ 50 10,000	100%
Corporate Director – Strategic Resources	£25,000	50%
Executive Member for Central Services	£25,000	100%
Executive Member for Central Services	£100,000	50%
Executive	No limit	100% except where the undervalue is £2m or more
Secretary of State	No limit	No limit

- (c) In respect of Disposal of Property by lease or licence involving the payment of a premium the approvals shall be sought according to the value bands in the table in paragraph (a) above.
- (d) For the purposes of this Rule, the undervalue is the difference between the unrestricted value of the property to be disposed of and the consideration for the disposal.
- (e) For all disposals of property at undervalue (except transfers pursuant to the Academies Act 2010, where Rule 8.1.4.2 applies), the purpose for which the property is to be disposed of must be likely to contribute to the promotion or improvement of the economic, social or environmental well being of the whole or any part of the Council's area, or of all or any persons resident or present in its area.

Academies Act 2010

8.1.4.2 In respect of the Disposal of Property by lease, licence, freehold, transfer or otherwise where such Disposal is made in accordance with a Transfer Scheme made by the Secretary of State pursuant to the Academies Act 2010 the relevant approval for the Disposal shall be sought from the Lead Executive Member for (Children's Act 2004), children's services, special education needs and youth justice by the Corporate Director – Strategic Resources; the Executive Member may give such approval regardless of the undervalue of the disposal.

Approval for Rent Reviews

~~8.1.5 The CD-SR may approve the completion of a rent review memorandum provided that the original lease included provisions for the rent review.~~

Variation of lease terms

~~8.1.6 The CD-SR may approve any variation to the terms of an existing lease or other agreement (including the grant of a licence to assign or sublet) except that, if the variation would result in a decrease to the rent or licence fee, Rule 8.1.3 shall apply.~~

Release or variations of restrictive covenants

~~8.1.7 In respect of the release or variation of restrictive covenants:~~

- ~~(a) the CD-SR may approve any release or variation up to £500,000 in value;~~
- ~~(b) the Executive Member for Central Services may approve any release or variation up to £1,000,000 in value;~~
- ~~(c) the Executive may approve any release or variation and must approve any release or variation over £1,000,000 in value.~~

~~For the purposes of this Rule, the value is the value of the payment to effect the release or variation.~~

The Right to Buy

8.1.58 Where right to buy applications are made to the Council under the Housing Act 1985 the ACE(LDS), in consultation with the CD-SR, shall be responsible for the admission or denial of the application of the right to buy and, where the right to buy is admitted, the ACE(LDS) shall dispose of the Property in accordance with the said Act.

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External Consents to Disposal

- 8.1.69 The CD-SR is responsible for obtaining such external consents (if any) as are required for a Disposal (except in relation to the disposal of school playing fields, for which the Corporate Director Children and Young People's Service shall be responsible for seeking any necessary approvals).

8.2 Terms of Disposal

- 8.2.1 The Surveyor is responsible for negotiating the terms for the Disposal of Property and for any subsequent rent reviews, if relevant.
- 8.2.2 The CD-SR is responsible for approving the terms for the Disposal of Property and shall report such terms to the ACE(LDS).
- 8.2.3 The ACE(LDS) is responsible for preparing and completing the documentation for the Disposal of Property in accordance with the terms referred to in **Rule 8.2.1** subject to any variations agreed with the CD-SR and subject also to such further terms as the ACE(LDS) considers appropriate in the best interests of the Council.
- 8.2.4 Except where an approval has been obtained in accordance with **Rule 8.1.4**, the CD-SR shall ensure that whenever terms for a Disposal of a Property are being determined, the best consideration for the Disposal shall be obtained by the Council pursuant to Section 123 of the Local Government Act 1972.

8.3 Method of Disposal

- 8.3.1 The CD-SR shall take such professional advice from the Surveyor as is necessary to ensure that the most appropriate disposal process is used.
- 8.3.2 The Surveyor's advice shall take account of all relevant factors relating to a Disposal including the following:-
- (a) the likely value of the Property;
 - (b) the potential market for the Property;
 - (c) the likelihood of obtaining alternative planning consents for the Property and their effect upon the valuation;
 - (d) the costs of the Disposal process (including advertising and other marketing);
 - (e) the time likely to elapse between offering the Property for Disposal and the projected completion date of the Disposal; and
 - (f) all other relevant factors.

8.4 Disposals by Tender

- 8.4.1 This **Rule 8.4** applies to all Disposals of Property by tender whether the tender is subject to contract or is capable of immediate acceptance.
- 8.4.2 A tender may only be considered if:-
- (a) it has been received in a sealed envelope marked "Tender" and indicating the Property referred to in the tender; and
 - (b) the identity of the Tenderer cannot be ascertained from the tender envelope; and
 - (c) subject to **Rule 8.4.5**, the tender has been returned to the ACE(LDS) before the tender closing date (which shall be a time and date when County Hall is open for business).

- 8.4.3 The ACE(LDS) shall be responsible for the reception and safe custody of tenders until they are opened.
- 8.4.4 Tenders must be opened at the same time and in the presence of the ACE(LDS) who shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening, the identity of the Officer present, the identities of Tenderers and the tendered amounts. A copy of such a record shall be provided as soon as practicable to the CD-SR.
- 8.4.5 If a tender is received after the specified tender closing date it may not be considered unless the ACE(LDS) is satisfied that the tender was posted or otherwise dispatched in sufficient time to be delivered before the specified time but that delivery was prevented by an event beyond the control of the Tenderer **and** that other tenders have not been opened.

Tender Evaluation

- 8.4.6 Tenders shall be evaluated by the CD-SR in consultation with the Surveyor. The CD-SR shall accept the tender which offers the best consideration for the Property in accordance with **Rule 8.2.3** above. The CD-SR shall ensure that the tender evaluation process is fair, and so far as consistent with the achievement of best consideration by the Council, that the basis on which tenders are to be evaluated has been established before tenders are opened. If all of the tenders are not submitted on the same basis (for example, if some tenders are conditional on planning permission being granted for a particular use of the property), then the CD-SR shall consult the Surveyor in relation to the evaluation of the bids, and a document will be produced by the CD-SR, setting out the reasoning which has been applied to determine which tender has been judged to offer the best consideration for the Property.

Alterations to Tenders

- 8.4.7 Tenders may not be altered by Tenderers after the tender closing date except where the CD-SR is satisfied that arithmetical errors having been inadvertently made by the Tenderer, the Tenderer can be invited to correct them.

Post Tender Negotiations

- 8.4.8 Post tender negotiation may be undertaken in accordance with the following conditions:-
- (a) The CD-SR considers that added value may be obtained;
 - (b) the post tender negotiations are undertaken either with all Tenderers, or with such Tenderer(s) as the CD-SR considers it appropriate to invite having regard to the value of their tenders and any conditions attached to them;
 - (c) the post tender negotiations are conducted by a team comprising the Surveyor and suitably experienced Officers approved by the CD-SR and trained in post tender negotiations;
 - (d) a record of the negotiations and any added value obtained from them is kept by the CD-SR; and
 - (e) any such added value obtained by the post tender negotiations is incorporated into the Property Contract with the successful Tenderer.

9.0 MORTGAGESMANAGEMENT

Approval for Rent Reviews

8.1-59.1 The CD-SR may approve the completion of a rent review memorandum provided that the original lease included provisions for the rent review.

Variation of lease terms

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9.2 The CD-SR may approve any variation to the terms of an existing lease or other agreement (including the grant of a licence to assign or sublet) except that, if the variation would result in a decrease to the rent or licence fee, Rule 6.1.4 shall apply.

Dilapidations Claims

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9.3 The CD-SR may approve the settlement of dilapidations claims where the Council is landlord or tenant, and to any value.

Release or variations of restrictive covenants

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9.4 In respect of the release or variation of restrictive covenants:

- (a) the CD-SR may approve any release or variation up to £500,000 in value;
- (b) the Executive Member for Central Services may approve any release or variation up to £1,000,000 in value;
- (c) the Executive may approve any release or variation and must approve any release or variation over £1,000,000 in value.

For the purposes of this Rule, the value is the value of the payment to effect the release or variation.

Restrictions on Title

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9.5 The CD-SR may instruct the ACE (LDS) to place or remove restrictions on the title of any property owned by the Council, or to place restrictions on the title of properties owned by third parties, provided that such restrictions are to secure a grant or other loan to or from the Council.

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10 MORTGAGES

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9.1 10.1 The CD-SR may instruct the ACE(LDS) to enter into a mortgage of property owned by a third party where it is considered appropriate for the Council to secure its interests in respect of a grant or loan made to such a third party.

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9.2 10.2 In respect of mortgages of property owned by the Council:-

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- (a) only the Executive may approve such a mortgage and
- (b) the terms of the mortgage shall be determined by the CD-SR in consultation with the ACE(LDS).

The ACE(LDS) shall take such steps as are necessary to discharge a mortgage (whether the Council is mortgagee or mortgagor) upon the instruction of the CD-SR.

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4011.0 COMPULSORY PURCHASE AND COMPENSATION

- 4011.1** If a Director, in consultation with the CD-SR and the ACE(LDS), considers that it is necessary for compulsory powers to be exercised by the Council to acquire property in connection with a Council function then the Director shall seek all such approvals as are necessary (including, but not limited to, from the Secretary of State) to enable compulsory powers to be used but shall only do so after the Executive has approved the proposed exercise of such powers.
- 4011.2** An approval given by the Executive to use compulsory powers shall be deemed to include the approvals necessary to acquire the Property the subject of the Compulsory Purchase Order, this shall apply regardless of:-
- (a) the number of sites to be acquired; and
 - (b) the value of such sites subject to the Executive having first given budgetary approval to the proposed expenditure in connection with their acquisition.
- 4011.3** **Rule 6.2** shall apply to the approval of terms for the acquisition of interests under Compulsory Purchase Orders.
- 4011.4** The CD-SR shall also be responsible for instructing the Surveyor to agree claims for compensation made by third parties as a consequence of the Compulsory Purchase Order; once the terms have been agreed and approved by the CD-SR they shall be reported to the ACE(LDS) who shall be responsible for preparing and completing the documentation.

4112.0 EXCEPTIONS TO PROPERTY PROCEDURE RULES

- 4112.1** The CD-SR and the ACE(LDS) may agree specific waivers to the Property Procedure Rules, other than **Rules 6.1, 7.2, 8.1 and 910.2**.

APPENDIX B

Rule	Current Wording	Proposed Amendment	Reason
4.4	<p>All Directors are authorised to approve and sign Licences to or from third parties provided that:-</p> <p>(a) the Licence is for a period not exceeding one year; and</p> <p>(b) the Licence is for a fee not exceeding £10,000.</p>	<p>All Directors are authorised to approve and sign Licences to or from third parties provided that:-</p> <p>(a) the Licence is for a period not exceeding one year; and</p> <p>(b) the Licence is for a fee not exceeding £15,000.</p>	<p>The increased limit from £10k to £15k reflects the rising market and will allow directorates to continue to deal with minor matters. (this is especially relevant to the licensing of premises for school use)</p>
6.1.5 (a)	<p>the Corporate Director for the service acquiring the option may approve the securing of an option providing that the anticipated total cost payable to secure the option does not exceed the available budget provision</p>	<p>the CD-SR may approve the securing of an option providing that the anticipated total cost payable to secure the option does not exceed the available budget provision</p>	<p>This brings the securing of options into line with all other acquisitions, where Corporate Directors have no authority to take decisions.</p>
6.1.5	<p>(paragraphs c to e are deleted)</p>	<p>approval for the exercise of any option shall be subject to the same value bands as set out in rules 6.1.3 and 6.1.4.1</p> <p>Should it become necessary to vary the terms of an existing option, approval shall be sought subject to the same value bands as set out in rules 6.1.3 and 6.1.4.1</p>	<p>This brings the securing of land/buildings by option into line with all other acquisitions.</p>
6.1.5	<p>For the purpose of this Rule, the relevant value for securing options is the cost of securing the option (as opposed to the value of any resulting transaction) and the relevant value for triggering options is the value of the transaction to be entered into (as opposed to the cost of securing the option).</p>	<p>For the purpose of this Rule, the relevant value for securing options is the cost of securing the option plus the value of the resulting transaction. The relevant value for exercising options is the value of the transaction to be entered into.</p>	<p>The value of the resulting transaction must be considered when taking the decision to secure an option.</p>

APPENDIX B

8.1.2.2	(no entry)	(c) the CD-SR may approve any Disposal of land or property which forms part of the County Farms estate, irrespective of value.	the sale of vacant farms is a matter of policy. Decision to sell need not be value based.												
8.1.3.1	the CD-SR may approve any Disposal where the annual rent or fee or other annual payment is £25,000 or less;	the CD-SR may approve any Disposal where the annual rent or fee or other annual payment is £50,000 or less;	Rents have risen significantly in recent years.												
8.1.3.1	<p>the Executive Member for Central Services may approve any Disposal where the annual rent or fee or other annual payment is £75,000 or less;</p> <p>the Executive may approve any Disposal and must approve any Disposal where the annual rent or fee or other annual payment is more than £75,000</p>	<p>the Executive Member for Central Services may approve any Disposal where the annual rent or fee or other annual payment is £100,000 or less;</p> <p>the Executive may approve any Disposal and must approve any Disposal where the annual rent or fee or other annual payment is more than £100,000</p>	Rents have risen significantly in recent years.												
8.1.4.1 a	<p>In respect of Disposal of Property other than by lease or licence or other agreement for rent or licence fee or other annual payment the relevant approvals shall be sought in accordance with the following:</p> <table border="1" data-bbox="495 1011 1012 1347"> <thead> <tr> <th>Approver</th> <th>Maximum market value</th> <th>Maximum undervalue authority</th> </tr> </thead> <tbody> <tr> <td>Corporate Director – Strategic Resources</td> <td>£25,000</td> <td>100%</td> </tr> </tbody> </table>	Approver	Maximum market value	Maximum undervalue authority	Corporate Director – Strategic Resources	£25,000	100%	<p>In respect of Disposal of Property other than by lease or licence or other agreement for rent or licence fee or other annual payment the relevant approvals shall be sought in accordance with the following:</p> <table border="1" data-bbox="1234 1011 1751 1347"> <thead> <tr> <th>Approver</th> <th>Maximum market value</th> <th>Maximum undervalue authority</th> </tr> </thead> <tbody> <tr> <td>Corporate Director – Strategic Resources</td> <td>£50,000</td> <td>100%</td> </tr> </tbody> </table>	Approver	Maximum market value	Maximum undervalue authority	Corporate Director – Strategic Resources	£50,000	100%	This removes the need for minor undervalue cases to be referred to the Executive Member for Central Services.
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APPENDIX B

8.1.4.1 b	<p>In respect of Disposal of Property by lease or licence or other agreement for rent or licence fee or other annual payment the relevant approvals shall be sought in accordance with the following:</p> <table border="1" data-bbox="472 363 1010 735"> <thead> <tr> <th data-bbox="472 363 663 549">Approver</th> <th data-bbox="663 363 826 549">Maximum annual rental value</th> <th data-bbox="826 363 1010 549">Maximum undervalue authority</th> </tr> </thead> <tbody> <tr> <td data-bbox="472 549 663 735">Corporate Director – Strategic Resources</td> <td data-bbox="663 549 826 735">£5,000</td> <td data-bbox="826 549 1010 735">100%</td> </tr> </tbody> </table>	Approver	Maximum annual rental value	Maximum undervalue authority	Corporate Director – Strategic Resources	£5,000	100%	<p>In respect of Disposal of Property by lease or licence or other agreement for rent or licence fee or other annual payment the relevant approvals shall be sought in accordance with the following:</p> <table border="1" data-bbox="1189 363 1742 735"> <thead> <tr> <th data-bbox="1189 363 1397 549">Approver</th> <th data-bbox="1397 363 1561 549">Maximum annual rental value</th> <th data-bbox="1561 363 1742 549">Maximum undervalue authority</th> </tr> </thead> <tbody> <tr> <td data-bbox="1189 549 1397 735">Corporate Director – Strategic Resources</td> <td data-bbox="1397 549 1561 735">£10,000</td> <td data-bbox="1561 549 1742 735">100%</td> </tr> </tbody> </table>	Approver	Maximum annual rental value	Maximum undervalue authority	Corporate Director – Strategic Resources	£10,000	100%	<p>This removes the need for minor undervalue cases to be referred to the Executive Member for Central Services.</p>
Approver	Maximum annual rental value	Maximum undervalue authority													
Corporate Director – Strategic Resources	£5,000	100%													
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Corporate Director – Strategic Resources	£10,000	100%													
9.3	(none)	<p>The CD-SR may approve the settlement of dilapidations claims where the Council is landlord or tenant, and to any value.</p>	<p>Previously not covered by the PPR. Clarifies the decision maker.</p>												
9.5	(none)	<p>The CD-SR may instruct the ACE (LDS) to place or remove restrictions on the title of any property owned by the Council, or to place restrictions on the title of properties owned by third parties, provided that such restrictions are to secure a grant or other loan to or from the Council.</p>	<p>Previously not covered by the PPR. Clarifies the decision maker.</p>												

Appendix C

Financial Procedure Rules

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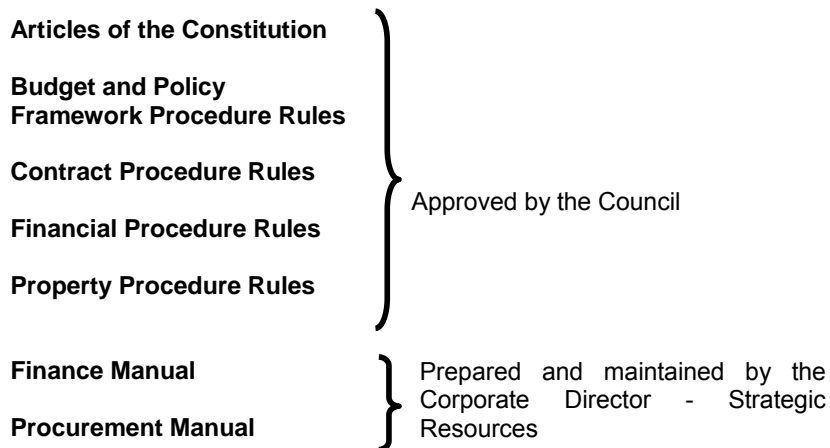
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1.0 INTRODUCTION

1.1 These **Financial Procedure Rules** form part of the overall control framework within which North Yorkshire County Council operates. They aim to facilitate sound, innovative service delivery by setting out best practice for the administration of all financial matters throughout the Council, ensuring a high quality of financial information, robust financial management and enabling bettergood decision making. They should not be viewed as a barrier to executive action and are constantly kept under review to ensure that they remain relevant to the day to day activities of the Council and contribute to the delivery of value for money.

1.2 The financial control framework can be seen as a hierarchy established as follows:-



1.3 The Constitution defines the rules governing the procedures of the Council including Responsibility for executive and non-executive functions, Access to Information Procedure Rules, Contract Procedure Rules, the Property Procedure Rules and these Financial Procedure Rules.

1.4 The Constitution defines the framework within which the powers to make decisions, take action etc are delegated to the appropriate level in the organisation through, in particular, the Officers' Delegation Scheme and the Executive Members' Delegation Scheme. In particular the Constitution: -

- ♦ requires all Directors to act within the terms of these Rules in the exercise of their delegated powers
- ♦ empowers the Corporate Director - Strategic Resources to act as the Proper Officer under Section 114 of the Local Government Finance Act 1988
- ♦ empowers the Corporate Director - Strategic Resources to exercise the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.

1.5 The Contract Procedure Rules define the correct procedures to be followed when the Council enters into any contractual arrangement and should be read in conjunction with these Rules. The Property Procedure Rules define the correct procedures for the acquisition, disposal and redeployment of land and buildings and also cover other property related matters.

1.6 The Finance Manual is a comprehensive document detailing all aspects of financial systems and procedures and is designed for use on a day to day basis by staff

involved in any aspect of financial administration. Any new or revised instructions on financial matters issued by the Corporate Director - Strategic Resources will be incorporated into the Finance Manual.

- 1.7 Although all Finance staff report to the Corporate Director - Strategic Resources they provide day to day support to all ~~D~~irectorates and ~~Businessservice U~~units. They are ready and willing to provide assistance to any Member or Officer regarding financial management, administration or budgetary control issues. In particular, their advice should be sought by anyone ~~intendingwishing~~ to create a new, or amend an existing, financial procedure.
- 1.8 The statutory responsibility for the creation and maintenance of the financial control framework throughout the Council rests solely with the Corporate Director - Strategic Resources. With the assistance of the Internal Audit Service the Corporate Director - Strategic Resources will monitor adherence to these Rules.
- 1.9 The application and content of these Financial Procedure Rules is reviewed regularly. The Corporate Director - Strategic Resources therefore welcomes feedback on the operation of these Rules, or any aspect of the Finance Manual, to ensure that they both remain effective and relevant to the day to day operational activities of the Council.

2.0 DEFINITIONS

- 2.1 In these Rules, unless the context otherwise requires:-

Asset is any asset including material and intellectual property, but excluding any estate or interest in land and buildings, (i.e. 'Property' as defined by these Rules).

Budget Holder is an officer nominated by a Director and/or Service Unit Head as being responsible for managing a defined sum of money (i.e. '~~b~~Budget').

Corporate Director - Strategic Resources (CD-SR) means the Corporate Director - Strategic Resources, the officer appointed by the Council to exercise the powers defined in Section 151 of the Local Government Act 1972.

Council means the North Yorkshire County Council.

CPR means the Contract Procedure Rules.

Director shall apply to any, or all, of the following Officers:-

Chief Executive Officer
Corporate Director Business and Environmental Services
Corporate Director Children and Young People's Service
Corporate Director Health and Adult Services
Corporate Director - Strategic Resources

Exchequer Services Officer means the employee of the Council nominated to this post within ~~the~~-Strategic Resources by the CD-SR.

Executive means the body described in Article 7 of the Constitution.

Financial Instrument means a document such as a share, bond, bill of exchange, future or options contract) that has monetary value or evidences a legally enforceable agreement between two or more parties regarding a right to payment of money.

Head of Internal Audit means the Head of Internal Audit for Veritau.

Internal Audit Service means that service provided to the Council by Veritau.

Leasing Agreement is a contract for the provision of finance to enable goods or services (but not Property) to be obtained and where ownership in any goods does not necessarily pass to the Council at the end of the contract period.

Member means any elected Member of the Council

Money Laundering Reporting Officer means the Head of Internal Audit

Officer means any employee of the Council or other authorised agent.

Person means any individual, partnership, company, trust, other local authority, Government department or agency.

Portfolio Holder is the ~~Councillor~~Member who, as a member of the Executive, has primary responsibility for a defined area of service(s).

Property refers to any estate or interest in land and/or buildings.

PPR means the Property Procedure Rules.

Rules means these Financial Procedure Rules.

Service Unit Head is an Officer responsible for a defined function or activity within a Directorate and who reports directly to the relevant Director.

Services means the provision by a contractor of any services or similar facilities or works for the Council.

Terms of Reference for Internal Audit set out the purpose, authority and responsibility of Internal Audit. These are reviewed annually and any amendments approved by the Audit Committee.

Veritau means the local authority controlled company established by the Council and the City of York Council to provide internal audit and information governance services.

2.2 Reference in these Rules to a Director or the CD-SR shall be taken to include such Officers as are designated by those Directors to undertake the duties and responsibilities set out in these Rules, except in the case of the following Rules:-

- (i) Director - **Rules 6.10, 6.11, 6.16, 7.9, 7.13 and 19.7**
- (ii) CD-SR - **Rules 4.3, 4.4, 4.5, 4.6, 4.7, 4.16, 5.1, 6.16, 145.5, 145.6, 145.8, 145.9, 189.7 and 22.1**

where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained, as appropriate, by each Director and the CD -SR.

- 2.3 (a) The PPR apply to the acquisition, ~~and~~ disposal and redeployment of Property.
- (b) The CPR apply to the procurement of works, supplies and services.

2.4 References in these Rules to

- (i) any legislation includes a reference to any amended or re-enactment of such legislation;
- (ii) the singular includes the plural and vice versa;
- (iii) the masculine includes the feminine and vice versa.

3.0 POWERS AND DUTIES OF THE COUNTY COUNCIL

- 3.1 Any power or duty of the Council in relation to these Rules may be exercised by a person or body which, under the Constitution, has delegated powers in that regard.
- 3.2 For the purposes of **Rules 6 and 7** of these Rules 'policy' means any Council or ~~S~~service commitment as expressed in financial terms and therefore implicit within any Revenue Budget and/or Capital Plan approved by the Executive and/or the Council.

4.0 RESPONSIBILITIES

Preamble

These Financial Procedure Rules have been approved with the intention of enabling the delegation of financial responsibility to the lowest appropriate level of management within the Council. They also set out the working arrangements by which the Council gives effect to its statutory financial responsibilities. In particular they define the role and responsibilities of any officer designated as a 'Budget Holder'.

Rules

- 4.1 These Rules are made by the Council and are subject to the relevant provisions of the Local Government Act 1972, the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and Part 2 of the Local Government Act 2003. They set out the working arrangements by which the Council gives effect to its statutory financial responsibilities.
- 4.2 These Rules apply to all activities of the Council although the CD-SR may approve variations from the Rules to reflect specific circumstances. At present the only approved variations relate to primary/secondary/special schools operating under the approved LMS Contract Procedure Rules and LMS Financial Procedure Rules. No other variations from the Rules have currently been approved.
- 4.3 The CD-SR will, for the purposes of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, be responsible for the proper administration of the Council's financial affairs and the submission of reports to the Council (or any of its constituent parts) on the discharge of that responsibility.
- 4.4 The CD-SR has a statutory responsibility to ensure that adequate systems and procedures exist to account for all income due ~~to~~, and expenditure payments made on behalf of the Council and that controls operate to protect the assets of the Council from loss, waste, fraud or other impropriety. In addition to these Rules the CD-SR may discharge that responsibility in part by the issue and maintenance of financial instructions with which any Officer, together with any person employed by an organisation contracted to the Council, ~~shall~~**must** comply.
- 4.5 As 'Section 151' Officer of the Council the CD-SR shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the ~~Accounts and Audit England (Amendment) Regulations 2009~~**Accounts and Audit**

(England) Regulations 2011. The CD-SR shall also be responsible for all arrangements relating to the external audit of the Statement of Final Accounts in accordance with those Regulations. This responsibility also extends to financial information contained within any Statutory Plan published by the Council.

4.6 The CD-SR shall, in compliance with Section 114 of the Local Government Finance Act 1988 report to the Council if the Council, its Executive, a committee of the Council, an Officer of the Council or a joint committee on which the Council is represented:-

- (i) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;
- (ii) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Council; or
- (iii) is about to enter an item of account (in the ledger), the entry of which is unlawful.

The CD-SR shall also make a report if it appears that the expenditure proposed by the Council in a financial year is likely to exceed the resources available to it to meet the expenditure.

4.7 The CD-SR shall, in compliance with Sections 25 – 28 of Part 2 of the Local Government Act 2003

- (i) submit a formal report to the County Council when the Council Tax precept is being made regarding the robustness of the estimates included in the annual Budget and the adequacy of the reserves for which the Budget provides (Section 25)
- (ii) submit a report about the inadequacy of the reserves in accordance with the Section 27 requirements if the Secretary of State has set a minimum level of reserves for the Council under his Section 26 powers
- (iii) ensure that the County Council has adequate budget monitoring arrangements in place throughout the year that includes a regular review of the planned level of reserves incorporated in the annual Budget / Precept setting calculations (Section 28).

4.8 Every Director, Service Unit Head and Budget Holder shall be responsible for the observance of these Rules within their service area and for the training of staff under their supervision to enable them to comply with these Rules. This principle also applies to any instructions or guidance published in the Finance Manual, issued under the authority of these Rules.

4.9 If any Director, Service Unit Head or Budget Holder employs a consultant, agency staff or an external contractor to undertake any duties which would normally be undertaken by an Officer of the Council they must undertake their best endeavours to ensure that every such person acts in accordance with these Rules. It is the responsibility of the Director, Service Unit Head, or Budget Holder (as appropriate) to ensure such persons are aware of this responsibility and are given training if appropriate to enable them to carry out these duties. Every agreement for such work should include adequate remedies to enable the Council to secure reimbursement if there is a failure to comply with these Rules which leads to a financial loss for the Council.

- 4.10 The nature and format of all accountancy systems and related financial procedures and records must be in a form agreed with the CD-SR who shall have regard to the provision of Section 151 of the Local Government Act 1972, the [Accounts and Audit \(England\) Regulations 2011](#)~~Accounts and Audit England (Amendment) Regulations 2009~~, and such other statutory provisions which, from time to time, shall affect the financial administration of the Council or its constituent services. The financial ledger maintained by the CD-SR will be regarded as the primary financial record of the Council, both for actual expenditure/income transactions as well as budget allocations and subsequent virements. The CD-SR shall be consulted at an early stage regarding proposed changes to any financial systems, procedures or records and his approval obtained before such changes are implemented.
- 4.11 The principles referred to in **Rule 4.10** shall also be applied to any partnership or joint working arrangement with a third party whereby the Council agrees to allocate to, or receive (and then administer) funds from, a third party under the terms of the partnership or joint working arrangement. No funds should be allocated to, or received from, a third party on this basis without the agreement of the CD-SR as to the financial systems and procedures that will be adopted either by the Council or the third party. This Rule shall be deemed to apply to any proposal for the Council to act as the 'Accountable Body' for the purposes of administering any external funding for which the Council and its partners for that purpose have applied.
- 4.12 Where appropriate, reports to the County Council, the Executive or any committees or sub-committees, must contain a financial statement or appraisal setting out the full financial implications arising from any proposals contained within the report. The financial statement or appraisal must be agreed with the CD-SR in advance of the report being distributed to Members.
- Such reports may cover:-
- (i) a new policy
 - (ii) a variation of existing policy, or
 - (iii) a variation in the means or timescale for implementing an existing policy
- which may increase (or decrease) net expenditure in the current or subsequent years.
- 4.13 Each Director, Service [Unit](#) Head and Budget Holder is responsible for the proper financial management of all resources allocated to them within their operational areas. They shall devise and implement such controls and procedures, in consultation with the CD-SR, as are necessary to carry out their duties and prevent loss, waste, fraud and other impropriety in relation to the assets or integrity of the Council.
- 4.14 Each Director and/or Service [Unit](#) Head shall define budgetary control policy for the resources (revenue or capital) allocated to their operational area and ensure it is ~~enforced~~[operated in practice](#). This includes identifying Budget Holders for every revenue budget head, or capital scheme, and their limits of authority (see **Rules 6.11 and 7.9**). The same principle shall apply to any funds allocated to, or received from, a third party under a partnership or joint working arrangement (see **Rule 4.11**).
- 4.15 Failure to comply with these Rules, and any related instructions or guidance contained in the Finance Manual may lead to disciplinary action being taken against individual Officers.
- 4.16 The CD-SR shall be responsible for monitoring adherence to these Rules.

5.0 MEDIUM TERM FINANCIAL STRATEGY

Preamble

In order for the Council to be able to plan the development of its services and determine priorities for the allocation of resources between those services it needs to undertake multi-year financial planning. The Council will do this by preparing a Medium Term Financial Strategy for incorporation in the Council Plan.

Rules

- 5.1 The CD-SR shall, in consultation with the Chief Executive Officer and other Directors, prepare a Medium Term Financial Strategy ('**the MTFS**') for consideration by the Council.
- 5.2 The CD-SR shall determine the format of the MTFS and the timing of reports relating thereto, subject to any overriding requirements of the Council.
- 5.3 The MTFS shall include the financial effects of all known commitments in the multi year period, together with any proposals for significant changes to the level of existing services, or for developing new services.
- 5.4 The MTFS shall include the respective impacts of both revenue and capital expenditure, for that period on the level of Precept (and its Council Tax equivalent), any provisions or self-fund insurance arrangements, cash flow, working balances and treasury management policy.
- 5.5 For the purposes of this Rule the duration of the 'multi-year' period shall be determined from time to time by the Council based upon advice provided by the CD-SR in consultation with the Chief Executive Officer and other Directors.

6.0 REVENUE BUDGET

Preamble

The Revenue Budget is an estimate of the annual income and expenditure requirements of the Council and thereby sets out the financial implications of its approved policies. Once approved by the Council it gives each Director the ~~authority~~~~power~~ to incur expenditure, and collect income, and also provides the basis on which the financial performance of the Council, and each Directorate, will be monitored. These Rules provide a comprehensive framework for the preparation, monitoring and reporting of the Revenue Budget against these criteria.

Rules

Budgetary Control Principles

- 6.1 The Rules in this Section are based on the following budgetary control principles established by the Council:-
 - (i) ~~At Directorate and/or Service level~~ any under or overspending of Revenue Budget at the financial year end may be carried forward (subject to (iii))
 - (ii) mechanisms shall be defined by the CD-SR to ensure budgetary monitoring and control is carried out throughout the Council on a frequency commensurate with materiality and risk. ~~regular basis~~ (see **Rule 6.16**)

- (iii) that within these principles any designated ~~S~~service may be subject to any specific Regulations relating to their year end surpluses/deficits as shall be approved from time to time by the Council.

6.2 ~~During the financial year (T~~The Executive has overall responsibility for all aspects of the Revenue Budget of the Council. ~~To the extent therefore that a~~Any financial matter arising during a given financial year ~~that~~ cannot be resolved at Directorate level, using the powers/responsibilities defined in this Rule, ~~such matter~~ shall be brought to the attention of the Executive at the earliest opportunity. ~~(see Rules 6.16/6.17 below)~~. If and when ~~such any~~ matters ~~is~~are reported to the Executive it will be the responsibility of the CD-SR to provide specific advice to the Executive regarding how the financial implications of the matter might be addressed and/or resolved.

Structure of the Revenue Budget

6.3 The Council will, when formally setting its annual Precept (see **Rule 6.4 - 6.7**), also approve an annual Budget for each Directorate. This 'Directorate' Budget will comprise a single sum (i.e. expenditure less related income) which typically will also be allocated across a range of functions and/or activities within each Directorate; the functions and/or activities identified will normally reflect the service areas, or other organisational arrangements adopted within the Directorate. These Budgets will be determined, before the start of each financial year, in a format to be agreed by the CD-SR and will represent the base line to which, in any given financial year, the Rules that follow in this Section shall apply.

Setting a Budget/Precept

6.4 The CD-SR ~~shall will~~ specify the format of the annual Revenue Budget and the timing of ~~any~~ reports ~~relating thereto~~, subject to any overriding requirements of the Council. In practice the overall Revenue Budget will comprise a number of budgets (usually based on defined Directorates) identified as appropriate to the financial management arrangements of the Council (see **Rule 6.3**).

6.5 The ~~Corporate Director — Strategic Resources~~ CD-SR shall be responsible for submitting any reports regarding the overall Revenue Budget of the Council that will enable it to comply with its statutory responsibility to determine an annual Precept. Once the Precept has been determined by the Council it shall be the responsibility of the CD-SR to notify the collecting authorities.

6.6 As part of the process of approving the overall Revenue Budget of the Council the Executive shall define the arrangements whereby each Directorate prepares its own budget for consideration by the Executive. These arrangements will be ~~so defined as~~ to enable the baseline estimates of the Council to be prepared, to fulfil the function referred to in **Rule 6.3**.

6.7 If required, under the terms of **Rule 6.6**, each Director shall prepare a draft Revenue Budget relating to their Directorate for the next financial year, in consultation with the CD-SR, for submission to the Executive. Any such draft Revenue Budget shall be accompanied by a joint report from the appropriate Director and the ~~Corporate Director — Strategic Resources~~ CD-SR, which shall specify any variations relative to existing budgets and policies together with any implications for future financial years.

Incurring expenditure/collecting income

- 6.8 From the start of each financial year:-
- (i) expenditure may be incurred within the overall Revenue Budget approved by the Council. Given the terms of **Rule 6.3**, this authority to spend is effectively applied at Directorate level.
 - (ii) similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved Budgets shall be exercised ~~at~~by Directorates ~~level~~in line with the Council's income management systems.
- 6.9 Expenditure on behalf of the Council can only be committed against authorised budgets and in accordance with the policies for which the budget was established. Any significant commitment to continuing liabilities (including establishment changes - see **Rule 6.10**) in future years in excess of current budget provision or any proposed change in policy likely to affect the current approved budget and/or the MTFs (see **Rule 5.3**) shall be the subject of a report to the Executive prepared by the Director setting out clearly the full financial implications. Such proposals may relate to expenditure/income or both and this should be made explicit in any statement of financial implications (see **Rule 6.2**).
- 6.10 Any changes to the existing staffing arrangements either in terms of the number of posts and/or their grade shall be approved by the Director in consultation with the Portfolio Holder if they generate additional full year costs in excess of £250,000. Where staffing changes involve a package of changes, or cover more than one Service area within a Directorate a single approval should be sought before any commitments are made. The limit, for the purposes of this Rule, shall be determined by reference to the total value of the proposal including on-costs.

Monitoring of the Revenue Budget

- 6.11 Once the overall Revenue Budget of the Council for a given financial year has been approved by the Council, each Director shall define budgetary control policy within their own Directorate and ensure it is ~~enforced~~operated in practice. This will include identifying responsible Budget Holders and the limits of their budgetary authority (see **Rule 4.14**).
- 6.12 ~~A~~Budget Holders may only authorise expenditure from budgets under their direct control (see **Rule 6.11**). If a Budget Holder ~~he~~ plans to order items to be charged against the budget of another Budget Holder, he is required to obtain the approval of the other Budget Holder before committing expenditure against that budget.
- 6.13 Throughout the financial year each designated Budget Holder shall monitor income (including any grants) and expenditure against those specific budgets for which they are responsible.
- 6.14 The CD-SR shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting their Director in circumstances where it appears that variations to the approved budget will occur.
- 6.15 Budget Holders shall supply the CD-SR with sufficient information, as and when required, to enable accurate budget profiling and/or financial projections to be undertaken.

6.16 In accordance with **Rule 6.1(ii)**, budgetary control during a financial year shall be undertaken by a Director as follows:-

- (i) a Director shall maintain an on-going review of all aspects of the budget (including income - see **Rules 12.1/12.2/13.1/13.2**) under his control; this review ~~shall to~~ be undertaken in conjunction with Service Unit Heads and/or Budget Holders and the CD-SR
- (ii) the results of (i) to be reported on a regular basis based on materiality and risk and at least quarterly at least monthly to the Portfolio Holder for that Directorate
- (iii) that arising from (ii) the Director will be required to bring to the early attention of the Executive any significant matters which if left unresolved may lead to a budget overspending in the current or future years, together with proposals to address that potential situation
- (iv) the CD-SR shall report to the Executive at no less than quarterly intervals throughout the financial year on matters arising from (i) - (iii) above, in particular relating to
 - virements requiring approval (see **Rules 6.18 to 6.24**)
 - service under or overspends which may have implications for the planned outturn for the current (and future) financial year(s)
 - status of the contingency fund, cash flow and working balances.

6.17 If expenditure in excess of the approved net budget of a Directorate is incurred due to an emergency, this expenditure must be reported to the CD-SR as soon as practicable and to the Executive as soon as possible thereafter (see also **Rule 6.2**).

Virement

Preamble

*Virement is the transfer of budget provision between individually defined budget headings. ~~and as such it does not create additional budget. It is a necessary facility to assist the effective day to day management of budgets.~~ When the Council sets its overall Revenue Budget for a given financial year it will effectively approve a series of specific functional net budgets within each Directorate (see **Rule 6.3**)*

For the purpose of defining the authorisation required for virement to take place within the approved Budget for each Directorate, reference will be made to a 'Division of Service'. Once these Divisions of Service have been defined they will be used to analyse the Budget for a Directorate and thereafter constitute the base line from which any virements are recorded. Within a Division of Service, it is anticipated that more detailed budget headings (e.g. employees, premises) will be adopted for day to day budgetary control purposes.

Rules

- 6.18 ~~Each~~ Directors shall ensure that virement is ~~are~~ responsible for undertaking virements in accordance with these Rules as necessary to maintain the accuracy and efficacy of the regular budget monitoring process within his/her Directorate and inform the CD-SR as soon as practicable that such virements have taken place. ~~Thereafter~~ In addition:-
- (i) the CD-SR will be responsible for ensuring that notified virements are reflected in the financial ledger of the Council at the earliest opportunity (see **Rule 4.10**)
 - (ii) once such virements have been reflected in the financial ledger by the CD-SR they will be regarded as the base line (see **Rule 6.3** and **Preamble** above) from which any subsequent virements in that financial year are referenced.
- 6.19 Notwithstanding **Rules 6.20 to 6.24**, the approval of the Executive shall be required if any proposed virement involves one or more of the following:-
- (i) a change to current policy (see **Rule 6.9**)
 - (ii) a significant addition to recurring commitments in future financial years (see **Rule 6.9**)
 - (iii) any transfer of resources between the Revenue Budget and the Capital Plan (see **Rule 7.8(ivd)**).
- 6.20 Notwithstanding **Rules 6.21 to 6.24** below, the CD-SR has the right to refer any proposed virement to the Executive.
- 6.21 Within a Division of Service, a Director may transfer any sums between defined budget headings (see **Preamble** to this Section) subject only to consultation with the Portfolio Holder and the CD-SR (see also **Rule 6.10** in relation to employee costs).
- 6.22 For transfers between Divisions of Service, if the sum involved is:-
- (i) less than ~~£100,000-£250,000~~ or ~~5%10%~~ of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement may be actioned by a Director following consultation with the Portfolio Holder and the CD-SR
 - (ii) equal to or greater than ~~£100,000£250,000~~ or ~~5%10%~~ of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement shall be subject to approval by the Executive.
- 6.23 Any virement where a change in the previously approved level of net expenditure for a Division of Service is directly related to, and fully offset by, a change in fees, income or other contributions from another authority, organisation or person may be actioned by a Director in consultation with the Portfolio Holder and the CD-SR.
- 6.24 Income received in excess of the budgeted amount for a Division of Service may be spent either within that Division of Service or its equivalent value transferred to another Division of Service. This can be achieved by virement in accordance with the arrangements specified in **Rules 6.21 or 6.22** respectively.

Outturn

- 6.25 With the assistance of all Directors, the CD-SR shall report to the Executive on the outturn of income and expenditure, as soon as practicable after the end of the financial year.

7.0 CAPITAL PLAN

Preamble

Capital expenditure is a necessary element in the development of the Council's services since it generates investment in new and improved assets. In conjunction with the Corporate Capital Strategy and the Asset Management Planning Framework, ~~CORPORATE CAPITAL STRATEGY AND THE ASSET MANAGEMENT PLANNING FRAMEWORK~~, these Rules provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters. For the purpose of these Rules the term 'scheme' refers to either individual capital work or programme of works as set out in the Capital Plan.

Rules

Budgetary Control Principles

- 7.1 ~~The Council has defined a 'formulaic' model for the allocation of capital resources as between Directorates. Within the framework laid down by this approach, the~~ The Rules in this Section 7 are based on the following principles established by the Council:-
- (i) individual schemes shall be part of an approved Capital Plan before they proceed, that Plan reconciled, at both Directorate and Corporate level, to the resources ~~defined under the formulaic model~~available
 - (ii) a scheme is defined as either
 - (a) a specific project whose cost, size, configuration, or policy significance requires it to be individually listed in the Capital Plan or
 - (b) an annual programme of planned expenditure for a consistent and designated purpose
 - (iii) mechanisms shall be defined by the CD-SR to ensure that expenditure, and if appropriate, grant and other income is monitored and controlled at individual scheme as well as Directorate level
 - (iv) any under or overspending of the approved Capital Plan at Directorate level at the financial year end may be carried forward
 - (v) any scheme specific funding proposed by a Director must be compatible with the Treasury Management Policy Statement of the Council (see **Rules 145.3 and 145.5**).

- 7.2 During the financial year the Executive has overall responsibility for all aspects of the Capital Plan of the Council. To the extent therefore that any financial matter arising during a given financial year cannot be resolved at Directorate level, using the powers/responsibilities defined in this Section of the Rules, such matter shall be brought to the attention of the Executive at the earliest opportunity (see **Rules 7.13/7.14**). If and when such matter is reported to the Executive it will be the responsibility of the CD-SR to provide specific advice to the Executive regarding how the financial implications of the matter might be addressed and/or resolved.

Approving a Capital Plan

- 7.3 The CD-SR shall determine the format of the Capital Plan and the timing of reports relating thereto, subject to any overriding requirements of the Council. In practice the approved Capital Plan will comprise a number of individual schemes each of which will be quantified in overall project terms or on an annualised basis, as appropriate.
- 7.4 Each Director shall prepare a draft Capital Plan for their service, in consultation with the ~~Corporate Director~~ Strategic Resources CD-SR, for submission to the Executive. This Plan should ~~identify planned expenditure, and funding, at proposed individual scheme or programme level.~~
- ~~(i) reflect a level of expenditure (i.e. the expenditure limit) commensurate with the funding attributable to that Directorate under the Council's 'formulaic' approach together with other resources available to the Directorate~~
 - ~~(ii) identify planned expenditure, and funding, at proposed individual scheme level.~~
- 7.5 The CD-SR shall be responsible for preparing an overall Capital Plan ~~(i.e. an aggregate of the individual Directorate Capital Plans)~~ for consideration by the Executive, and approval by the Council, the funding of which shall be compatible at all times with the Treasury Management Policy Statement of the Council.
- 7.6 Individual schemes shall only be included in a Directorate Capital Plan following a project appraisal process undertaken in accordance with the guidelines defined in the **Asset Management Planning Framework** and in accordance with the Property Procedure Rules.

Incurring expenditure against the Capital Plan

- 7.7 Approval of the Capital Plan by the Council shall provide the following authorisations to Directors: -
- (i) Current Year
 - (a) to continue to incur expenditure on each scheme in progress at the start of the financial year, and/or to begin to incur expenditure on any approved new scheme starting in that year, providing that total expenditure on either type of individual scheme does not exceed the sum contained in the approved Plan for that scheme by more than ~~5%~~ or £10,000/10% or £20,000 (whichever is the greater) and all necessary approvals have been received, where appropriate, from Government Departments and/or any external funding agencies (see **Rule 8.0**)
 - (b) the approval in (a) is subject to any additional expenditure on ~~an individual~~ individual scheme being met from within the sum total of a Directorate's Capital Plan expenditure limit for that year (as originally

approved, or subsequently amended by the Executive) as derived from the process defined in **Rule 7.5**

- (c) to collect all grant and other income related to expenditure incurred on schemes in that year.

(ii) Subsequent Years

- (a) to make any arrangements necessary for site purchase (but subject to the Property Procedure Rules), to seek planning permissions, to incur professional fees and preliminary expenses as appropriate and to seek any necessary approvals from Government Departments and/or external funding agencies. This approval is subject to any expenditure being met from within the Directorates' Capital Plan expenditure limit for the year in which it is incurred.

7.8 Subject to a report by the appropriate Director, the approval of the Executive will be required if:-

- (i) any increase/decrease in the Directorate's previously approved Capital Plan expenditure limit for that year is necessary as a result of:-
 - (a) the cost variation on an individual scheme exceeding the parameters defined in **Rule 7.7**
 - (b) the inclusion of a new scheme
 - (c) the deletion or material modification of an existing approved scheme
 - (d) the loss or revision of any funding which materially affects the ability of a Directorate to undertake its approved Capital Plan
- (ii) the committed expenditure in later years of the Directorate's Capital Plan is increased for any of the reasons listed under (i) of this Rule
- (iii) an individual scheme requires expenditure in addition to any arising from the provisions in **Rule 7.7(ii)** to be committed more than one financial year in advance of the financial year in which the actual costs will be incurred
- (iv) in accordance with **Rule 6.19(iii)** there is a proposed transfer of resources between the Revenue Budget and the Capital Plan.

Monitoring of the Capital Plan

- 7.9 Once an overall Capital Plan has been approved by the Council each Director shall define a budgetary control policy and ensure it is ~~enforced~~ operated in practice, including identifying responsible Budget Holders for each scheme in the Directorate Capital Plan and the limits of their budgetary authority (see **Rule 4.14**).
- 7.10 Throughout the year each designated Budget Holder shall monitor expenditure and, if appropriate, grant and other income, on a scheme by scheme basis against the approved Directorate Capital Plan.
- 7.11 The CD-SR shall provide financial advice to assist Budget Holders to fulfil their responsibilities, consulting their Director in circumstances where it appears that variations to the approved budget for a scheme will occur.

- 7.12 Budget Holders shall supply the CD-SR with sufficient information, as and when required, to enable accurate cost/income profiling and/or financial projections of scheme costs/income to be undertaken.
- 7.13 Budgetary control during a financial year shall be undertaken by a Director as follows:
- (i) a Director shall maintain an on-going review of all aspects of the Capital Plan for their Directorate; this review to be undertaken in conjunction with Service Unit Heads and/or Budget Holders, ~~the (if appropriate)~~ and the CD-SR and based on materiality and risk
 - (ii) the results of (i) to be reported ~~at least monthly~~ to the Portfolio Holder for that Directorate based on the nature of findings and at least quarterly
 - (iii) that arising from (ii) a Director will be required to bring to the early attention of the Executive any significant matters which if left unresolved may lead to a scheme budget overspending together with proposals to address that potential situation (see **Rules 7.7/7.8**)
 - ~~(iv) notwithstanding the aggregate effect of variations in absolute cost, or cash flow, arising from individual schemes in a Directorate's Capital Plan, a Directorate shall not exceed the approved expenditure limit attributable to that Directorate under the formulaic approach in a given financial year. If it appears that this limit will be breached, the Director will be expected to make compensatory adjustments to the Directorate Capital Plan within that financial year or seek the approval of the Executive to manage the variance between successive financial years (see Rule 7.8)~~
 - (~~iv~~) the CD-SR shall report to the Executive at no less than quarterly intervals throughout the financial year on matters arising from (i) to (~~iv~~iii) above, in particular relating to scheme variations requiring approval (see **Rule 7.7/7.8**).
- 7.14 Where an underspend relative to the Directorate's approved expenditure limit for the current financial year will result in a significant overspend in future financial years, the Director shall report the matter to the Executive at the earliest opportunity, together with proposals to address the situation.
- 7.15 If expenditure in excess of the approved Directorate Capital Plan expenditure limit for that year is incurred due to an emergency, this expenditure must be reported to the CD-SR as soon as practicable and to the Executive as soon as possible thereafter (see also **Rule 7.2**).

Outturn

- 7.16 With the assistance of all Directors, the CD-SR shall report to the Executive on the outturn of expenditure (and funding if appropriate) of each scheme, as soon as practicable after the end of the financial year.

8.0 GRANTS AND EXTERNAL FUNDING

- 8.1 Authorisation to submit a bid for grant or other external funding, or accept an offer of such funding, must be obtained in advance of bid documents or acceptance documents being signed. This includes a situation where the County Council intends to act as Accountable Body in respect of partnership funding, in which case authorisation to accept this Accountable Body status must also be obtained (See **Rules 8.5 and 21**).

- 8.2 The implications of Item 6 of the Executive Members' Delegation Scheme must be considered. In particular, this sets a financial limit of £100,000. Above this level, appropriate Member authorisation must always be obtained before documents are signed.
- 8.3 The CD-SR shall be consulted on, and certify if necessary, any application for grant or external funding.
- 8.4 The CD-SR shall:
- (i) agree the terms and conditions of all grant offers made to the County Council, and
 - (ii) accept such grant offers and sign appropriate documentation on behalf of the County Council,

PROVIDED that in cases of grant offers that exceed the sum of £50,000 the agreement and acceptance shall be subject to consultation with the Director to whose service the grant is relevant and the Assistant Chief Executive (Legal and Democratic Services).

- 8.5 Where the application for grant, or other external funding, is being made on behalf of a partnership, for which the County Council will take on the Accountable Body role, the Director to whom the Accountable Body role is relevant, in consultation with the CD-SR and the Assistant Chief Executive (Legal and Democratic Services), shall agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the County Council.
- 8.6 The CD-SR shall be responsible for the completion, authorisation and submission of any grant or external funding claim forms to the relevant organisation(s) and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim(s) in question.
- 8.7 Certain grant claims are required to be audited, and an opinion provided on the accuracy of the expenditure being claimed, by the Head of Internal Audit. Each Director shall ensure that records are retained to enable the Chief Internal Auditor to complete this work and be provided with explanations, as necessary, for any matters raised.

9.0 SERVICES AND ASSETS

Preamble

*This Rule refers to the arrangements under which Budget Holders shall undertake the procurement of the services and assets they require and, where relevant, the disposal of surplus assets. **They do not apply to Property (ie land and buildings).** Property transactions are regulated by the **PROPERTY PROCEDURE RULES**. These Rules should be read in conjunction with the **CONTRACT PROCEDURE RULES** which describe in detail the procedures Officers must follow when procuring services, assets and property.*

Rules

Responsibilities of a Director

- 9.1 A Director shall be responsible for:
- the procurement of all supplies, services and assets (but **not** Property) relating to the provision of services by his Directorate
 - ensuring that supplies, services and assets ordered are received and are of the correct quality
 - ensuring that supplies, services and assets are only procured by Budget Holders if there is approved budgetary provision to cover the associated costs (see **Rules 6.11 and 7.9**)
 - ensuring adherence to the approved Procurement Strategy of the Council
 - the certification of invoices in accordance with arrangements approved by the CD-SR.

Payment of Accounts

- 9.2 The CD-SR shall arrange the payment of all invoices which are certified duly payable.

Assets - Leasing Agreements (see also Contract Procedure Rule 2.6)

- 9.3 The CD-SR shall undertake the negotiation of terms for, and authorise the leasing of, any assets which the Council, or a Director within the context of his budgetary responsibility, has decided to acquire where the main purpose of the leasing agreement is to finance the transaction.
- 9.4 A Director for whose service any assets have been acquired under a leasing agreement shall adhere to the terms and conditions of the relevant leasing agreement particularly as this relates to wear and tear, or residual condition of the asset at the end of the leasing period. A full inventory of all leased assets worth more than ~~£250~~£1,000 must also be maintained by the Director (see **Rule 10.1**).
- 9.5 Any assets subject to a leasing agreement must not be disposed of without the prior consent of the CD-SR who shall be responsible for notifying the lease company and obtaining their consent to disposal.

Disposal of Assets

- 9.6 Prior to the disposal of any asset, a Director must:-
- (i) ensure that the asset is of no use to any other Directorate;
 - (ii) for assets subject to a leasing agreement consult the CD-SR (see **Rule 9.5**);
 - (iii) Confirm whether the asset was purchased using grant funding, and if so, ensure the disposal and the allocation of proceeds complies with any grant conditions
 - (iv) notify the CD-SR of the intention to dispose of any item which might be regarded as capital.

- 9.7 If the disposal is subject to grant conditions (see ~~Rule 9.6(iii)~~), then those conditions will take precedence, otherwise all disposals must follow the rules set out below.
- 9.8 The procedures defined in the **Contract Procedure Rules** apply to the disposal of any assets of the Council. In particular no quotations or tenders for other than the highest price shall be accepted without reference to **Contract Procedure Rules 8.6, 8.8 and 8.10** and/or ~~9.32 and 12.211.4 and 11.6~~ as appropriate. The provisions of **Contract Procedure Rule 132** shall also apply to any post tender negotiation or clarification.
- 9.9 A Director may dispose of any asset if its estimated disposal value is ~~£10,000~~ £20,000 or less (see **Rule 9.10** and **10.3**).
- 9.10 If the estimated disposal value:-
- (i) is greater than ~~£10,000~~ £20,000 but less than £100,000 then a Portfolio Holder may authorise the disposal following consultation with the Director and with the approval of the CD-SR
 - (ii) is £100,000 or greater then the approval of the Executive is required.
- 9.11 A Director may dispose of a number of assets simultaneously if their aggregate estimated disposal value is ~~£10,000~~ £20,000 or less. If the estimated aggregate disposal value exceeds ~~£10,000~~ £20,000 then the provisions of **Rule 9.9** shall apply as appropriate.
- 9.12 For low value items valued at under ~~£400~~ £500, and to save the costs of disposal, to reduce the need to send items to landfill, and to maximise the use of Council resources, local arrangements can be made in line with the guidance included in ~~Section 14.3 of~~ the Finance Manual.

Financial Instruments

- 9.13 The CD-SR shall undertake the negotiation of terms and authorise the acquisition or disposal of any financial instrument which the Council or a Director requires within the context of their financial or service responsibility.

10.0 INVENTORIES AND STORES

- 10.1 Each Director shall maintain a written inventory (in a form approved by the CD-SR) of all assets used in his Directorate which belong to the Council whose individual cost or value exceeds ~~£250~~ £1,000. This Rule also applies to any asset acquired under a leasing agreement (see **Rule 9.4**).
- 10.2 The Director shall be responsible for the custody of all stores, cash and financial documents used in his Directorate. Cash held on any Council premises should not exceed any sums for which the Council is insured.
- 10.3 A Director may arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of ~~£10,000~~ £20,000 in any period of three consecutive calendar months. Above that figure, **Rules 9.8** and **9.9** shall apply.
- 10.4 A Director and the CD-SR shall be authorised jointly to write off stock and inventory deficiencies up to a limit of ~~£10,000~~ £20,000 in any period of three consecutive calendar months. The approval of the Portfolio Holder is required where the value is greater than ~~£10,000~~ £20,000 and the approval of the Executive is required where the value is £100,000 or greater.

11.0 MISCELLANEOUS MATTERS

Preamble

In addition to arrangements for the key aspects of financial administration (i.e. Revenue Budget, Capital Plan and Procurement) there are a range of other financial matters that require specific Financial Procedure Rules. These are covered in the remaining sections of this document.

Rules

11.0 Payroll, Pensions and Other Emoluments~~PAYROLL, PENSIONS AND OTHER EMOLUMENTS~~

- 11.1 The calculation and payment of all salaries, wages, pensions, gratuities, compensation and other emoluments payable by the Council to its current and former employees shall be performed in accordance with arrangements approved by the CD-SR.
- 11.2 Each Director shall be responsible for the certification of all amounts properly payable for pay and pensions in accordance with the arrangements approved by the CD-SR.
- 11.3 The CD-SR shall be authorised to implement national pay awards with effect from their implementation dates.

Travelling and Subsistence Allowances

- 11.4 The calculation and payment of all Travelling and Subsistence Allowances payable by the Council to its Members and employees shall be performed in accordance with arrangements approved by the CD-SR.
- 11.5 Each Director shall maintain a record of Officers authorised to certify claims on his behalf. Certification of a claim shall signify that the Director is satisfied that the allowance or expenses are properly payable by the Council in respect of duties performed by the claimant.

12.0 INCOME

Fees and Charges

- 12.1 Each Director shall be responsible for the establishment and ongoing review of ~~schemes of~~ fees and charges payable to the Council in respect of activities carried out by the Directorate. For practical purposes this responsibility should be linked to the budget management arrangements established in accordance with **Rules 4.1~~32~~/4.1~~43~~**.
- 12.2 Fees and charges within the control of the Council shall be subject to review annually by the relevant Director and the CD-SR except where:
- (i) ~~the scheme is~~they are regulated by an existing contract, or set by Government legislation or regulations; or
 - (ii) there is a specific agreement between the Council and relevant third parties setting a different frequency; or

- (iii) a different frequency is agreed by the CD-SR; or
- (iv) there is a particular need to review ~~the scheme~~ in advance of the next annual review.

12.3 The ~~setting and~~ annual review ~~of fees and charges shall be undertaken to take account of such factors as inflation, the overall cost of the service, changes in the service itself or policy decision. The CD-SR shall provide guidance on undertaking setting and reviewing fees and charges, take account of increases in the cost of the service since the fees or charges were last reviewed, and the rate of inflation more generally.~~

~~12.4 A review may also take account of other changes to the nature of the service, or to a previous policy decision on the extent of any subsidy reflected in the level of the fee or charge.~~

~~12.5 Where a fee or charge increases by a level that is more or less than the increase in the cost of the service, the financial effect of that variance will be reflected in the growth/savings analysis in the Budget preparation exercise for the relevant period.~~

12.46 All decisions relating to changes to a scheme of fees and charges will be made in consultation with the relevant Portfolio Holder, unless the proposal reflects a change in policy, in which case the matter should be referred to the Executive.

12.57 A Director shall agree with the CD-SR the administrative arrangements for the collection of any money due to the Council. The collection of debts will normally be the responsibility of the CD-SR and shall be administered via the corporate debtor system linked to the financial ledger. Any alternative arrangement requires the prior written approval of the CD-SR.

12.68 The CD-SR will agree with the Assistant Chief Executive (Legal and Democratic Services) the arrangements by which outstanding debts may be referred for legal action, and the roles to be taken by staff in Finance, or Legal Services, in pursuing such action.

12.79 Income may ~~NOT~~ not be used to directly offset payments due. All money received on behalf of the Council shall, as soon as practicable, be either banked for the credit of the Council's account or deposited with the CD-SR. The only exception to this arrangement is for LMS Schools as defined in **Rule 134.3**.

Debt Write-Off

12.810 ~~Approval to write off an individual debtor amount may be given by the CD-SR subject to the following limits:- The procedures for writing off debts, including the recovery of overpayments shall be as follows:-~~

- (i) ~~For a value up to and including~~ Amounts not exceeding £100, may be written off by the CD-SR on the recommendation of the Exchequer Services Officer.
- (ii) ~~For a value~~ Amounts over £100 but less than and not exceeding £5,000£10,000 may be written off by the CD-SR in consultation with the Director and the Assistant Chief Executive (Legal and Democratic Services) as necessary.
- (iii) ~~For a value of~~ Amounts over £5,000£10,000 and up to, but not including or more but less than £25,000£100,000 may be written off by the CD-SR on the

recommendation of a Director, after consultation with the relevant Portfolio Holder.

~~(iv) Amounts of £100,000 and above may only be written off on the authority of the Executive.~~

~~12.914 Write-offs for an individual debtor worth £25,000 or more will require the approval of the Executive. The CD-SR shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.~~

~~12.102 Approval to write off a number of debts simultaneously for the same debtor may be agreed as set out in **Rules 12.810 and 12.11** above, using the aggregate value of the amounts to determine the relevant threshold value.~~

Adjustment to an account

~~12.113 Where an invoice has been raised in respect of a debt and it subsequently becomes apparent that the debt was not legally due to the Council (on the grounds that, for example, it was mistakenly believed that the Council had a valid legal claim against the debtor) then the invoice may be cancelled by the CD-SR in consultation with the Assistant Chief Executive (Legal and Democratic Services).~~

Waiving a charge

~~12.124 In some circumstances it may be appropriate to waive a charge. This must be an explicit feature of a particular charging scheme. A waiver should only be considered if there is some reason why the person receiving the service should continue to do so, and in circumstances in which the charge emerging from the charging scheme may not be fair and reasonable in all the circumstances.~~

~~12.135 The responsibility for agreeing the terms of any waiver must be included in the terms of the charging scheme.~~

Recovering overpayments

~~12.16 If an overpayment has been made by the Council to a third party (including, but not limited to, employees and suppliers) then all necessary steps shall be taken to recover the amount of the overpayment. If it is considered inappropriate, however, to recover the overpayment (on grounds including, but not limited to, cost effectiveness or compassionate reasons) then approval not to pursue the overpayment must be obtained from:~~

~~(a) the Service Accountant nominated by the CD-SR in respect of debts up to £500~~

~~(b) the CD-SR in respect of debts above £500 and below £5,000~~

~~(c) the relevant Portfolio Holder in respect of amounts of £5,000 and above.~~

~~13.0 PETTY CASH~~

~~Preamble~~

~~To assist designated officers to purchase minor items the CD-SR may grant petty cash advances. Before seeking such an advance a Budget Holder should consider using a Purchasing Card (see **Contract Procedure Rule 13**).~~

Rules

- ~~13.1 The CD-SR may make cash advances to Budget Holders to allow them to meet minor expenses, subject to such conditions as are deemed necessary.~~
- ~~13.2 Any cash shall be kept in a safe place at all times (see also Rule 10.2).~~
- ~~13.3 All petty cash advances in excess of £100 shall have an Imprest Bank Account unless the CD-SR has given specific written approval to alternative arrangements. An Imprest Bank Account set up under these circumstances is subject to Rule 14.1.~~
- ~~13.4 Individual petty cash purchases must not exceed £100 per item and must always be supported authenticated receipts, other than in exceptional circumstances.~~
- ~~13.5 Payments from petty cash can only be made in respect of reasonable expenditure of a minor nature which is incurred for the benefit of the Council. The specific purposes for which petty cash expenditure can be incurred shall be defined by the CD-SR. Petty cash can be used either to reimburse expenditure previously incurred or to provide an advance to pay for known future expenditure.~~
- ~~13.6 No income received, other than reimbursement of approved petty cash expenditure, may be paid into a petty cash Imprest Account.~~

134.0 BANKING

- ~~134.1 All arrangements for the operation, and supervision and closure of all the Council's bank account(s) shall be made by the CD-SR, who is authorised to operate any bank accounts considered necessary. ~~No alternative bank account(s) may be opened without the prior written approval of the CD-SR. The purpose of any new bank account and the identity of the bank and details of the account shall be recorded in writing and retained on an appropriate file by the CD-SR.~~ This Rule also applies to Imprest Bank Accounts (see Rule ~~143.23~~).~~
- ~~134.2 Where appropriate, the CD-SR is required to provide employees with cash or imprest bank accounts to meet minor expenditure on behalf of the Council and to issue procedures for operating these accounts. ~~When the need for a bank account ceases then the CD-SR shall be notified immediately and the account closed in accordance with procedures agreed with the CD-SR.~~~~
- 134.3 Any bank accounts operated under the terms of the 'Bank Accounts for Schools' (BAFS) arrangements, established under the approved LMS scheme, are a permitted exception to Rule ~~134.1~~.

145.0 TREASURY MANAGEMENT

- 145.1 The Council adopts CIPFA's "Treasury Management in the Public Services Code of Practice 2009" (as amended) as described in Section 5 of the Code, and will have regard to the associated guidance notes.
- 145.2 The County Council will create and maintain as the cornerstone for effective Treasury Management
- (i) a strategic Treasury Management Policy Statement (TMPS) stating the County Council's policies, objectives and approach to risk management of its treasury management activities

- (ii) a framework of suitable Treasury Management Practices (TMPs) setting out the manner in which the County Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. The Code recommends 12 TMPs.

- | 145.3 The Executive and the full Council will receive reports on its Treasury Management policies, practices and activities including, as a minimum an Annual Treasury Management and Investment Strategy and associated report on Prudential Indicators in advance of the financial year.
- | 145.4 The County Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to the Executive, and for the execution and administration of Treasury Management decisions to the CD-SR, who will act in accordance with the Council's TMPs, as well as CIPFA's Standard of Professional Practice on Treasury Management.
- | 145.5 The Executive will receive from the CD-SR a quarterly report on Treasury Management as part of the Quarterly Performance Monitoring report and an annual report on both Treasury Management and Prudential Indicators setting out full details of activities and performance during the preceding financial year.
- | 145.6 The CD-SR will meet periodically with the portfolio holder for financial services, including assets, IT and procurement and such other Member of the Executive as the Executive shall decide to consider issues arising from the day to day Treasury Management activities.
- | 145.7 The Audit Committee shall be responsible for ensuring effective scrutiny of the Treasury Management process.
- | 145.8 The CD-SR shall periodically review the Treasury Management Policy Statement and associated documentation and report to the Executive on any necessary changes, and the Executive shall make recommendations accordingly to the County Council.
- | 145.9 All money in the possession of the Council shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972 (ie the Corporate Director - Strategic Resources).

| 156.0 VOLUNTARY FUNDS

Preamble

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

Rules

- | 156.1 The CD-SR shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.
- | 156.2 Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports. Although there is no requirement from the Charity Commission, it is a requirement that small registered charities with gross income (or total expenditure) of ~~£10,000~~£25,000 or less will arrange for their accounts to be examined annually by a competent independent person. A copy of

the accounts and the appropriate audit or independent examiners report shall be supplied to the CD-SR immediately after the meeting of the body. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

- | **156.3** Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and examined annually by a competent person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the CD-SR immediately after the examination. The Corporate Director – Strategic Resources shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.
- | **156.4** Voluntary Funds, and any related bank accounts, shall be operated in accordance with procedures set out in the Finance Manual.
- | **156.5** Any funds administered under the terms of the Council's approved 'Disaster Appeal' arrangements will be governed by the terms of the 'Appeal' agreed at the time.

| **167.0 INSURANCE**

- | **167.1** The CD-SR shall effect all insurance cover on behalf of the Council.
- | **167.2** A Director shall notify the CD-SR as soon as he becomes aware of:
 - (i) any event which may result in a claim against the Council and/or its insurers
 - (ii) any new risks which might require to be insured, together with changed circumstances affecting existing risks
 - (iii) any action(s) taken under the terms of the Council's approved Risk Management Strategy which might affect the Council's current, and future, insurance arrangements (see **Rule 178**).

| **178.0 RISK MANAGEMENT**

- | **178.1** Each Director shall take the actions necessary to comply with the terms of the Council's approved Corporate Risk Management Policy and Strategy and the Directorate based derivatives thereof.
- | **178.2** These actions may relate to one or more of the following:-
 - (i) using the Risk Prioritisation System (RPS) to identify and record risks in the Risk Register(s)
 - (ii) reviewing current, and identifying new, risks and the potential impact thereof on the ongoing capacity of the Council to maintain its services
 - (iii) determining, and effecting, an appropriate management response to those risks
 - (iv) maintaining records of incidents and making such records available to the CD-SR in his capacity as the Council's Risk Management co-ordinator, as necessary (see also **Rule 167.2**).

189.0 INTERNAL AUDIT

Preamble

The Accounts and Audit England (Amendment) Regulations ~~2011~~2009, issued under the provisions of the Local Government Finance Act 1982, apply to the Council. This Act requires the Council to maintain ~~continuous~~an 'adequate and effective internal audit of its ~~accounts~~accounting records and of its system of internal control'. Section 151 of the Local Government Act 1972 requires that authorities 'make arrangements for the proper administration of their financial affairs'.

The following Rules provide the framework for this statutory duty to be discharged.

Rules

Roles and Responsibilities

- 18.1 The Council has determined the CD-SR shall be responsible for maintaining an adequate and effective internal audit of the activities of the County Council. Operationally, responsibility for internal audit lies with the Head of Internal Audit.
- 18.2 The purpose, authority and responsibility of Internal Audit will be detailed in an Audit Charter and approved by the Audit Committee. The Head of Internal Audit will periodically review the Audit Charter and present it to the CD-SR and Audit Committee for approval.
- 18.3 The Head of Internal Audit will produce an annual internal audit opinion and report that will be used by the Council to inform the Annual Governance Statement.
- 18.4 The Head of Internal Audit shall have regard to the proper practice contained within the Public Sector Internal Audit Standards, and supporting application note, which represent proper practice for internal audit in local government.
- 18.5 Internal Audit will be allowed to act independently and objectively in the planning and operation of work and without undue influence by either Directors or Members.
- 18.6 The Head of Internal Audit may communicate directly with the Leader of the Council, the Executive, the Chief Executive, any Director, the Monitoring Officer, the Chairman of the Audit Committee, and any officer on any matter that he deems appropriate.
- 18.7 Each Director shall make arrangements for the CD-SR or the Head of Internal Audit to:
- (i) enter at all reasonable times on any premises or land used by the Council;
 - (ii) have rights to access all correspondence, documents, books or other records relating to any financial transactions, matter or business of the Council;
 - (iii) require and receive such explanation(s) as he considers necessary to establish the correctness of any matter under examination;
 - (iv) require any officer of the Council to produce cash, stores, or other Council property under his/her control for inspection.
- 18.8 The Head of Internal Audit shall at all times preserve and respect the confidentiality of information received in discharging tasks under this Section of the Financial Procedure Rules.
- 18.9 Each Director, Service Unit Head, Budget Holder or service manager will immediately notify the Head of Internal Audit of any suspected fraud or financial irregularity, or any circumstances which may suggest the possibility of irregularity in the exercise of any of the Council's functions or related to the delivery of any of the Council's services.

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- ~~18.10 The Head of Internal Audit shall determine the scope of any internal enquiries or investigations, subject to consultation with the CD-SR, Human Resources and the appropriate Director.~~
- ~~18.11 The Head of Internal Audit, in consultation with the CD-SR and the appropriate Director shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.~~
- ~~18.12 If a suspected irregularity occurs involving staff who are the responsibility of the CD-SR, the CD-SR shall keep the Chief Executive Officer informed.~~
- ~~18.13 Every Director, Service Unit Head and Budget Holder is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within their Directorate.~~
- ~~18.14 It is the responsibility of relevant Council officers to consider and respond promptly to recommendations in audit reports and to ensure any agreed actions are carried out in a timely and efficient manner.~~
- ~~19.1 Every Director, Business Unit Head and Budget Holder is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within their Directorate.~~
- ~~19.2 The Council has determined that the CD-SR shall be responsible for maintaining an adequate and effective internal audit of the activities of the County Council. The CD-SR will set out the purpose, authority and responsibility of Internal Audit in the Terms of Reference for Internal Audit. The Terms of Reference will be reviewed annually and any amendments will be submitted to the Audit Committee for approval.~~
- ~~19.3 Each Director shall make arrangements for the CD-SR or the Head of Internal Audit to~~
- ~~(i) enter at all reasonable times on any premises or land used by the Council;~~
 - ~~(ii) have access to all correspondence, documents, books or other records relating to any financial transactions, matter or business of the County Council;~~
 - ~~(iii) require and receive such explanation(s) as he considers necessary to establish the correctness of any matter under examination;~~
 - ~~(iv) require any officer of the Council to produce cash, stores, or other Council property under his/her control for inspection.~~
- ~~19.4 The Head of Internal Audit shall have regard to all relevant International Auditing Standards, professional guidelines and codes of practice including the Code of Practice for Internal Audit in Local Government in the United Kingdom.~~
- ~~19.5 The Head of Internal Audit shall be notified immediately by a Director, Service Unit Head, Budget Holder or service management of any suspected fraud or financial irregularity, or any circumstances which may suggest the possibility of irregularity in the exercise of any of the Council's functions or related to the delivery of any of the Council's services. Such communications may be oral initially but must be confirmed promptly in writing.~~

- ~~19.6 The Head of Internal Audit shall determine the scope of any internal enquiries or investigations, subject to consultation with the CD SR and the appropriate Director.~~
- ~~19.7 The Head of Internal Audit, in consultation with the CD SR and the appropriate Director shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.~~
- ~~19.8 If a suspected irregularity occurs involving staff who are the responsibility of the CD SR, the CD SR shall keep the Chief Executive Officer informed.~~
- ~~19.9 The Head of Internal Audit shall at all times preserve and respect the confidentiality of information received in discharging tasks under this Section of the Financial Procedure Rules.~~
- ~~19.10 The Head of Internal Audit shall have the right to communicate directly with the Leader of the Council, the Executive, the Chief Executive, any Corporate Director, the Monitoring Officer and/or the Chairman of the Audit Committee on any matter that he deems appropriate.~~

Counter Fraud Strategy

- ~~18.159.11~~ The Head of Internal Audit will lead on the Counter Fraud Strategy within the Council and will undertake a review of the Strategy on, as a minimum, an annual basis.

19.0 ANTI-CORRUPTION

Money Laundering

Preamble

~~The Proceeds of Crime Act (2002), the Money Laundering Regulations (2007) and the Terrorism Act (2000) place certain responsibilities on public authorities and the staff working for them. In addition, any member of staff may commit specific offences under money laundering legislation, particularly if they suspect money laundering is taking place and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions of money laundering activity to the Head of Internal Audit (as the Council's nominated Money Laundering Reporting Officer).~~

- ~~19.12~~19.1 All staff should have regard to the Council's Anti-Money Laundering Policy and supporting Guidance. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £10,000 or more of cash to the Head of Internal Audit (as the Council's Money Laundering Reporting Officer); notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Reporting Officer.

Bribery

- 19.2 All staff should act in accordance with the legal framework concerned with bribery and corruption as set out in the Bribery Act 2010 ("the Act") and any successor legislation. Staff should have regard to the Council's Gifts and Hospitality Protocol for Employees, which contains guidance for staff on the main bribery and corruption offences (bribing another person, being bribed, bribing a foreign official and failure of

commercial organisations to prevent bribery) and on the rules regulating the acceptance (or otherwise) of gifts and hospitality by Council employees.

19.3 All staff must immediately report to their manager or the Monitoring Officer any circumstances where inappropriate gifts or hospitality have been offered to them.

Conflicts of Interest

19.4 Council employees are also bound by their contract of employment to comply with the Council's Standards of Conduct Procedure (code of conduct for employees), which contains detailed provisions regarding the conduct of employees, including the avoidance of conflicts and the appearance of conflicts of interest.

20.0 PARTNERSHIP ARRANGEMENTS

- 20.1 Where it is intended that the County Council should enter into a partnership arrangement to further the delivery of County Council policy and/or services, governance arrangements must be agreed ~~in principle~~ before any commitment is made to enter into the partnership. No partnership should be considered unless it can be demonstrated that the County Council can gain some clear benefit with regard to the delivery of Council Plan objectives.
- 20.2 The County Council's Partnership Governance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, ~~or and~~ in all cases where the County Council's financial contribution to the partnership exceeds ~~£50k~~ £250,000 per annum, including any grant or external funding for which the County Council would act as Accountable Body, a full assessment must be carried out using the approved Partnership Governance guidance and toolkit.
- 20.3 In such cases, the Director to whom the Partnership role is relevant, in consultation with the CD-SR and the Assistant Chief Executive (Legal and Democratic Services), will agree the terms and conditions and governance documentation for the Partnership on behalf of the County Council. This framework must be agreed by all partners.
- 20.4 In all cases where the risk assessment is ranked high, or where the financial contribution exceeds ~~£100k~~ £250,000, the approval of the Executive is required before any partnership is entered into. This ~~£100k~~ £250,000 should relate to the annual financial contribution to the partnership and/or, the total value of the grants or other external funding for which the County Council intends to apply and act as Accountable Body.
- 20.5 For low risk/low financial value partnerships, not covered by paragraph 20.2, less formal arrangements will apply, as such partnerships are likely to be co-ordinating forums rather than delivery partnerships. In all cases, however, the relevant Director must ensure governance arrangements are in place and documented as necessary to meet the effective management requirements of the partnership.
- 20.6 Unless there is explicit agreement to the contrary, which must be documented fully in the governance documents, the partnership rules will be expected to follow the Financial, Contract and Property Procedure Rules agreed by the County Council. Partners must comply with the anti-corruption and bribery legal framework and confirm their commitment to do so at the commencement of the partnership arrangements. Should any partner breach the anti-corruption and bribery legislation then consideration must be given to the cessation of the partnership arrangements with that partner.

20.7 In all cases, where the partnership funding includes funding through grants or other external funding, the provisions of Rule 8 of these Financial Procedure Rules will apply.

21.0 ACCOUNTABLE BODY STATUS

21.1 Where it is intended that the County Council should act as Accountable Body for a partnership and related funding, authorisation must be obtained before entering into such an arrangement.

21.2 The Director to whom the Accountable Body role is relevant, in consultation with the CD-SR and the Assistant Chief Executive (Legal and Democratic Services), will agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the County Council.

21.3 Unless there is explicit agreement to the contrary, which must be documented fully in the Accountable Body agreement, the governance rules of the partnership will be expected to follow the Financial, Contract and Property Procedure Rules agreed by the County Council.

21.4 In all cases, where the partnership funding includes grants or other external funding, then the provisions of Rule 8 of these Financial Procedure Rules will apply ~~including the need to seek Member approval where required.~~

22.0 REVISION OF FINANCIAL PROCEDURE RULES

22.1 The CD-SR (in consultation with the Assistant Chief Executive (Legal and Democratic Services)) shall carry out a major review of the application and the effect of these Rules as part of ~~the a~~ rolling ~~three~~four year cycle of reviews of the Financial Contract and Property Procedures in time for the beginning of each new Council.

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Rule	Current Wording	Proposed Amendment	Reason
2.1		Member means any elected Member of the Council.	'Member' is not currently a defined term.
4.5	As 'Section 151' Officer of the Council the CD-SR shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the Accounts and Audit England (Amendment) Regulations 2009.	As 'Section 151' Officer of the Council the CD-SR shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the <u>Accounts and Audit (England) Regulations 2011</u> .	To reflect the change in relevant regulations.
	Revenue Budget		
6.1(ii)	The Rules in this Section are based on the following budgetary control principles established by the Council:- (ii) mechanisms shall be defined by the CD-SR to ensure budgetary monitoring and control is carried out throughout the Council on a regular basis (see Rule 6.16)	The Rules in this Section are based on the following budgetary control principles established by the Council:- (ii) mechanisms shall be defined by the CD-SR to ensure budgetary monitoring and control is carried out throughout the Council on a <u>frequency commensurate with materiality and risk</u> .(see Rule 6.16)	Current reference to a 'regular basis' does not reflect the correct approach of taking account of materiality and risk when operating effective budgetary control. Regular is a neutral term and could be taken as being monthly, quarterly, annually, etc.
	Incurring expenditure/collecting income		
6.8(ii)	From the start of each financial year:- (i) expenditure may be incurred within the overall Revenue Budget approved by the Council. Given the terms of Rule 6.3 , this authority to spend is effectively applied at Directorate level. (ii) similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved Budgets shall be exercised at Directorate level.	From the start of each financial year:- (i) expenditure may be incurred within the overall Revenue Budget approved by the Council. Given the terms of Rule 6.3 , this authority to spend is effectively applied at Directorate level. (ii) similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved Budgets shall be exercised by Directorates <u>in line with the Council's income management systems</u> .	An income management system is in development and will reflect best practice, albeit flexibility will be applied where appropriate.

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	Virement		
preamble	<p><i>Virement is the transfer of budget provision between individually defined budget headings. It is a necessary facility to assist the effective day to day management of budgets. When the Council sets its overall Revenue Budget for a given financial year it will effectively approve a series of specific functional net budgets within each Directorate (see Rule 6.3)</i></p> <p><i>For the purpose of defining the authorisation required for virement to take place within the approved Budget for each Directorate, reference will be made to a 'Division of Service'. Once these Divisions of Service have been defined they will be used to analyse the Budget for a Directorate and thereafter constitute the base line from which any virements are recorded. Within a Division of Service, it is anticipated that more detailed budget headings (e.g. employees, premises) will be adopted for day to day budgetary control purposes.</i></p>	<p><i>Virement is the transfer of budget provision between individually defined budget headings <u>and as such it does not create additional budget.</u> When the Council sets its overall Revenue Budget for a given financial year it will effectively approve a series of specific functional net budgets within each Directorate (see Rule 6.3)</i></p> <p><i>For the purpose of defining the authorisation required for virement to take place within the approved Budget for each Directorate, reference will be made to a 'Division of Service'. Once these Divisions of Service have been defined they will be used to analyse the Budget for a Directorate and thereafter constitute the base line from which any virements are recorded. Within a Division of Service, it is anticipated that more detailed budget headings (e.g. employees, premises) will be adopted for day to day budgetary control purposes.</i></p>	<p>Although virement is a necessary tool current wording can indicate/encourage the frequent use of virement, which is not intended. Virement is an exceptional activity and other elements of FPR deal with variations to original budgets set.</p> <p>The use of divisions of service to measure virement against is retained. These are being refreshed in time for Q1 reporting.</p>
6.18	Each Director shall ensure that virement is undertaken as necessary to maintain the accuracy and efficacy of the regular budget monitoring process within his Directorate and inform the CD-SR as soon as practicable that such virements have taken place.	Directors are responsible for undertaking virements in accordance with these Rules within his/her Directorate and inform the CD-SR as soon as practicable that such virements have taken place.	To simplify the Rule and be reflective of the change for the preamble.
6.22	For transfers between Divisions of Service, if the sum involved is:- (i) less than £100,000 or 5% of the gross	For transfers between Divisions of Service, if the sum involved is:- (i) less than £250,000 or 10% of the gross	Change in threshold to reflect overall materiality of the Council's budget and

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	<p>expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement may be actioned by a Director following consultation with the Portfolio Holder and the CD-SR</p> <p>(ii) equal to or greater than £100,000 or 5% of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement shall be subject to approval by the Executive.</p>	<p>expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement may be actioned by a Director following consultation with the Portfolio Holder and the CD-SR</p> <p>(ii) equal to or greater than <u>£250,000</u> or 10% of the gross expenditure of the Division of Service from which the transfer is being made, whichever is the lesser amount, the virement shall be subject to approval by the Executive.</p>	<p>recognising the responsibility of Directors. All virements between divisions of services can only be carried out in consultation with Portfolio Holders and the CD-SR, which provides internal control and consistency of approach.</p>
	Capital Plan		
7.1	<p>The Council has defined a 'formulaic' model for the allocation of capital resources as between Directorates. Within the framework laid down by this approach, the Rules in this Section 7 are based on the following principles established by the Council:-</p>	<p><u>The Rules in this Section 7 are based on the following principles established by the Council:-</u></p>	<p>The formulaic method of allocation based on a ten year forecast is no longer in operation.</p>
7.13	<p>Budgetary control during a financial year shall be undertaken by a Director as follows:</p> <p>(i) a Director shall maintain an on-going review of all aspects of the Capital Plan for their Directorate; this review to be undertaken in conjunction with Service Heads and/or Budget Holders, the (if appropriate) and the CD-SR</p> <p>(ii) the results of (i) to be reported at least monthly to the Portfolio Holder for that Directorate</p>	<p>Budgetary control during a financial year shall be undertaken by a Director as follows:</p> <p>(i) a Director shall maintain an on-going review of all aspects of the Capital Plan for their Directorate; this review to be undertaken in conjunction with Service Unit Heads and/or Budget Holders and the CD-SR <u>and based on materiality and risk</u></p> <p>(ii) the results of (i) to be reported to the Portfolio Holder for that Directorate <u>based on the nature of findings and at least quarterly</u></p>	<p>As noted in the revenue budget monitoring should take into account materiality and risk of the activities involved.</p> <p>Reporting frequency is based on the findings from review rather than at a simple monthly interval. However, a minimum frequency of quarterly is included.</p>

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	Services and Assets		
9.4	A Director for whose service any assets have been acquired under a leasing agreement shall adhere to the terms and conditions of the relevant leasing agreement particularly as this relates to wear and tear, or residual condition of the asset at the end of the leasing period. A full inventory of all leased assets worth more than £250 must also be maintained by the Director (see Rule 10.1).	A Director for whose service any assets have been acquired under a leasing agreement shall adhere to the terms and conditions of the relevant leasing agreement particularly as this relates to wear and tear, or residual condition of the asset at the end of the leasing period. A full inventory of all leased assets worth more than <u>£1,000</u> must also be maintained by the Director (see Rule 10.1).	£250 is considered too immaterial.
	Disposal of Assets		
9.6(iv)		notify the CD-SR of the intention to dispose of any item which might be regarded as capital.	To ensure that the CD-SR has sight of all asset disposals.
9.9	A Director may dispose of any asset if its estimated disposal value is £10,000 or less (see Rule 9.10 and 10.3).	A Director may dispose of any asset if its estimated disposal value is <u>£20,000</u> or less (see Rule 9.10 and 10.3).	Increase to provide consistency with capital receipt deminimis.
9.11	A Director may dispose of a number of assets simultaneously if their aggregate estimated disposal value is £10,000 or less. If the estimated aggregate disposal value exceeds £10,000 then the provisions of Rule 9.9 shall apply as appropriate.	A Director may dispose of a number of assets simultaneously if their aggregate estimated disposal value is <u>£20,000</u> or less. If the estimated aggregate disposal value exceeds £20,000 then the provisions of Rule 9.9 shall apply as appropriate.	Reflective of change to threshold in 9.9 above.
9.12	For low value items valued at under £100, and to save the costs of disposal, to reduce the need to send items to landfill, and to maximise the use of Council resources, local arrangements can be made in line with the guidance included in Section 14.3 of the Finance Manual.	For low value items valued at under <u>£500</u> , and to save the costs of disposal, to reduce the need to send items to landfill, and to maximise the use of Council resources, local arrangements can be made in line with the guidance included in the Finance Manual.	More reflective of an appropriate materiality level.
	Inventories and Stores		
10.1	Each Director shall maintain a written inventory (in a form approved by the CD-SR) of all assets used in his Directorate which	Each Director shall maintain a written inventory (in a form approved by the CD-SR) of all assets used in his Directorate which belong to the	More reflective of an appropriate materiality level.

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	belong to the Council whose individual cost or value exceeds £250. This Rule also applies to any asset acquired under a leasing agreement (see Rule 9.4).	Council whose individual cost or value exceeds £1,000 . This Rule also applies to any asset acquired under a leasing agreement (see Rule 9.4).	
10.3	A Director may arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of £10,000 in any period of three consecutive calendar months. Above that figure, Rules 9.8 and 9.9 shall apply.	A Director may arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of £20,000 in any period of three consecutive calendar months. Above that figure, Rules 9.8 and 9.9 shall apply.	Reflects the change to 9.9.
10.4	A Director and the CD-SR shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £10,000 in any period of three consecutive calendar months. The approval of the Portfolio Holder is required where the value is greater than £10,000 and the approval of the Executive is required where the value is £100,000 or greater.	A Director and the CD-SR shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £20,000 in any period of three consecutive calendar months. The approval of the Portfolio Holder is required where the value is greater than £20,000 and the approval of the Executive is required where the value is £100,000 or greater.	Reflects the change to 9.9
	Income – fees and charges		
12.3 to 12.5	<p>12.3 The annual review shall take account of increases in the cost of the service since the fees or charges were last reviewed, and the rate of inflation more generally.</p> <p>12.4 A review may also take account of other changes to the nature of the service, or to a previous policy decision on the extent of any subsidy reflected in the level of the fee or charge.</p> <p>12.5 Where a fee or charge increases by a</p>	<p>12.3 The setting and annual review of fees and charges shall be undertaken to take account of such factors as inflation, the overall cost of the service, changes in the service itself or policy decision. The CD-SR shall provide guidance on undertaking setting and reviewing fees and charges.</p>	Simplify through consolidation of factors and guidance is also available and will be communicated.

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	level that is more or less than the increase in the cost of the service, the financial effect of that variance will be reflected in the growth/savings analysis in the Budget preparation exercise for the relevant period.		
	Debt Write-Off		
12.10 (i) to (iv)	<p>12.10 Approval to write off an individual debtor amount may be given by the CD-SR subject to the following limits:-</p> <p>(i) For a value up to and including £100, on the recommendation of the Exchequer Services Officer.</p> <p>(ii) For a value over £100 but less than £5,000 in consultation with the Director and the Assistant Chief Executive (Legal and Democratic Services) as necessary.</p> <p>(iii) For a value of £5,000 or more but less than £25,000 on the recommendation of a Director, after consultation with the relevant Portfolio Holder.</p>	<p><u>12.8 The procedures for writing off debts, including the recovery of overpayments shall be as follows:-</u></p> <p><u>(i) Amounts not exceeding £100 may be written off by the CD-SR on the recommendation of the Exchequer Services Officer.</u></p> <p><u>(ii) Amounts over £100 and not exceeding £10,000 may be written off by the CD-SR in consultation with the Director and the Assistant Chief Executive (Legal and Democratic Services) as necessary.</u></p> <p><u>(iii) Amounts over £10,000 and up to, but not including £100,000 may be written off by the CD-SR on the recommendation of a Director, after consultation with the relevant Portfolio Holder.</u></p> <p><u>(iv) Amounts of £100,000 and above may only be written off on the authority of the Executive.</u></p>	<p>New thresholds are set to better reflect materiality and also note that for all amounts up to £100,000 the CD-SR is the authorising officer to ensure debt-write off is an exceptional item only and consistency is applied.</p> <p>Analysis of previous debt write-offs show that there are very few that have required the approval of the Executive. Therefore this change would not have materially impacted on the arrangements for debts previously written off.</p> <p>This change should be read in conjunction with 12.11 below.</p>

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12.11	Write offs for an individual debtor worth £25,000 or more will require the approval of the Executive.	<u>12.0 The CD-SR shall maintain a record of all such write-offs showing attempted recovery action taken and the justification for non-recovery.</u>	Original 12.11 incorporated into 12.10 above and a new requirement for the maintenance of records of write-offs made. This will be available for inspection and reporting.
12.12	Approval to write off a number of debts simultaneously may be agreed as set out in Rules 12.10 and 12.11 above, using the aggregate value of the amounts to determine the relevant threshold value.	12.10 Approval to write off a number of debts simultaneously <u>for the same debtor</u> may be agreed as set out in Rule 12.8 using the aggregate value of the amounts to determine the relevant threshold value.	Change to clarify this rule relates to the same debtor and reflect that 12.10 now incorporates level at which Executive approval is required.
	Recovering Overpayments		
12.16	<p>If an overpayment has been made by the Council to a third party (including, but not limited to, employees and suppliers) then all necessary steps shall be taken to recover the amount of the overpayment. If it is considered inappropriate, however, to recover the overpayment (on grounds including, but not limited to, cost effectiveness or compassionate reasons) then approval not to pursue the overpayment must be obtained from:</p> <ul style="list-style-type: none"> (a) the Service Accountant nominated by the CD-SR in respect of debts up to £500 (b) the CD-SR in respect of debts above £500 and below £5,000 (c) the relevant Portfolio Holder in respect of amounts of £5,000 and above. 	Rule deleted	This section removed. Overpayments to be treated as any other debt and therefore subject to Rule 12.8.

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	Petty Cash		
13.0	See Appendix D for details on section 13.0	Rule section deleted	Section removed. A requirement for the CD-SR to provide for petty cash arrangements is included in the banking section.
	Banking		
14.1	All arrangements for the operation and supervision of the Council's bank account(s) shall be made by the CD-SR. No alternative bank account(s) may be opened without the prior written approval of the CD-SR. The purpose of any new bank account and the identity of the bank and details of the account shall be recorded in writing and retained on an appropriate file by the CD-SR. This Rule also applies to Imprest Bank Accounts (see Rule 13.3).	All arrangements for the operation, supervision and closure of all the Council's bank account(s) shall be made by the CD-SR, <u>who is authorised to operate any bank accounts considered necessary. This Rule also applies to Imprest Bank Accounts (see Rule 14.2).</u>	Simplifies the Rule. Reference to 14.2 reflects required renumbering on sections.
14.2	When the need for a bank account ceases then the CD-SR shall be notified immediately and the account closed in accordance with procedures agreed with the CD-SR.	<u>Where appropriate, the CD-SR is required to provide employees with cash or imprest bank accounts to meet minor expenditure on behalf of the Council and to issue procedures for operating these accounts.</u>	Reflects the deletion of 13.0 Petty Cash. This change notes the requirement of the CD-SR to provide required facility.
	Voluntary Funds		
16.2	Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports. Although there is no requirement from the Charity Commission, it is a requirement that small registered charities with gross income (or total expenditure) of £10,000 or less will arrange for their accounts to be examined annually by a	Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports. Although there is no requirement from the Charity Commission, it is a requirement that small registered charities with gross income (or total expenditure) of <u>£25,000</u> or less will arrange for their accounts to be examined annually by a competent	Rule now becomes 15.2 under renumbering. Threshold increased to £25,000 to reflect the threshold set by the charity Commission where audit is required on all amounts above £25,000.

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	competent independent person. A copy of the accounts and the appropriate audit or independent examiners report shall be supplied to the CD-SR immediately after the meeting of the body. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.	independent person. A copy of the accounts and the appropriate audit or independent examiners report shall be supplied to the CD-SR immediately after the meeting of the body. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.	
	Internal Audit - preamble		
19.0	<i>The Accounts and Audit England (Amendment) Regulations 2009, issued under the provisions of the Local Government Finance Act 1982, apply to the Council. This Act requires the Council to maintain continuous, adequate and effective internal audit of its accounts. The following Rules provide the framework for this statutory duty to be discharged.</i>	<i>The Accounts and Audit England (Amendment) Regulations 2011 apply to the Council. <u>This Act requires the Council to maintain an 'adequate and effective internal audit of its accounting records and of its system of internal control'</u>. Section 151 of the Local Government Act 1972 requires that authorities '<u>make arrangements for the proper administration of their financial affairs</u>'.</i>	The Section has been renumbered to 18.0. The preamble now reflects latest guiding Regulations.
	Internal Audit – roles and responsibilities		
19.0	<p>19.1 Every Director, Business Unit Head and Budget Holder is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within their Directorate.</p> <p>19.2 The Council has determined that the CD-SR shall be responsible for maintaining an adequate and effective internal audit of the activities of the County Council. The CD-SR will set out the purpose, authority and</p>	<p><u>18.13</u> Every Director, <u>Service</u> Unit Head and Budget Holder is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within their Directorate.</p> <p><u>18.1</u> The Council has determined the CD-SR shall be responsible for maintaining an adequate and effective internal audit of the activities of the County Council. <u>Operationally, responsibility for internal audit lies with the Head of Internal Audit.</u></p>	<p>Correct term is Service Unit Head.</p> <p>To reflect operational arrangements.</p>

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	<p>responsibility of Internal Audit in the Terms of Reference for Internal Audit. The Terms of Reference will be reviewed annually and any amendments will be submitted to the Audit Committee for approval.</p> <p>19.4 The Head of Internal Audit shall have regard to all relevant International Auditing Standards, professional guidelines and codes of practice including the Code of Practice for Internal Audit in Local Government in the United Kingdom.</p>	<p><u>18.2 The purpose, authority and responsibility of Internal Audit will be detailed in an Audit Charter and approved by the Audit Committee. The Head of Internal Audit will periodically review the Audit Charter and present it to the CD-SR and Audit Committee for approval.</u></p> <p><u>18.3 The Head of Internal Audit will produce an annual internal audit opinion and report that will be used by the Council to inform the Annual Governance Statement.</u></p> <p><u>18.5 Internal Audit will be allowed to act independently and objectively in the planning and operation of work and without undue influence by either Directors or Members.</u></p> <p><u>18.4 The Head of Internal Audit shall have regard to the proper practice contained within the Public Sector Internal Audit Standards, and supporting application note, which represent proper practice for internal audit in local government.</u></p> <p><u>18.14 It is the responsibility of relevant Council officers to consider and respond promptly to recommendations in audit reports and to ensure any agreed actions are carried out in a timely and efficient manner.</u></p>	<p>Reflects the mechanism of the Audit Charter to present purpose, authority and responsibility of Internal Audit.</p> <p>Additional statements that reflect the role of Internal Audit in terms of output and how it conducts its activity.</p> <p>Reflects that the Code of Practice was superseded in April 2013. New wording reflects latest requirements.</p> <p>Addition to reflect the importance of implementing agreed actions relating to internal control matters.</p>
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	Anti-Corruption – money laundering		Included as a new section.
19.0	<p>Preamble</p> <p><i>The Proceeds of Crime Act (2002), the Money Laundering Regulations (2007) and the Terrorism Act (2000) place certain responsibilities on public authorities and the staff working for them. In addition, any member of staff may commit specific offences under money laundering legislation, particularly if they suspect money laundering is taking place and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions of money laundering activity to the Head of Internal Audit (as the Council’s nominated Money Laundering Reporting Officer).</i></p>	<p>19.1 All staff should have regard to the Council’s Anti-Money Laundering Policy and supporting Guidance. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £10,000 or more of cash to the Head of Internal Audit (as the Council’s Money Laundering Reporting Officer); notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council’s Money Laundering Reporting Officer.</p>	Preamble deleted as 19.1 is sufficient to cover relevant requirements.
	Anti-Corruption – bribery		
		<p>Bribery</p> <p>19.2 All staff should act in accordance with the legal framework concerned with bribery and corruption as set out in the Bribery Act 2010 (“the Act”) and any successor legislation. Staff should have regard to the Council’s Gifts and Hospitality Protocol for Employees, which contains guidance for staff on the</p>	Additional paragraphs to set out legislative and other requirements in relation to bribery and conflicts and interest.

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		<p>main bribery and corruption offences (bribing another person, being bribed, bribing a foreign official and failure of commercial organisations to prevent bribery) and on the rules regulating the acceptance (or otherwise) of gifts and hospitality by Council employees.</p> <p>19.3 All staff must immediately report to their manager or the Monitoring Officer any circumstances where inappropriate gifts or hospitality have been offered to them.</p> <p>Conflicts of Interest</p> <p>19.4 Council employees are also bound by their contract of employment to comply with the Council's Standards of Conduct Procedure (code of conduct for employees), which contains detailed provisions regarding the conduct of employees, including the avoidance of conflicts and the appearance of conflicts of interest.</p>	
	Partnership Arrangements		
20.2	The County Council's Partnership Governance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, or in all cases where the County Council's financial contribution to the partnership exceeds £50k per annum, including any grant or external funding for which the County Council would act as Accountable Body, a full assessment	The County Council's Partnership Governance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, <u>and</u> in all cases where the County Council's financial contribution to the partnership exceeds <u>£250,000</u> per annum, including any grant or external funding for which the County Council would act as Accountable Body, a full	Increase in threshold to reflect a better materiality level given that all high and medium risk rated partnerships are subject to a full assessment in any case using the toolkit noted.

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	must be carried out using the approved Partnership Governance guidance and toolkit.	assessment must be carried out using the approved Partnership Governance guidance and toolkit.	
20.6	Unless there is explicit agreement to the contrary, which must be documented fully in the governance documents, the partnership rules will be expected to follow the Financial, Contract and Property Procedure Rules agreed by the County Council.	Unless there is explicit agreement to the contrary, which must be documented fully in the governance documents, the partnership rules will be expected to follow the Financial, Contract and Property Procedure Rules agreed by the County Council. <u>Partners must comply with the anti-corruption and bribery legal framework and confirm their commitment to do so at the commencement of the partnership arrangements. Should any partner breach the anti-corruption and bribery legislation then consideration must be given to the cessation of the partnership arrangements with that partner.</u>	Additional requirement to ensure that partners adopt the same level of standards of practice in this regard.
	Revision of Financial Procedure Rules		
22.1	The CD-SR (in consultation with the Assistant Chief Executive (Legal and Democratic Services)) shall carry out a major review of the application and the effect of these Rules as part of the rolling three year cycle of reviews of the Financial Contract and Property Procedure.	The CD-SR (in consultation with the Assistant Chief Executive (Legal and Democratic Services)) shall carry out a major review of the application and the effect of these Rules as part of a rolling <u>four year cycle of reviews of the Financial Contract and Property Procedures in time for the beginning of each new Council.</u>	Reflects recommendation in July 2013 review of Contract Procedure Rules. This reflects major reviews – annual updates will also be undertaken to ensure adherence to the Rules as well as ensuring they remain suitably up to date.

Contract Procedure Rules

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These Rules constitute the Council's Standing Orders in relation to contracts under Section 135 of the Local Government Act 1972 and apply to all contracts (excluding ~~property contracts~~ those stated in **Rule 2.2**), including those made in the course of the discharge of functions which are the responsibility of the Executive.

1.0 INTRODUCTION

1.1 These terms will have the following meanings in the Contract Procedure Rules:-

ACE(LDS)	means Assistant Chief Executive (Legal and Democratic Services)
CD-SR	means the Corporate Director - Strategic Resources
Constitution	means the Council's Constitution of which these Rules form part.
Contract	means any agreement made between the Council and any other person which is intended to be legally enforceable and involves the acceptance of an offer made by one party to commit itself to an action or series of actions and subject to the exceptions in Rule 2.2
Contractor	means a person or entity with whom the Council has a contract
Contract Register	means the register of Contracts maintained by the Council as set out in Rule 17.8
Council	means North Yorkshire County Council
CPG	means the Corporate Procurement Group
Director	means the Chief Executive Officer; Corporate Director Business and Environmental Services; Corporate Director Health and Adult Services; Corporate Director Children and Young People's Service; Corporate Director - Strategic Resources as the context requires
DPC	means a Directorate Procurement Champion
E-Sourcing system	means the Council's chosen E-sourcing system (currently YOR-Tender) or an approved alternative
EU	means the European Union
EU Threshold	means the current threshold above which the PCR's apply, currently £ 172,514 173,934 for services and supplies and £4,3 22,01248,350 for works
FPP	means the Forward Procurement Plan maintained as described in Rule 17.5

Framework Agreement	means an agreement with one or more public sector bodies which establishes an arrangement for: <ul style="list-style-type: none"> (i) multiple orders to be placed with one Contractor (a single supplier framework), or (ii) a framework of multiple Contractors to engage in further competitions (a multiple supplier framework)
Gateway Process	means the Council's risk-value based gateway procurement process that combines assessment and understanding of various aspects of risk-value with appropriate review and scrutiny at defined points in the procurement cycle
ITT	means an Invitation to Tender
Leasing Agreement	means a contract for the provision of finance to enable goods or services to be obtained and where ownership in those goods does not automatically pass to the Council at the end of the contract period
LDSO	means a Legal and Democratic Services Officer
MEAT	means the Most Economically Advantageous Tender
Member	means a member of the Council or co-opted member on a Council committee
Officer	means a Council employee or other authorised agent
OJEU	means the Official Journal of the European Union
Participant	means a person or entity participating in a procurement process, who has expressed an interest in tendering for a Contract or who has tendered for a Contract
PCR	means the Public Contracts Regulations 2006 (as amended)
Person	means any individual, partnership, company, trust, other local authority, Government department or agency
PQQ	means the Pre-Qualification Questionnaire
Procurement Manual	means the manual to accompany these Rules which provides detailed guidance on procurement techniques and the effect of the Rules
Procurement Strategy	means the Council's Procurement Strategy as agreed from time to time.
Property Contract	means a contract which creates an estate or interest in land or buildings

Responsible Officer means the Officer who is responsible for the procurement and/or management of a Contract

Rules ~~menas~~means these Contract Procedure Rules

Internal Audit means the Council's appointed internal auditors (currently Veritau)

YPO means the Yorkshire Purchasing Organisation

1.2 References in these Rules to:-

- (a) any legislation (e.g. Act, Statutory Instrument, EU Directive) include a reference to any amendment or re-enactment of such legislation;
- (b) the value of any contract are to the total estimated aggregate gross value payable over the full period of the Contract including any options or extensions to the Contract without any deduction for income due to the Contractor or the Council;
- (c) the singular include the plural and vice versa;
- (d) the masculine include the feminine and vice versa;
- (e) Directors, the CD-SR and the ACE(LDS) shall be taken to include such Officers as are designated by those officers to undertake the duties and responsibilities set out in these Rules, except in the case of the following Rules:-

- (i) Director - **Rules 8.8, 8.9, 12.2, 16.1(b and h), 16.3 and 18.1**
- (ii) CD-SR - **Rules 2.1, 2.4, 2.5, 8.8, 8.9, 12.2, 16.1(b and h), 16.3, 17.3 and 18.1**
- (iii) ACE(LDS) - **Rules 2.1, 2.4, 2.5, 8.8, 8.9, 12.2, 16.1(b and h) and 16.3**

where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained by each Director, the CD-SR and the ACE(LDS).

2.0 GENERAL

2.1 These Rules are made by the Council on the advice of the CD-SR (in consultation with the ACE(LDS)) under Article 14.02 of the Constitution.

2.2 These Rules apply to all Contracts for works, goods, supplies and services but do not apply to:-

- (a) contracts of employment;
- (b) property contracts (which are covered by the Property Procedure Rules); and

- (c) financial instruments (including, but without limitation, shares, bonds, bills of exchange, future or options contracts) (which are covered by the Financial Procedure Rules).
- 2.3 The Council has made Financial Procedure Rules under Article 14.01 of the Constitution which shall be applied in conjunction with these Rules.
- 2.4 The CD-SR (in consultation with the ACE(LDS)) shall review the application and effect of these Rules and make an annual report or as required but no less than once per year to the Audit Committee recommending such amendments to the Rules as are considered appropriate.
- 2.5 The CD-SR and the ACE(LDS) have produced a Procurement Manual which provides detailed guidance on procurement techniques and the effect of the Rules. The Procurement Manual also sets out important issues to be considered in the procurement context. These Rules should be read in conjunction with the Procurement Manual.
- 2.5.1 The CD-SR has also produced a *Finance Manual* which gives advice on financial procedures.
- 2.6 Where a contract for the acquisition or hire of goods or services involves any form of Leasing Agreement to finance the transaction then the CD-SR shall undertake the negotiation of terms and authorise the arrangement in accordance with **Rule 9.3** of the Financial Procedure Rules.
- 2.7 Directors shall ensure that all documentation relating to Contracts and procurement processes (including quotations) is retained in accordance with the Council's Records Retention and Destruction Schedule
- 2.8 Where the Council has awarded a contract to any person to supervise or otherwise manage a contract on its behalf such a person shall be required to comply with these Rules as if he were an Officer of the Council.
- 2.9 Wherever possible and appropriate procurement shall be undertaken using the standard precedent documents contained in the Procurement Manual applying to PQQ's, ITT's or to submit quotations. Wherever alternative documents are to be used they must be approved by ACE(LDS) in consultation with CPG (or **Directorate Procurement Champion DPCs**) as appropriate.

3.0 COMPLIANCE WITH LEGISLATION AND STANDARDS

- 3.1 Every Contract shall comply with all relevant applicable legislation and government guidance including:-
 - (a) EU Law
 - (b) Acts of Parliament
 - (c) Statutory Instruments including, but without limitation, the Public Contracts Regulations 2006.

- 3.2 Where relevant, every Contract shall specify that materials used, goods provided, services supplied or works undertaken (as the case may be) shall comply with applicable standards. Such standards are, in order of priority:-
- (a) EU Standards
 - (b) British Standards implementing international standards
 - (c) British Standards

4.0 POWERS AND KEY DECISIONS

- 4.1 In consultation with the ACE(LDS) Directors shall ensure that the Council has the legal power to enter into any Contract and that in respect of all Contracts, regardless of whether they involve the procurement or provision by the Council of works, goods, supplies or services Directors shall ensure that no Contract shall be entered into which is ultra vires.
- 4.2 Directors shall ensure that a written record of the decision to procure a Contract is made and, where such a decision comprises a Key Decision under the Constitution, Directors shall ensure that it is entered on to the Forward Plan and treated as a Key Decision in all respects.

5.0 FORM OF CONTRACT

- 5.1 Every contract exceeding £100 in value shall be evidenced in writing (by the use of an order form, exchange of correspondence or other written medium).
- 5.2 Every contract exceeding £20,000 in value shall be documented by a written form of agreement. Wherever appropriate and possible, such written agreements shall be made on the basis of terms and conditions agreed by the ACE(LDS). Such terms and conditions may be incorporated into standard order conditions. The Council may accept different terms and conditions proposed by a Contractor provided that the advice of the ACE(LDS) as to their effect has been sought and considered.
- 5.3 The written form of agreement for all contracts exceeding £20,000 in value must clearly specify the obligations of the Council and the Contractor and shall include:-
- (a) the work to be done or the goods or services to be supplied
 - (b) the standards which will apply to what is provided
 - (c) the price or other consideration payable
 - (d) the time in which the Contract is to be carried out
 - (e) the remedies which will apply to any breach of Contract.
- 5.4 Where considered appropriate by the CD-SR, term contracts and framework contracts may include a financial limit above which value, work to be done or goods or services to be supplied shall be subject to a separate procurement exercise in accordance with these Rules.

5.5 The written form of agreement for all contracts exceeding £20,000 in value must include the following or equivalent wording:-

(a) "If the Contractor:-

- (i) Has offered any gift or consideration of any kind as an inducement or disincentive for doing anything in respect of this Contract or any other Contract with the Council, or
- (ii) Has committed any offence under the Prevention of Corruption Acts 1889 to 1916 or the Bribery Act 2010, or
- (iii) Has committed an offence under Section 117 (2) of the Local Government Act 1972

the Council may terminate the Contract immediately and will be entitled to recover all losses resulting from such termination".

(b) "If the Contractor is in persistent and/or material breach of contract the Council may terminate the Contract and purchase the supplies, works or services from a third party and the Council may recover the cost of doing so from the Contractor."

5.6 The standard clauses contained in the Procurement Manual relating to the Freedom of Information Act 2000 and the Data Protection Act 1998 shall, wherever possible, be included in all Contracts exceeding £20,000 in value.

5.7 Other standard clauses are contained in the Procurement Manual relating to, for example, ~~freedom of information, data protection,~~ equalities, the Public Services (Social Value) Act 2012, sustainability and best value; these are not mandatory for each such written agreement referred to in **Rule 5.5** above, but should be included where appropriate.

6.0 SIGNATURE/SEALING OF CONTRACTS

6.1 Every written Contract must be either signed or sealed in accordance with this Rule and where Contracts have a value exceeding £50,000 they must be either sealed, or signed by two Officers as described below.

6.2 The ACE(LDS) and such of ~~her~~his staff as ~~she~~ may designate are authorised to sign any such contract.

6.2.1 The ACE(LDS) also authorises such Contracts to be signed by Directors (or by an Officer authorised by a Director to sign on the Director's behalf) up to and including £500,000 provided that:-

- (a) appropriate authority exists for the Council to enter into the Contract, and
- (b) the Contract is either:-
 - (i) in a nationally recognised form, or
 - (ii) a standard form prepared or approved by the ACE(LDS), or

- (iii) is otherwise in a form approved by the ACE(LDS); and
- (c) any variations to approved forms of Contract must themselves be approved by the ACE(LDS), whether or not they are effected by amending the Contract itself or by correspondence

6.2.2 Contracts that exceed £500,000 shall be signed by:

- (a) the ACE(LDS) (or a Legal and Democratic Services' Officer authorised by ~~her~~him); and
- (b) an authorised signatory in the relevant Directorate (or another Legal and Democratic Services' Officer authorised by the ACE(LDS)).

6.2.3 Only the ACE(LDS) (or a Legal and Democratic Services' Officer authorised by the ACE(LDS)) may seal a Contract on behalf of the Council, in each case being satisfied that there is appropriate authority to do so.

7.0 BONDS AND LIQUIDATED DAMAGES

7.1 Directors (in consultation with the CD-SR) shall consider whether to include provision for the payment of liquidated damages by a Contractor for breach of Contract in all contracts which exceed £100,000 in value. Such consideration shall be recorded in the Gateway Processes (Gateway 2).

7.2 Where considered appropriate by a Director (in consultation with the CD-SR), the Contractor will be required to provide a performance bond to secure the performance of the Contract. Such performance bonds should provide for a sum of not less than 10% of the total value of the contract or such other sum as the CD-SR considers appropriate.

7.3 Agreements made under Section 38 (adoption of new highways) or Section 278 (development of existing highways) of the Highways Act 1980 shall always include provision for a bond in respect of such sum as the Corporate Director Business and Environmental Services shall consider appropriate except where:-

- (a) the identity of the developer renders the need for a bond unnecessary, or
- (b) adequate alternative security is provided, or
- (c) the Corporate Director Business and Environmental Services (in consultation with the CD-SR) agrees that it is inappropriate for a bond to be required.

8.0 QUOTATIONS

8.1 Where the estimated value of a contract is £5,000 or less the invitation of quotations is not mandatory, but written quotations should be invited where appropriate and best value should always be sought.

8.2 If the estimated value of a contract exceeds £5,000 ~~but is less than £20,000 at least three written quotations must be invited from suitable potential Contractors. The~~

~~estimated value of the Contract shall be recorded in writing prior to quotations being sought.~~

~~8.3~~ If the ~~estimated value of a Contract exceeds £20,000,~~ but is less than £100,000 at least three written quotations must be invited from suitable potential Contractors. The estimated value of the Contract shall be recorded in writing prior to quotations being sought. Quotations with a value exceeding £5,000 should be invited using the E-Sourcing System and quotations above £20,000 **must** be invited using the E-Sourcing system.

8.43 All potential Contractors invited to submit quotations shall be provided in all instances with identical information and instructions. Where considered appropriate, Directors may permit potential Contractors who have been selected to submit quotations under **Rules 8.2 and 8.3** to also submit variant quotations (i.e. quotations which do not comply with some or all of the requirements of the primary quotation). The same opportunity to submit variant quotations must be given to all potential Contractors.

8.54 A written quotation may only be considered if:-

- (a) it has been received electronically through the E-Sourcing System, or
- (b) it has been received in a sealed envelope marked "Quotation" and indicating the subject matter of the quotation and
- (c) it has been opened after the expiry of the deadline for submissions and at the same time as other quotations for the same subject matter in the presence of at least two Officers authorised to open quotations.

8.65 Before quotations of a value in excess of £20,000 are requested it must be recorded in writing whether the lowest price or the most economically advantageous quotation should be accepted. Where both price and quality are to be factors (i.e. where the most economically advantageous quotation applies) the quality criteria must be identified and the weighting between price and quality established and recorded before quotations are requested. The criteria should be stated in the request for quotation sent to suppliers.

8.67 Price/quality quotation evaluation models shall be lodged with Internal Audit before any quotations are opened. The Director shall evaluate quotations using the evaluation model lodged with Internal Audit.

8.87 If a quotation other than the lowest or the most economically advantageous quotation (as the case may be) is to be accepted, the written approval of the Director (in consultation with the CD-SR or if the relevant Director is the CD-SR, in consultation with the Chief Executive) shall be sought and obtained before the quotation is accepted.

8.98 A quotation for a price in excess of £100,000 may be accepted if (and only if):-

- (a) the original documented estimated price was less than £100,000 **and**
- (b) the price quoted does not exceed that original documented estimated price by more than 10% **and**
- (c) the written approval of the Director (in consultation with the CD-SR) has been obtained.

If the conditions at (a), (b) and (c) are not met, Directors must seek tenders in accordance with **Rules 9 and 10**.

8.409 Where a quotation involves payment to the Council, the provisions of **Rules 8.65 and 8.87** shall apply except that the word “lowest” shall be replaced by the word “highest” in these paragraphs.

8.140 Quotations may be altered only in accordance with **Rules 13.1 and 13.2**.

Financial Stability

8.121 Before a Contract is awarded after a quotation exercise such steps shall be taken, in conjunction with the CD-SR, as are reasonably necessary (having regard to the subject matter, value, duration of the Contract and other relevant factors) to complete a risk assessment of the potential Contractor’s financial stability.

9.0 TENDERS

9.1 If the estimated value of the Contract is £100,000 or more electronic tenders shall be invited in accordance with the provisions of this Rule.

9.2 If the estimated value of the Contract exceeds the relevant EU Threshold the additional requirements for OJEU Procurements, set out in **Rule 10.3**, shall be followed.

General Requirements

9.3 Before Directors invite tenders it shall be recorded in writing for all Contracts whether the Contract will be awarded on the basis of price or the Most Economically Advantageous Tender (MEAT), a combination of price and quality.

9.4 If a Contract is to be awarded on the basis of the MEAT, the criteria to be used in the assessment of the quality elements of the tenders and the weighting between price and quality shall be established and recorded in writing before tenders are invited. For all Contracts, the tender assessment criteria, sub-criteria and weightings shall be stated in the ITT.

9.5 If a Contract is to be awarded on a price only basis it shall be recorded whether the award will be made on the basis of the lowest price or any other tendered price. Where a tender involves payment to the Council, the provisions of this Rule shall apply except that the word “lowest” shall be replaced by the word “highest”.

9.6 All Participants invited to submit tenders shall be provided with identical instructions and information.

9.7 Where considered appropriate, a Director may, in consultation with the DPC, permit Participants to submit variant tenders (i.e. tenders which do not comply with some or all of the requirements of the primary tender). The same opportunity to submit variant tenders shall be given to all Participants. Variant tenders shall only be considered if the Participant also submits a compliant primary tender.

9.8 Evaluation models for PQQ’s and ITT’s shall be lodged with Internal Audit before any submission documents are opened. The evaluation model shall not be divulged to Participants.

9.9 Directors shall invite tenders on the basis of one of the options identified in **Rule 10**.

10.0 OPTIONS FOR TENDER

Tenderers shall be invited on the basis of one of the following options:

10.1 Open Tenders

10.1.1 If a Director, in consultation with the DPC, considers it to be appropriate that any ITT shall be available to all potential Participants then the following procedures shall apply:-

- (i) A notice advertising the opportunity shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract, how the ITT documents may be obtained and the closing date for receipt of tenders by the Council.
- (ii) The deadline date for the return of tenders shall be at least 28 days after the publication of the first advertisement of the ITT and, where relevant, at least 14 days after the last ITT advertisement is published.
- (iii) The criteria which are to be applied in the evaluation of the tenders shall be recorded in writing before ITT's are issued and shall be included in the documents provided to all Participants.
- (iv) The evaluation of the tenders shall be carried out by Officers, nominated by the Director in consultation with the DPC, who are considered appropriate having regards for the subject matter and value of the Contract.
- (v) The evaluation model shall be lodged with Internal Audit before any submission documents are opened, The evaluation model shall not be divulged to Participants.

10.2 Restricted Tenders

10.2.1 If a Director, in consultation with the DPC, considers it appropriate that any ITT shall be restricted to selected Participants by issuing a PQQ to all potential Participants followed by an ITT to those Participants selected at the PQQ stage then the following procedures shall apply:

- (i) A notice advertising the opportunity and inviting expressions of interest shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract and invite potential Participants to complete and submit a PQQ to the Council in order to be considered to be invited to tender. The notice shall include details as to how PQQ's are to be submitted and the closing date for their receipt by the Council.

- (ii) The deadline date for return of PQQ's shall be at least 28 days after the publication of the first advertisement of the opportunity and, where relevant, at least 14 days after the last advertisement is published.
- (iii) The selection criteria which are to be applied in the evaluation of the PQQ's shall be recorded in writing before the PQQ's are invited and shall be included in the documents provided to all Participants.
- (iv) The evaluation of the PQQ's shall be carried out by Officers, nominated by the Director in consultation with the DPC, who are considered appropriate having regards for the subject matter and value of the Contract.
- (v) After evaluation of the PQQ's, ITT's shall be published to at least five Participants or, if less than five potential Participants applied or are considered suitable, such Participants as have been selected by the Director.
- (vi) The deadline date for the receipt of tenders shall be at least ~~40~~28 days after the date of dispatch of the ITT's.
- (vii) The criteria which are to be applied in the evaluation of the tenders shall be recorded in writing before ITT's are published and shall be included in the documents provided to all Participants.
- (viii) The evaluation of tenders shall be carried out by Officers, nominated by the Director in consultation with the DPC, who are considered appropriate having regards for the subject matter and value of the Contract.
- (ix) The evaluation model shall be lodged with Internal Audit before any submission documents are opened. The evaluation model shall not be divulged to potential Contractors.

10.3 OJEU Tenders

Tenders for Contracts which exceed the EU Threshold shall be invited and awarded as prescribed in **Rule 10.1** or **Rule 10.2** but taking into account the following amendments:

- 10.3.1 **Open Tenders:** the deadline date for the return of tenders shall be a minimum of 52 days after the publication of the first advertisement of the ITT. The actual deadline date shall be determined having taken into consideration the complexity of the Contract and the time required for the completion of the tender documents by Participants. The requirement for 52 days may be reduced to 40 days when using the E-Sourcing System.
- 10.3.2 **Restricted Tenders:** the deadline date for the return of PQQ's shall be at least 37 days after the publication of the first advertisement of the opportunity. The deadline date for the receipt of tenders shall be at least 40 days after the date of publication of the ITT. The requirement for 37 days may be reduced to 30 days after the publication of the first advertisement of the opportunity for the return of the PQQ and reduced to 35 days for the return of the ITT after the date of its publication when using the E-Sourcing System.
- 10.3.3 The minimum deadline dates for **Open and Restricted tenders** may be reduced to a period generally not less than 36 days and in any event not less than 22 days if a Prior Information Notice (PIN) has been published in accordance with the PCR's.

10.4 Framework Agreements

10.4.1 If a Director considers it appropriate to establish a Framework Agreement then the Framework Agreement shall be established using the procedures set out in either **Rule 10.1 or 10.2.**

10.4.2 Where the value of the proposed Framework Agreement exceeds the EU threshold, the procedure prescribed by the PCR's shall apply to all aspects of the procurement and to the subsequent operation of the Framework Agreement including, but not limited to:-

- (i) the procurement methodology;
- (ii) the placement of orders under the Framework Agreement;
- (iii) further competition between Contractors appointed to the Framework Agreement.

10.4.3 The duration of a Framework Agreement shall be limited, as prescribed by the PCR's, to a maximum of four years including any extension periods.

10.5 Approved Lists

10.5.1 If a Director considers it appropriate to maintain a list of suitable Contractors for particular types of work and/or goods and/or services, where the estimated value of the work and/or goods and/or services is below the relevant EU Threshold, the list of suitable Contractors shall be established using the procedures set out below:-

- (i) A notice inviting expressions of ~~interest~~ **interest** shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract and invite potential Participants to apply to the Council to be considered for inclusion on the approved list by the Council. The notice shall include details as to how expressions of interest are to be submitted and the closing date for their receipt by the Council.
- (ii) The deadline date for the return of expressions of interest shall be at least 28 days after the publication of the first advertisement of the expressions of interest and, where relevant, at least 14 days after the last advertisement is published.
- (iii) The selection criteria which are to be applied in the evaluation of the expressions of interest shall be recorded in writing before expressions of interest are invited and shall be included in the documents provided to all Participants.
- (iv) The evaluation of expressions of interest shall be carried out by Officers, nominated by the Director in consultation with the DPC, who are considered appropriate having regards for the subject matter and value of the Contract. The Director shall then maintain a list of such approved Contractors categorised by works/goods/services type and value as may be applicable.

- (v) The Director shall review the performance of all Contractors on the approved list at regular intervals, not exceeding 12 months from the date of appointment of the Contractor to the approved list.
- (vi) The Director may remove Contractors from an approved list where the Director and CD-SR agree that such removal is appropriate, having regards for the conduct, performance and/or status of the Contractor in relation to those standards identified in the original expressions of interest.
- (vii) The Director may, after consultation with the CD-SR approve an application from a potential Contractor to be added to an existing approved list.
- (viii) ITT's or Invitations to Quote shall be invited in accordance with **Rule 10** or **Rule 8**.
- (ix) The Director shall maintain records of the tenders or quotations invited from an approved list such that the names of the Contractors invited to tender, the selection process and Contracts awarded to each Contractor are available for inspection.
- (x) Approved Lists may remain in force for a maximum of five years. Before the expiration of the Approved List a replacement shall be established, if appropriate, in accordance with **Rule 10.5**.

10.6.1 Negotiated Procedure and Competitive Dialogue

Where a Director, in consultation with the CD-SR, agrees that it is appropriate, the Negotiated Procedure or the Competitive Dialogue Procedure may be used for the invitation to tenders in accordance with the requirements of the PCR's.

11.0 RECEIPT AND OPENING OF TENDERS

11.1 A written tender may only be considered if:-

- (a) it has been received electronically through the ~~e-tendering~~E-Sourcing ~~s~~System, or
- (b) (where permitted) it has been received in hard copy in a sealed envelope marked "Tender" and indicating the subject matter of the tender, and the identity of the Participant cannot be ascertained from the tender envelope,
- (c) and subject to **Rule 11.4**, it has been returned electronically through the E-Sourcing System or to the ACE(LDS) (or a person designated by ~~her~~him) in accordance with the ~~instruedtions~~instructions contained in the ITT before the tender closing date.

11.2 The ACE(LDS) (or a person designated by ~~her~~him) shall be responsible for the reception and safe custody of tenders until they are opened.

11.3 Tenders, whether electronic or hard copy must be opened at the same time and in the presence of the ACE(LDS) (or a person designated by ~~her~~him) or, where Legal and Democratic Services is undertaking the procurement, the CD-SR (or an Officer designated by him). Whoever opens the tenders shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening,

the identity of the Officer(s) present, the identities of Participants and the tendered sums (where readily ascertainable). A copy of such a record shall be provided as soon as practicable to the Director inviting the tenders and to Internal Audit.

- 11.4 If a Tender is received after the specified tender closing date it may not be considered unless the ACE(LDS) is satisfied that the Tender was submitted electronically or posted or otherwise dispatched in sufficient time to be delivered before the specified time but that delivery was prevented by an event beyond the control of the Participant and that other tenders have not been opened.

12.0 TENDER EVALUATION AND ACCEPTANCE

- 12.1 The Director shall evaluate tenders using the evaluation model lodged with Internal Audit in accordance with **Rules 9.8, 10.1.1(v) and 10.2.1(ix)**.
- 12.2 If a tender other than the MEAT or the lowest price is to be accepted the written approval of the Director, after consultation with the CD-SR, shall be obtained and a signed and dated record kept of the reasons for the action taken shall be made however, no such approval can be given where the Contract is subject to PCR's other than in exceptional circumstances agreed by the ACE(LDS).
- 12.3 Each Director shall maintain an electronic or written record of all successful Participants in a form approved by the CD-SR in accordance with the Council's Document Retention Policy.
- 12.4 If, as a result of the tender evaluation process the Director is satisfied that an arithmetical error has been made inadvertently by a Participant such an error may, after consultation with the Participant, be corrected. The Director shall record any such correction in writing.
- 12.5 Before a Contract is awarded the Director shall, in consultation with the CD-SR, complete a risk assessment to ascertain the financial stability of the successful Participant. The risk assessment shall take into account the subject matter, complexity, duration, value and any other such factors as may be deemed to be relevant. This shall be undertaken in accordance with the Gateway Process (Gateway 3).
- 12.6 On completion of the evaluation of the tenders received and once all internal approvals have been obtained, the Director shall write to all Participants informing them of the outcome of the tender evaluation and providing feedback on the content of their tender. Where appropriate such feedback shall be given in accordance with the PCR's.
- 12.7 For OJEU tenders the Director shall wait a minimum of ten days from the date of issue of the letters notifying the Participants of the result of the evaluation before completing the Contract with the successful Participant.
- 12.8 Where the tender involves payment to the Council **Rule 12.2** shall apply except that the word "highest" shall be substituted for "lowest" in ~~those that~~ Rules.

13.0 POST TENDER NEGOTIATION AND CLARIFICATION

- 13.1 Post tender negotiations may not be undertaken where the value of the Contract exceeds the relevant EU Threshold.
- 13.2 Post tender negotiations with selected tenderers shall be carried out where:-
- 13.2.1 post tender negotiations are permitted by law; and
- 13.2.2 the Director in consultation with the CPG considers that added value may be obtained; and
- 13.2.3 that post tender negotiations are to be conducted by a team of suitably experienced officers approved by the Director and who have been trained in post tender negotiations; and
- 13.2.4 a comprehensive, written record of the negotiations is kept by the Council; and
- 13.2.5 a clear record of the added value to be obtained as a result of the post tender negotiations is incorporated into the Contract with the successful Participant.
- 13.3 **Rules 13.1 and 13.2** shall not operate to prevent clarification of all or part of any tender to the extent permitted by law and where such clarifications are sought the provisions of **Rules 13.2.3 and 13.2.4** shall apply, except that the word "clarification" shall be substituted for the word "negotiation" in these Rules.

14.0 PURCHASING CARDS

- 14.1 Where purchasing cards are issued by the Council the following provisions shall apply:-
- (a) their use shall be subject to the procedures laid down by the CD-SR
- (b) cards shall only be issued to, and used by, Officers nominated by a Director (in consultation with the CD-SR)
- (c) for the purpose of **Rule 5.1** the payment invoice will constitute evidence in writing of the contract.

15.0 CERTIFICATION OF CONTRACTS

- 15.1 The Local Government (Contracts) Act 1997 clarified the power of local authorities to enter into certain contracts, including Private Finance Initiative Contracts. Where Contracts need to be certified under the 1997 Act, only the following Officers are authorised to do so: the Corporate Director Children and Young People's Service, the Corporate Director Business and Environmental Services, the Corporate Director Health and Adult Services and the CD-SR.

16.0 EXCEPTIONS TO CONTRACT PROCEDURE RULES

- 16.1 A Director does not need to invite quotations or tenders in accordance with **Rules 8, 9 and 10** in the following circumstances:-

- (a) purchases via framework agreements which have been established by other public sector bodies or consortia (including, but not limited to YPO) and where such framework agreements are lawfully accessible to the Council, except where the requirements of the individual framework require a further competition to be conducted; or
- (b) purchases at public auctions (including internet auction sites, e.g. Ebay) where the Director is satisfied that value for money will be achieved; or
- (c) the purchase of supplies, works or services which are of such a specialised nature as to be obtainable from one Contractor only, except where the value of the Contract exceeds the relevant EU Threshold; or
- (d) the instruction of Counsel by the ACE(LDS); or
- (e) repairs to or the supply of parts for existing proprietary machinery or plant except where the value of the Contract exceeds the relevant EU Threshold; or
- (f) social care Contracts with a value below the EU Threshold where:-
 - (i) the service is currently supplied by a Contractor to the satisfaction of the Corporate Director Health and Adult Services or the Corporate Director Children and Young People's Service, is considered to be offering value for money and where the foreseeable disruption to service users cannot justify the invitation of further quotations or tenders, or
 - (ii) the service is of a specialist or personal nature and where service users ~~must~~must be involved in the selection of the Contractor and where the Corporate Director Health and Adult Services and the Corporate Director Children and Young People's Service considers it inappropriate for quotations or tenders to be invited, or
 - (iii) where the Corporate Director Health and Adult Services and the Corporate Director Children and Young People's Service is satisfied that the urgency of the need for the service prevents the invitation of quotations or tenders in which case consideration shall be given to the duration of that service; or
- (g) social care Contracts which are classifiable as 'Part B Services' under the PCR's where:-
 - (i) the service is currently supplied by a Contractor to the satisfaction of the Corporate Director Health and Adult Services or the Corporate Director Children and Young People's Service, is considered to be offering value for money and where the foreseeable disruption to service users cannot justify the invitation of further quotations or tenders, or
 - (ii) the service is of a specialist or personal nature and where service users must be involved in the selection of the Contractor and where the Corporate Director Health and Adult Services or the Corporate Director Children and Young People's Service considers it inappropriate for quotations or tenders to be invited, or

- (iii) where the Corporate Director Health and Adult Services or the Corporate Director Children and Young People's Service is satisfied that the urgency of the need for the service prevents the invitation of quotations or tenders in which case consideration shall be given to the duration of that service
 - (h) Contracts where the Director with the agreement of the ACE(LDS) and the CD-SR agree that for reasons of extreme urgency brought about by unforeseeable events unattributable to the Council, the timescales for obtaining quotations or tenders cannot be met. A written record shall be signed and dated by the Director, whenever this rule applies.
- 16.2 Where any of the exceptions set out in (a) to (h) above are applied a written record of the decision and justification shall be signed and kept as part of the Gateway Process.
- 16.3 **Waivers**
- 16.3.1 Specific exceptions to Rules **8, 9 and 10** are permitted in such other circumstances as the CD-SR and the ACE(LDS) may agree.
- 16.3.2 Requests for waivers shall be made using a form prescribed by the ACE(LDS) and the CD-SR which shall specify the reasons for the request and include a completed risk assessment of the proposal.
- 16.3.3 The ACE(LDS) shall maintain a register of all requests made under this Rule and the responses given to them.

17.0 COMPLIANCE, CONTRACT REGISTER AND FORWARD PROCUREMENT PLANS

- 17.1 Every officer shall comply with these Rules and any unauthorised failure to do so may lead to disciplinary action.
- 17.2 Each Director, CPG and/or the DPC's shall take all such steps as are reasonably necessary to ensure that Officers within their Directorate are aware of and comply with these Rules, the *Procurement Manual* and the *Finance Manual* referred to in **Rule 2.5**.
- 17.3 The CD-SR shall be responsible for monitoring adherence to these Rules.
- 17.4 Each Director shall nominate a representative to act as a key contact point in relation to procurement matters for the Directorate; such representatives shall be termed "**Directorate Procurement Champions**" in this Rule.
- 17.5 **DPC's** are responsible for the production of a FPP which will be completed in such format as CPG shall require.
- 17.6 The DPC's shall each present an updated FPP to their respective directorate management teams quarterly for approval throughout the year.
- 17.7 An annual report on procurement matters, such report to include an annual procurement plan and actions arising from the annual procurement plan, will be

presented to a meeting of the Corporate and Partnership Overview and Scrutiny Committee.

17.8 The Council maintains a Contract Register the purpose of which is to:

- (a) record key details of all contracts with an aggregate value of £~~4~~20,000 or more; and
- (b) identify a contract reference number.

17.9 DPC's shall ensure that:-

- (a) all relevant contracts (including those Contracts to which **Rule 16** applies) are entered onto the Contract Register and the appropriate Contract number recorded
- (b) the Contract Register is maintained by entering new Contracts onto it and removing expired contracts from it in line with the Council's Records Retention and Destruction Schedule.

18.0 GATEWAY PROCESS REPORTS INCLUDING NOTIFICATION OF SECTION 151 OFFICER AND MONITORING OFFICER

18.1 When a procurement is being considered which is expected to exceed the financial value thresholds specified in **Rule 18.2** then the Responsible Officer must complete the necessary Gateway Process report for consideration by the relevant Directorate Management Team or the relevant Director, the Assistant Director with responsibility for finance within that Directorate, and the DPC. No procurement should commence before the Gateway Process report is approved. The report shall include the estimated "whole life" financial value of the contract, the procurement methodology and any other relevant factors including, but without limitations, any TUPE implications. The Assistant Director with responsibility for finance will enter details on a register of procurements approved under this Rule which will be available to the CD-SR and the ACE(LDS).

18.2 The whole contract financial value thresholds for the purposes of **Rule 18.1** are:

- (a) works contracts - £100,000
- (b) goods, supplies and services contracts £100,000.

18.3 When a procurement is being considered which is expected to exceed the financial value thresholds specified in **Rule 18.4** then the Responsible Officer must ensure the necessary Gateway Process report prepared in accordance with **Rule 18.1** is also considered by the ACE(LDS) or by a LDSO authorised by her/him. No procurement should commence before the Gateway Process report is approved.

18.4 The whole Contract financial value thresholds for the purpose of **Rule 18.3** are:

- (a) works Contracts - £1m
- (b) goods, supplies and service Contracts - EU Threshold.

- 18.5 No action leading towards procurement, including any steps to undertake a further competition under an existing framework arrangement, shall be undertaken until confirmation of the process has been given under the terms set out in **Rule 18.1 and 18.3.**

19.0 CONTRACT MONITORING

- 19.1 The Responsible Officer shall take all such steps as are appropriate to monitor and review the performance of the Contract, having regard to its value, nature, duration and subject matter. As part of the monitoring and review process the Responsible Officer shall maintain adequate records of Contract performance and details of review meetings with the Contractor. Such records and details shall be made available to Internal Audit whenever required and shall be recorded in any relevant Gateway Process report (Gateway 4). Such records shall also be used on the basis for any permitted extension to the Contract.

Contract Variation

- 19.2 Contracts may be varied in accordance with the terms of that Contract. Any proposed variations which have the effect of materially changing the Contract must be approved by the ACE(LDS), whether or not they are effected by amending the Contract itself or by correspondence.

20.0 TRAINING FOR PROCUREMENT

- 20.1 Any officer involved in procurement activities shall have received a level of formal training commensurate with the nature of the procurement activity being undertaken.

21.0 DECLARATION OF INTERESTS

- 21.1 If it comes to the knowledge of a Member, Responsible Officer or other Officer that a Contract in which he has an interest (determined in accordance with the Members' and/or Officers' Code of Conduct as appropriate) has been or is proposed to be entered into by the Council, he shall immediately give written notice to the ACE(LDS).

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CONTRACT PROCEDURE RULES**SUGGESTED AMENDMENTS**

Rule	Current Wording	Proposed Amendment	Reason
	<i>These Rules constitute the Council's Standing Orders in relation to contracts under Section 135 of the Local Government Act 1972 and apply to all contracts (excluding property contracts), including those made in the course of the discharge of functions which are the responsibility of the Executive.</i>	<i>These Rules constitute the Council's Standing Orders in relation to contracts under Section 135 of the Local Government Act 1972 and apply to all contracts (excluding those stated in Rule 2.2), including those made in the course of the discharge of functions which are the responsibility of the Executive.</i>	To provide clarity
1.1	E-Sourcing system means the Council's chosen E-sourcing system (currently YORTender) or an approved alternative	E-Sourcing system means the Council's chosen E-sourcing system (currently <u>YORTender</u>) or an approved alternative	Correction of typing error
1.1	EU Threshold the current threshold above which the PCR's apply, currently £173,934 for services and supplies and £4,348,350 for works	EU Threshold the current threshold above which the PCR's apply, currently <u>£172,514</u> for services and supplies and <u>£4,322,012</u> for works	Updating of threshold values to reflect the revised EU Threshold
1.1	Gateway Process means the Council's risk based gateway procurement process that combines assessment and understanding of various aspects of risk with appropriate review and scrutiny at defined points in the procurement cycle	Gateway Process means the Council's <u>value</u> based gateway procurement process that combines assessment and understanding of various aspects of <u>value</u> with appropriate review and scrutiny at defined points in the procurement cycle	Definition amended to reflect the removal of the risk-based Gateway Process in favour of the value-based Gateway Process
1.1	Rules menas these Rules	Rules <u>means</u> these <u>Contract Procedure</u> Rules	To correct a typing error and to add clarity
1.2	(e) Directors, the CD-SR and the ACE(LDS) shall be taken to include such Officers as are designated by those officers to undertake the duties and responsibilities set out in these Rules, except in	(e) Directors, the CD-SR and the ACE(LDS) shall be taken to include such Officers as are designated by those officers to undertake the duties and responsibilities set out in these Rules, except in	To update the Rules which refer explicitly to Directors, CD-SR and ACE(LDS)

Rule	Current Wording	Proposed Amendment	Reason
	<p>the case of the following Rules:-</p> <p>(i) Director - Rules 8.8, 8.9, 12.2, 16.1(h), 16.3 and 18.1</p> <p>(ii) CD-SR - Rules 2.1, 2.4, 2.5, 8.8, 8.9, 12.2, 16.1(h), 16.3, 17.3 and 18.1</p> <p>(iii) ACE(LDS) - Rules 2.1, 2.4, 2.5, 8.8, 8.9, 12.2, 16.1(h) and 16.3</p> <p>where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained by each Director, the CD-SR and the ACE(LDS)</p>	<p>the case of the following Rules:-</p> <p>(i) Director - Rules 8.8, 8.9, 12.2, 16.1(<u>b and h</u>), 16.3 and 18.1</p> <p>(ii) CD-SR - Rules 2.1, 2.4, 2.5, 8.8, 8.9, 12.2, 16.1(<u>b and h</u>), 16.3, 17.3 and 18.1</p> <p>(iii) ACE(LDS) - Rules 2.1, 2.4, 2.5, 8.8, 8.9, 12.2, 16.1(<u>b and h</u>) and 16.3</p> <p>where delegation is not permitted. A record of all duties and responsibilities as delegated under these Rules is to be maintained by each Director, the CD-SR and the ACE(LDS)</p>	
2.9	<p>Wherever possible and appropriate procurement shall be undertaken using the standard precedent documents contained in the Procurement Manual applying to PQQ's, ITT's or to submit quotations. Wherever alternative documents are to be used they must be approved by ACE(LDS) in consultation with CPG (or Directorate Procurement Champion) as appropriate.</p>	<p>Wherever possible and appropriate procurement shall be undertaken using the standard precedent documents contained in the Procurement Manual applying to PQQ's, ITT's or to submit quotations. Wherever alternative documents are to be used they must be approved by ACE(LDS) in consultation with CPG (or <u>DPCs</u>) as appropriate.</p>	To use the properly defined term
5.7	<p>Other standard Rules are contained in the Procurement Manual relating to, for example, freedom of information, data protection, equalities, Public Services (Social Value) Act 2012, sustainability and best value; these are not mandatory for each such written agreement referred to in Rule 5.5 above, but should be included where appropriate.</p>	<p>Other standard Rules are contained in the Procurement Manual relating to, for example, freedom of information, data protection, equalities, Public Services (Social Value) Act 2012, sustainability and best value; these are not mandatory for each such written agreement referred to in Rule 5.5 above, but should be included where appropriate.</p>	To remove a typing error
6.2	<p>The ACE(LDS) and such of her staff as she may designate are authorised to sign any such contract.</p>	<p>The ACE(LDS) and such of <u>his</u> staff as <u>he</u> may designate are authorised to sign any such contract.</p>	To reflect the new ACE(LDS)
6.2.2	<p>Contracts that exceed £500,000 shall be signed by:</p> <p>a) the ACE(LDS) (or a Legal and Democratic Services' Officer authorised by her); and</p> <p>b) an authorised signatory in the relevant Directorate (or another Legal and Democratic</p>	<p>Contracts that exceed £500,000 shall be signed by:</p> <p>a) the ACE(LDS) (or a Legal and Democratic Services' Officer authorised by <u>him</u>); and</p> <p>b) an authorised signatory in the relevant Directorate (or another Legal and Democratic Services'</p>	To reflect the new ACE(LDS)

Rule	Current Wording	Proposed Amendment	Reason
	Services' Officer authorised by the ACE(LDS)).	Officer authorised by the ACE(LDS)).	
8.2	If the estimated value of a contract exceeds £5,000 but is less than £20,000 at least three written quotations must be invited from suitable potential Contractors. The estimated value of the contract shall be recorded in writing prior to quotations being sought.	If the estimated value of a contract exceeds £5,000 but is less than £20,000 at least three written quotations must be invited from suitable potential Contractors. The estimated value of the contract shall be recorded in writing prior to quotations being sought. If the estimated value of a contract exceeds £20,000, but is less than £100,000 at least three written quotations must be invited from suitable potential Contractors. The estimated value of the Contract shall be recorded in writing prior to quotations being sought. <u>Quotations with a value exceeding £5,000 should be invited using the E-Sourcing System and quotations above £20,000 must be invited using the E-Sourcing system.</u>	Amalgamation of Rules 8.2 and 8.3 to reflect the preference that all quotations above £5,000 should be invited using the E-Sourcing System and the requirement that all quotations above £20,000 must be invited using the E-Sourcing System. This is to enable compliance with the Local Government Transparency Code 2014.
8.3	If the estimated value of a contract exceeds £20,000, but is less than £100,000 at least three written quotations must be invited from suitable potential contractors. The estimated value of the contract shall be recorded in writing prior to quotations being sought and quotations must be invited using the E-Sourcing system.		
8.3	All potential Contractors invited to submit quotations shall be provided in all instances with identical information and instructions. Where considered appropriate, Directors may permit potential Contractors who have been selected to submit quotations under Rules 8.2 and 8.3 to also submit variant quotations (ie quotations which do not comply with some or all of the requirements of the primary quotation). The same opportunity to submit variant quotations must be given to all potential Contractors.	All potential Contractors invited to submit quotations shall be provided in all instances with identical information and instructions. Where considered appropriate, Directors may permit potential Contractors who have been selected to submit quotations under Rules 8.2 and 8.3 to also submit variant quotations (i.e. quotations which do not comply with some or all of the requirements of the primary quotation). The same opportunity to submit variant quotations must be given to all potential Contractors.	To correct the reference and typing error
8.6	Before quotations of a value in excess of £20,000 are requested it must be recorded in writing whether the lowest price or the most economically advantageous quotation should be accepted. Where both price and quality are to be factors (ie where most economically advantageous quotation applies) the quality criteria must be identified and the weighting between price and quality established and recorded before quotations are requested. The criteria should be stated in the request for quotation sent to suppliers.	Before quotations of a value in excess of £20,000 are requested it must be recorded in writing whether the lowest price or the most economically advantageous quotation should be accepted. Where both price and quality are to be factors (i.e. where most economically advantageous quotation applies) the quality criteria must be identified and the weighting between price and quality established and recorded before quotations are requested. The criteria should be stated in the request for quotation sent to suppliers.	Correction of a typing error

Rule	Current Wording	Proposed Amendment	Reason
8.9	Where a quotation involves payment to the Council, the provisions of Rules 8.6 and 8.8 shall apply except that the word “lowest” shall be replaced by the word “highest” in these paragraphs.	Where a quotation involves payment to the Council, the provisions of Rules 8.5 and 8.7 shall apply except that the word “lowest” shall be replaced by the word “highest” in these paragraphs.	Renumbering to reflect the amalgamation of Rules 8.2 and 8.3
9.7	Where considered appropriate, a Director may, in consultation with the DPC, permit Participants to submit variant tenders (ie tenders which do not comply with some or all of the requirements of the primary tender). The same opportunity to submit variant tenders shall be given to all Participants. Variant tenders shall only be considered if the Participant also submits a compliant primary tender.	Where considered appropriate, a Director may, in consultation with the DPC, permit Participants to submit variant tenders (<u>i.e.</u> tenders which do not comply with some or all of the requirements of the primary tender). The same opportunity to submit variant tenders shall be given to all Participants. Variant tenders shall only be considered if the Participant also submits a compliant primary tender.	Correction of a typing error
10.2.1	(i) A notice inviting expressions of interest shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract and invite potential Participants to complete and submit PQQ to the Council in order to be considered to be invited to tender. The notice shall include details as to how PQQ's are to be submitted and the closing date for their receipt by the Council.	(i) A notice inviting expressions of interest shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract and invite potential Participants to complete and submit <u>a</u> PQQ to the Council in order to be considered to be invited to tender. The notice shall include details as to how PQQ's are to be submitted and the closing date for their receipt by the Council.	Correction of a typing error
10.2.1	(vi) The deadline date for the receipt of tenders shall be at least 40 days after the date of dispatch of the ITT's.	(vi) The deadline date for the receipt of tenders shall be at least <u>28</u> days after the date of dispatch of the ITT's.	Amendment to reflect the number of days required in the Pubic Contracts Regulations 2006
10.3.1	Open Tenders: the deadline date for the return of tenders shall be a minimum of 52 days after the publication of the first advertisement of the ITT. The actual deadline date shall be determined having taken	Open Tenders: the deadline date for the return of tenders shall be a minimum of 52 days after the publication of the first advertisement of the ITT. The actual deadline date shall be determined having taken	Amendment to reflect the number of days required in the Pubic Contracts Regulations 2006 when using an E-Sourcing

Rule	Current Wording	Proposed Amendment	Reason
	into consideration the complexity of the Contract and the time required for the completion of the tender documents by Participants.	into consideration the complexity of the Contract and the time required for the completion of the tender documents by Participants. <u>The requirement for 52 days may be reduced to 40 days when using the E-Sourcing System.</u>	System.
10.3.2	Restricted Tenders: the deadline date for the return of PQQ's shall be at least 37 days after the publication of the first advertisement of the opportunity. The deadline date for the receipt of tenders shall be at least 40 days after the date of publication of the ITT.	Restricted Tenders: the deadline date for the return of PQQ's shall be at least 37 days after the publication of the first advertisement of the opportunity. The deadline date for the receipt of tenders shall be at least 40 days after the date of publication of the ITT. <u>The requirement for 37 days may be reduced to 30 days after the publication of the first advertisement of the opportunity for the return of the PQQ and reduced to 35 days for the return of the ITT after the date of its publication when using the E-Sourcing System.</u>	Amendment to reflect the number of days required in the Public Contracts Regulations 2006 when using an E-Sourcing System.
10.4.2	The procedure prescribed by the PCR's shall apply to all aspects of the procurement and to the subsequent operation of the Framework Agreement including, but not limited to: (i) the procurement methodology; (ii) the placement of orders under the Framework Agreement; (iii) further competition between Contractors appointed to the Framework Agreement (ie further competitions).	<u>Where the value of the proposed Framework Agreement exceeds the EU threshold, the procedure prescribed by the PCR's shall apply to all aspects of the procurement and to the subsequent operation of the Framework Agreement including, but not limited to:-</u> (i) the procurement methodology; (ii) the placement of orders under the Framework Agreement; (iii) further competition between Contractors appointed to the Framework Agreement.	To provide clarity
10.5.1	(i) A notice inviting expressions of interest shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract and invite Participants to apply to the Council to be considered for inclusion on the approved list by the Council. The notice shall	(i) A notice inviting expressions of <u>interest</u> shall be published through the E-Sourcing System and, if considered appropriate, a local newspaper and a suitable professional or trade journal or website. The form of advertising shall take into account the value, location and subject matter of the Contract. The notice shall specify brief details of the Contract and invite Participants to apply to the Council to be considered for inclusion on the approved list by the Council. The notice shall	To correct a typing error

Rule	Current Wording	Proposed Amendment	Reason
	include details as to how expressions of interest are to be submitted and the closing date for their receipt by the Council.	include details as to how expressions of interest are to be submitted and the closing date for their receipt by the Council.	
11.1	A written tender may only be considered if:- (a) it has been received electronically through the e-tendering system, or	A written tender may only be considered if:- (a) it has been received electronically through the <u>E-Sourcing System</u> , or	To reflect the defined term
11.1	c) and subject to Rule 11.4, it has been returned electronically through the E-Sourcing System or to the ACE(LDS) (or a person designated by her) in accordance with the instructions contained in the ITT before the tender closing date.	c) and subject to Rule 11.4, it has been returned electronically through the E-Sourcing System or to the ACE(LDS) (or a person designated by <u>him</u>) in accordance with the <u>instructions</u> contained in the ITT before the tender closing date.	To reflect the new ACE(LDS) and to correct a typing error
11.2	The ACE(LDS) (or a person designated by her) shall be responsible for the reception and safe custody of tenders until they are opened.	The ACE(LDS) (or a person designated by <u>him</u>) shall be responsible for the reception and safe custody of tenders until they are opened.	To reflect the new ACE(LDS)
11.3	Tenders, whether electronic or hard copy must be opened at the same time and in the presence of the ACE(LDS) (or a person designated by her) or, where Legal and Democratic Services is undertaking the procurement, the CD-SR (or an Officer designated by her). Whoever opens the tenders shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening, the identity of the Officer(s) present, the identities of Participants and the tendered sums (where readily ascertainable). A copy of such a record shall be provided as soon as practicable to the Director inviting the tenders and to Internal Audit.	Tenders, whether electronic or hard copy must be opened at the same time and in the presence of the ACE(LDS) (or a person designated by <u>him</u>) or, where Legal and Democratic Services is undertaking the procurement, the CD-SR (or an Officer designated by <u>him</u>). Whoever opens the tenders shall maintain a record of the tenders received. Such a record shall include the date and time of tender opening, the identity of the Officer(s) present, the identities of Participants and the tendered sums (where readily ascertainable). A copy of such a record shall be provided as soon as practicable to the Director inviting the tenders and to Internal Audit.	To reflect the new ACE(LDS)
12.8	Where the tender involves payment to the Council Rule 12.2 shall apply except that the word “highest” shall be substituted for “lowest” in those Rules.	Where the tender involves payment to the Council Rule 12.2 shall apply except that the word “highest” shall be substituted for “lowest” in <u>that</u> Rules.	To correct a typing error

Rule	Current Wording	Proposed Amendment	Reason
16.1	<p>A Director does not need to invite quotations or tenders in accordance with Rules 8, 9 and 10 in the following circumstances:-</p> <p>(a) purchases via framework agreements which have been established by other public sector bodies or consortia (including, but not limited to YPO) and where such framework agreements are lawfully accessible to the Council, except where the requirements of the individual framework require a further competition to be conducted or</p> <p>(b) purchases at public auctions, or</p>	<p>A Director does not need to invite quotations or tenders in accordance with Rules 8, 9 and 10 in the following circumstances:-</p> <p>(a) purchases via framework agreements which have been established by other public sector bodies or consortia (including, but not limited to YPO) and where such framework agreements are lawfully accessible to the Council, except where the requirements of the individual framework require a further competition to be conducted or</p> <p>(b) purchases at public auctions, <u>(including internet auction sites, e.g. Ebay) where the Director is satisfied that value for money will be achieved;</u> or</p>	<p>To take into account the growing use of internet auction sites and to ensure that the exemption is only applied where value for money can be obtained</p>
16.1	<p>f) social care Contracts with a value below the EU Threshold where:-</p> <p>(i) the service is currently supplied by a Contractor to the satisfaction of the Corporate Director Health and Adult Services or the Corporate Director Children and Young People's Service, is considered to be offering value for money and where the foreseeable disruption to service users cannot justify the invitation of further quotations or tenders, or</p> <p>(ii) the service is of a specialist or personal nature and where service users must be involved in the selection of the Contractor and where the Corporate Director Health and Adult Services and the Corporate Director Children and Young People's Service considers it inappropriate for quotations or tenders to be invited, or</p> <p>(iii) where the Corporate Director Health and</p>	<p>f) social care Contracts with a value below the EU Threshold where:-</p> <p>(i) the service is currently supplied by a Contractor to the satisfaction of the Corporate Director Health and Adult Services or the Corporate Director Children and Young People's Service, is considered to be offering value for money and where the foreseeable disruption to service users cannot justify the invitation of further quotations or tenders, or</p> <p>(ii) the service is of a specialist or personal nature and where service users <u>must</u> be involved in the selection of the Contractor and where the Corporate Director Health and Adult Services and the Corporate Director Children and Young People's Service considers it inappropriate for quotations or tenders to be invited, or</p> <p>(iii) where the Corporate Director Health and</p>	<p>To correct a typing error</p>

Rule	Current Wording	Proposed Amendment	Reason
	Adult Services and the Corporate Director Children and Young People's Service is satisfied that the urgency of the need for the service prevents the invitation of quotations or tenders in which case consideration shall be given to the duration of that service; or	Adult Services and the Corporate Director Children and Young People's Service is satisfied that the urgency of the need for the service prevents the invitation of quotations or tenders in which case consideration shall be given to the duration of that service; or	
17.8	The Council maintains a Contract Register the purpose of which is to: (a) record key details of all contracts with an aggregate value of £10,000 or more; and (b) identify a contract reference number.	The Council maintains a Contract Register the purpose of which is to: (a) record key details of all contracts with an aggregate value of <u>£20,000</u> or more; and (b) identify a contract reference number.	To enable compliance with the Local Government Transparency Code 2014.
18.2	The whole contract financial value thresholds for the purposes of Rule 18.1 are: a) works contracts - £100,000 b) goods and services contracts £100,000.	The whole contract financial value thresholds for the purposes of Rule 18.1 are: a) works contracts - £100,000 b) goods, <u>supplies</u> and services contracts £100,000.	To ensure consistency
18.3	When a procurement is being considered which is expected to exceed the financial value thresholds specified in Rule 18.4 then the Responsible Officer must ensure the necessary Gateway Process report prepared in accordance with Rule 18.1 is also considered by the ACE(LDS) or by a LDSO authorised by her. No procurement should commence before the Gateway Process report is approved.	When a procurement is being considered which is expected to exceed the financial value thresholds specified in Rule 18.4 then the Responsible Officer must ensure the necessary Gateway Process report prepared in accordance with Rule 18.1 is also considered by the ACE(LDS) or by a LDSO authorised by <u>him</u> . No procurement should commence before the Gateway Process report is approved.	To reflect the new ACE(LDS)
18.4	The whole Contract financial value thresholds for the purpose of Rule 18.3 are: a) works Contracts - £1m b) goods and service Contracts - EU Threshold.	The whole Contract financial value thresholds for the purpose of Rule 18.3 are: a) works Contracts - £1m b) goods, <u>supplies</u> and service Contracts - EU Threshold.	To ensure consistency

North Yorkshire County Council**Audit Committee****17 July 2014****Annual Report on Partnership Governance 2013/14****1.0 Purpose of report**

- 1.1 To provide an annual report on the governance of partnerships involving the County Council for the financial year 2013/14.

2.0 Background

- 2.1 Both the Executive and the Audit Committee have previously agreed to receive an annual report on the governance of partnerships involving the County Council. This report is also being presented to the Executive on 8 July 2014.
- 2.2 Prior to a commitment being made to any partnership arrangement, approval is required in line with the County Council's Constitution, Financial Procedure Rules and Partnership Working Guidance.
- 2.3 The annual report provides a mechanism to ensure that partnerships and the resulting commitments are reviewed regularly and that the County Council is only involved with those partnerships which added value to the work of the Council.
- 2.4 Partnerships are within the scope of the annual report if they are characterised by one or more of the following conditions:
- strategic, in the sense that they will have a significant impact on the direction of services provided, at the level of County Council, Directorate or Community Plan themes and priorities;
 - involve Members on the governing board;
 - involve a financial input from the County Council of £50k pa or more;
 - involve the County Council as accountable body for external grant funding to the partnership; or
 - have a risk assessment arising from the partnership governance work of high or medium.
- 2.5 Appendix 1 is a schedule of partnerships that were within the scope of this report as at 31 March 2014. The number and nature of partnerships changes from time to time and, as with all annual reports, the data within the appendix is a snapshot in time.
- 2.6 The County Council nominates Members to a wide range of outside organisations, some of which are partnerships and included in Appendix 1. However, the majority of outside organisations listed in the Constitution are not

partnerships and the arrangements for reporting, where required, are as set out in the Constitution.

- 2.7 This report also does not cover arrangements which are monitored in other ways, for example where the County Council is the sole or a significant shareholder in a limited company or part of a joint committee arrangement.

3.0 Principles for partnership working and key changes during 2013/14

- 3.1 The key principles for partnership working locally were agreed in 2010 by Local Government North Yorkshire and York (LGNYY):

- the minimum number and simplest of partnership structures, consistent with delivering the required outcomes and statutory requirements;
- a North Yorkshire and York approach to county / sub-regional partnership structures as far as possible, recognising that a degree of pragmatism will be required given the different local authority structures in North Yorkshire and York;
- local partnerships, including shared community engagement arrangements, at the most appropriate local level; and
- the use of task and finish groups to deal with particular issues, rather than standing thematic partnerships or sub-groups.

- 3.2 LGNYY also agreed that rationalising partnership structures is not about stopping partners working together - partnership working should be encouraged, but partnership structures should only exist where they add value and are efficient.

- 3.3 Three partnerships have been included in the appendix this year for the first time:

- Harrogate Public Services Leadership Board – a new partnership replacing the Harrogate District Partnership Forum;
- Rail North Leaders Board / Leader Forum – a new strategic partnership for the development of rail Strategy and priorities for rail in the north of England; and
- Health and Wellbeing Board (HWB) and health partnerships including the Integrated Commissioning board – whilst the HWB is a formal committee of the County Council it is important to capture this and associated partnerships as they will have a significant impact on the direction of services provided and the communities of North Yorkshire.

- 3.4 Five partnerships, which were included in the appendix last year, have been removed this year:

- York and North Yorkshire Safer Communities Forum – has ceased to exist as the initial stage of a much bigger restructure of community safety partnerships;
- Harrogate District Partnership Forum – has ceased to exist and replaced by a more focused Harrogate Public Services Leadership Board;

- Leeds City Region Transport Panel – no activity during 2013/14 and will be replaced by the West Yorkshire Combined Authority, which will not include NYCC
 - Adult Integrated Care Workforce Board – has ceased to exist and its functions have been integrated into the work of the (adult social care) Market Development Board as the membership and priorities are shared; and
 - Older Peoples Partnership Board – has ceased to exist and the North Yorkshire Forum of Older People will now be used as the formal mechanism to seek older people’s collective voice.
- 3.5 One partnership is identified this year as having a high overall risk rating:
- 95 Alive Road Safety Partnership – the Performance Reward Grant (PRG), which comprises the vast majority of the funding available for 95 Alive road safety activity, ended on 31 March 2014. This represents a significant risk to 95 Alive as there is currently no other approved revenue stream available beyond existing individual partner budgets. Without an identified alternative funding mechanism therefore, it is likely that activity will have to contract. In order to mitigate the impact over the short-term, officers have requested the remaining PRG be re-profiled into 2014/15. This request has since been approved by the York and North Yorkshire Chief Executives’ Group, which means the Partnership has £47k available for service delivery in this financial year. In addition the Deputy Chief Constable in conjunction with the Police and Crime Commissioner has confirmed the availability of a further £100k as a one-off allocation; the majority of which, however, is likely to be spent on a single procurement exercise. In order to place the Partnership on a more sustainable financial footing, discussions are on-going with North Yorkshire Police over the potential for surplus revenues from safety cameras/driver awareness courses to fund partnership road safety activity over the longer term.
- 3.6 All Directorates are continuing to review the number of partnership arrangements that officers are actively involved in, to determine their legal requirements, strategic importance and the impact if the partnership were to be dissolved.
- 3.7 In addition, as requested by the Executive when considering previous annual reports; individual Executive Members, in conjunction with officers of each Directorate, have given consideration to the governance and monitoring arrangements of partnerships relating to that Directorate.

4.0 Arrangements in place to monitor partnerships

- 4.1 Appendix 1 includes, for each partnership, a summary of key achievements in 2013/14, priorities for 2014/15, arrangements for partnership governance and reporting, and a risk assessment. The appendix identifies a lead directorate for each partnership who, where appropriate, ensures the engagement of relevant services across the council.

- 4.2 As highlighted in previous annual reports, the wide range of partnerships, and their differing roles, means a 'one size fits all' approach to reporting is neither practical nor appropriate. In this context, reporting arrangements cover:
- key issues, including service issues,
 - any specific issues relating to the management of the partnerships, and
 - routine reporting on financial or other performance, highlighting variances to budgets or performance plans.
- 4.3 All reporting arrangements need to be appropriate and commensurate to the role of the partnership, and what it seeks to achieve. The term 'partnership' is used to cover a wide range of different approaches. Some (for example the Children's Trust), are a coming together of partners with separate budgets to jointly plan and align their own organisations activity. Others (for example Supporting People) are a delivery mechanism for joint budgets and joint decisions, where the County Council is the accountable body.
- 4.4 Data from partnership working is included in a range of more general updates, including those submitted to the Executive as part of the Quarterly Performance Monitoring reports. There are some examples of formalised reporting of partnership matters, in the specific context of the partnership, back to the County Council at Executive, Executive Member or Area Committee level. However, more often the data from partnerships is not readily separated from the more general level of reporting, and in many cases to do so would result in duplication.
- 4.5 It is necessary to ensure that the arrangements reflect appropriately the significance of the issues arising in the partnership within the overall framework of the monitoring arrangements involving Members. There is a need to avoid the risk of providing an unnecessarily detailed analysis for relatively small partnership working areas.
- 4.6 This annual report allows the Executive and the Audit Committee to consider whether more (or less) information should be submitted in separate monitoring reports and to whom.
- 4.7 The governance arrangements of all partnerships with a high and medium risk rating have been reviewed by officers from Legal and Democratic Services to ensure that robust arrangements are in place to protect the interests of the partnership and, in particular, of the County Council. The review considered all written governance documents of the partnership to check that they are fit for purpose. No concerns over governance arrangements have been identified. It is not proposed that low risk partnerships will be reviewed unless there are any exceptional reasons for doing so. If any concerns are identified, Legal and Democratic Services will liaise with the lead officer to offer advice and support and ensure that appropriate corrective action is taken to rectify such concerns. It is anticipated that that similar reviews will be undertaken on an annual basis.

- 4.8 Last year's annual report summarised an internal audit undertaken by Veratiu in early 2013 to provide assurance that there are sound governance arrangements in place for partnerships.
- 4.9 The overall audit opinion was that the controls in place provide Substantial Assurance, that is:
- there is good management of risk with few weaknesses identified; and
 - an effective control environment is in operation but there is scope for further improvement in identified areas.
- 4.10 All the elements of the action plan agreed following the internal audit have been completed satisfactorily, that is:
- all partnerships have been assessed by July 2013 to identify whether the partnership is used as a mechanism to share personal data between partners and, if applicable, whether a data sharing policy exists. Where a partnership is used as a mechanism by to share personal data between partners and a data sharing policy does not exist, a data sharing policy has been developed and proposed for adoption by the partnership by March 2014; and
 - for all partnerships a proportionate specific risk assessment has been undertaken and recorded by September 2013 as part of the NYCC general risk assessment to determine the specific risks that should be monitored and mitigated against for the partnership.

5.0 Recommendations

- 5.1 It is recommended that the Audit Committee:
- (a) Receives this annual report on partnership governance;
 - (b) Notes the arrangements in place to ensure good governance and reporting of partnership activity; and
 - (c) Notes the contents of the schedule of partnerships that were within the scope of this report as at 31 March 2014 (Appendix 1).

Richard Flinton
Chief Executive

Gary Fielding
Corporate Director - Strategic Resources

18 June 2014

Author of report:
Neil Irving
Assistant Director (Policy and Partnerships)

Appendices:

Appendix 1 - Partnerships that were within the scope of this report as at 31 March 2014

Partnership	Directorate	Partnership type: 1. Statutory 2. Instrumental in influencing policy 3. Instrumental in controlling £ and other resources 4. Liaison only	Purpose and role of partnership	Date of last review and action taken as a result	Key achievements 2013/14	Issues and priorities 2014/15	Have there been any governance failures in 2013/14? Yes / No If yes, outline	Membership and governance arrangements of partnership	Link to governance document / terms of reference (if published on internet)	Annual partnership expenditure and main sources of income	Accountable body	NYCC budget contribution (in addition to officer time)	Which NYCC elected member body does the partnership report to and how often?	NYCC elected member(s) directly involved in partnership and role they play	Any issues (eg decision making, accountability, transparency, key policy areas)? Yes / No If yes, outline	NYCC lead officer	NYCC finance officer	Risk factors (H / M / L)					Overall partnership risk rating High / Medium / Low	Legal Services governance review of high and medium risk partnerships undertaken - date and any action needed as a result	Audit action plan 2012/13			
																		1	2	3	4	5			1	2	3	
Strategic sub-regional and regional partnerships																		1	2	3	4	5				1	2	3
Local Government North Yorkshire and York (LGNYY)	CS	2	To promote effective working between local authorities and to ensure wider local authority representation, collaboration and co operation on a sub-regional basis and effective sub-regional representation at regional and national levels.	2011. Reduced number of specialist boards	Providing a sub-regional voice and promoting effective working between local authorities.	Providing a sub-regional voice and promoting effective working between local authorities.	N	Leaders of all local authorities and national park authorities. Written terms of reference.	www.nycc.gov.uk/information/nycc-structure/nycc-structure.aspx?articleid=16814	No budget; NYCC provides officer time for secretariat.	n/a	No budget.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Clr John Weighell - member	N	Richard Flinton	n/a	L	M	Nil	L	M	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a	
NYCC Chief Executives Group	CS	2, 3	To provide leadership and coordination across sub-regional partnership structures and public services generally and to advise LGNYY	2011. Created to support LGNYY; replaced NYSP Executive.	Providing leadership and coordination across rapidly changing partnerships (eg LEPs and HWBs) and public services (eg public sector cuts, NHS changes)	Providing leadership and coordination across rapidly changing partnerships (eg LEPs and HWBs) and public services (eg public sector cuts)	N	Chief executives of local authorities and key local public sector partners. Written terms of reference.	www.nycc.gov.uk/information/nycc-structure/nycc-structure.aspx?articleid=16813	No budget; NYCC provides officer time for secretariat.	n/a	No budget of its own; but oversees the utilisation of the LAA Performance Reward Grant (£6m).	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	N	Neil Irving	Debbie Bassett	L	M	H	L	M	M	12 April 2013 - No concerns noted.	Key risk is partners withdraw and cease to work together.	N	n/a	
Local Resilience Forum	CS	1, 2	To ensure effective delivery of statutory duties under the Civil Contingencies Act 2004 that need to be developed in a multi-agency environment.	2012 - review by NYLRF members approved new governance structures and role of secretariat.	A co-ordinated response with our multi-agency partners to the significant incidents of East Coast flooding in December and the Sherburn tyre fire in early 2014. Clarification of NYLRF structures to align with the overall management of risk strategy.	Strategic Objectives to clarify 'Command and Control' protocols in line with the national Joint Emergency Services Interoperability Programme. To enhance community resilience. To integrate recent changes in NHS structures in a joined-up approach to emergency planning.	N	Multi-agency partnership to carry out statutory duties as defined by the Civil Contingencies Act plus additional legislation. Written governance document.		Secretariat provided by NYCC and funded by partners (£39k). Training & exercise budget using previously agreed joint provision of funds from partners (£3k).	NYCC	NYCC contribution of £10k towards total cost of £39k for secretariat. Until April 2011 NYCC covered the full cost.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	N	Neil Irving	Debbie Bassett	L	M	L	M	H	M	14 June 2012 - No concerns noted.	Full local risk register, based on national risk register.	N	n/a	
Local Government Yorkshire & Humber (LGYH)	CS	4	Member-led partnership of all local authorities across Yorkshire and Humber - enabling councils, fire and rescue authorities, police and crime commissioners and national park authorities to come together - as well as with wider partners - on issues of common interest, share information and intelligence and provide a stronger collective voice on issues critical to the future prosperity of local communities across the region.	New governance arrangements established during 2012/13 as part of an organisational restructure, with the LGYH secretariat directly accountable to the Y&H Chief Executives' Group and, in turn, the LGYH Council (comprising local authority leaders)	Bringing members together to share intelligence and influence key national policy developments. Levering in external public funding (eg c.£100k for Climate Change Partnership activity, £350k for Health & Wellbeing). Establishing All Party Parliamentary Group (APPG) for Yorkshire & Northern Lincolnshire, where MPs are championing the region's growth in Westminster. Maintaining pro-active networks of Health & Wellbeing Board Chairs, Heads of Policy, Finance Directors and HR Directors. Completing organisational restructure, to cut members' costs by c.50%. Delivery of Workforce & Regional Employers' Function, as agreed with Y&H Employers' Committee.	To support members to: set out a positive case for Local Government leadership in delivering prosperity, growth and wider reform in public services, which supports the case for devolution of powers from central Government; respond to funding and service delivery pressures; promote national awareness of the regional context; and providing a single, cross-Party voice when required to influence issues that are likely to impact across the entire region. To also ensure that the organisation continues to be fit for purpose in a changing landscape of local government, complementing other structures such as Combined Authorities and LEPs etc.	N	All activity accountable to LGYH Council (leaders of all local authorities, police and crime commissioners, fire and rescue authorities and national park authorities); supported by Y&H Chief Executives' Group. LGYH Council has rotational Chair for 2-year periods, plus four Vice Chairs (one per sub-region - currently Clr Mark Crane, Selby DC, for Local Government North Yorkshire & York). Written constitution.	www.lgyh.gov.uk/The%20Library/Other%20Research/Governance/	LGYH's core income from its membership's affiliation fees is £504k, with £121k of this directed to the "Workforce" function. Total expenditure is greater, but covered from external income.	LGYH is an independent body, established utilising the legal personality of an Employers' Association.	£37.2k subscription.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Clr John Weighell - member	West Yorkshire local authorities and NYCC have given notice to withdraw from membership. Potential pension liability of £150k.	Richard Flinton	Debbie Bassett	L	M	L	L	L	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a	
Superfast North Yorkshire (SFNY)	CS	2, 3	To bring the advantages of high quality broadband to 100% of businesses and citizens in North Yorkshire by 2017.	The SFNY Advisory Board (formerly CNY Board) meets on a regular basis to oversee / manage all aspects of the SFNY project.	BT Contract on schedule with >100k premises now having access to at least 25Mbps. Contract ends October 2014. Phase 2 (£8m) package in place to start November 2014. Community Internet Service Providers (CISPs) continue to be supported and their network coverage extended. Business Support Contract on schedule and Demand Stimulation Team exceeding take up targets.	Ensure Phase 1 contract with BT ends on time (October 2014) and Phase 2 commences (November 2014). Develop Phase 3 package within 'funding parameters' set by Executive on 18/3/14. Extend Business Support contract to cover Phase 2 and secure approval to extend the Demand Stimulation Team for Phase 2.	N	Formally constituted SFNY Advisory Board with Chairman (Clr Carl Les) plus 5 Councillors from NYCC plus 2 representatives from NYnet, 1 from BDUK and 1 from LEP. NYnet Chairman also attends as an observer. Board supported by SFNY Engagement Group which is attended by 'broadband champions' from each Borough/District Council plus LEP, Chamber of Commerce, FSB, NFU etc. Written governance documents.	www3.northyorks.gov.uk/n3cabinet_loggovny/reports_20120928_05recommendatio05recommendatio.pdf	Phase 1 Project cost of £33m offset by BDUK/ERDF grants totalling £31.4m. Phase 2 Project cost of £8m (£5m BDUK/ERDF/£3m NYCC). Project Management is undertaken on behalf of NYCC by NYnet - costs/grants are recorded in a separate company (NYnet 100).	NYCC for both NYCC and ERDF	£1.6m (net of grants) of project management costs accrued in NYnet 100. Nil contribution to Phase 1 £3m contribution to Phase 2.	Reports to Executive when key decisions are required because NYCC is the Accountable Body. Most recent report 18 March 2014.	Clr Carl Les (Chair) and ex-Clr John Watson (observer in capacity as NYnet Chairman).	Preparing a Phase 3 strategy that will, within £ available, extend access to 100% of premises by 2017.	John Moore	Gary Fielding	L	M	H	M	H	M	2 May 2014 - SFNY Advisory Board oversee SNFY project. Procurement processes, BT contract and grant agreements managed by NYnet on behalf of NYCC. All processes have been undertaken with extensive consultation with Legal Services and external legal support and believed to be very robust. Key decisions are brought to NYCC Executive. Appropriate governance arrangements in place.	Failure to extend access to 100% of premises by 2017.	N	n/a	
LGNYY Spatial Planning and Transport Board	BES	2	To provide strategic advice, direction and leadership on spatial planning and transport matters. Enable implementation of the Duty to Cooperate in plan making at a political level.	June 2011 - decision taken to merge the Spatial Planning Board and Transport Board. City of York Council now responsible for secretariat.	Board met twice (April and July 2013). Duty to Cooperate discussions held in relation to Harrogate, ERYC and City of York Local Plans.	Board requested forward work programme at first meeting. Still outstanding under leadership of City of York Council.	N	One Clr from each local authority. Written terms of reference.	www3.northyorks.gov.uk/n3cabinet_loggovny/reports_20120928_05recommendatio05recommendatio.pdf	No allocated budget. No income streams identified to date. Secretariat function provided by City of York Council.	n/a	Officer time only	No routine report to NYCC elected member body, but regular report to LGNYY, with any issues arising feeding in to County Council processes in the usual way.	Clr Gareth Dadd - member; deputy is Clr Chris Metcalfe	N	David Bowe / Carl Bunnage	Trevor Clilverd	L	L	Nil	L	L	L	n/a	Reliance upon City of York Council to effectively provide Secretariat function and to lead development of forward work programme.	N	n/a	

LGNYY Housing Board	BES / HAS	2, 3	Identifying and responding to key housing issues; agreeing and managing the delivery of strategic housing investment priorities; undertaking sub regional research; and encouraging both innovative and consistent sub regional working across North Yorkshire.	2011 agreed to retain, but streamline.	Wider strategic integration with growth agenda through contribution to LEP Strategy and Growth Plan. Delivery of Rural Housing Enablers affordable housing programme (117 completions Q1 and Q2; 77 works to existing properties over the same period). Successful recruitment of NY Housing Strategy Manager with post part-funded by YNYER LEP. Homelessness reduced (27% fewer homeless households).	To be agreed Spring 2014	N	One Cllr from local authority and reps of key partners. Written terms of reference	www.northyorkshirestrategichousingpartnership.co.uk/index.php/governance	Circa £160k pa (partnership costs plus rural housing enablers programme). Partnership posts funded by LA and YNYER LEP (£8K contributions); RHE programme funded by LAs / Registered Provider / Leeds City Region / NYCC contributions (£50K previously paid up-front as a contribution to the three year RHE programme).	Hambleton District Council, including employer of partnership staff.	Contribute £3.75k towards Housing Strategy Manager post.	No routine report to NYCC elected member body but regular report to LGNYY, with any issues arising feeding in to County Council processes in the usual way.	Cllr Gareth Dadd - member	N	Carl Bunnage (BES) / Avril Hunter (HAS)	Trevor Cliverd	L	M	L	M	L	L	n/a	1. Failure of the Board to maintain engagement in wider economic growth agendas would hamper its success in supporting the delivery of housing across NY. 2. Failure of NYCC to continue to contribute towards costs of NY Strategic Housing Manager post could result in an element of risk to its continuation which is essential to work of Board.	N	n/a
York, North Yorkshire & East Riding Local Enterprise Partnership	BES	2	The primary role of the LEP is provide strategic leadership to maximise the economic growth and job creation across York, North Yorkshire & East Riding. It is a public private partnership and its remit covers Business Growth, Skills and Infrastructure.	This is a new partnership and as such has not yet been subject to review although a Partnership Assessment was completed in March 2013	1500 SMEs Supported. Successful Growing Places Investments: £2.5m - Whiby Business Park. £0.5m - NYMR. £0.9m - Potter Group further Growing places loans approved. £4m RGF Business Grants Secured £2m Skills Funding Secured Strategic Economic Plan Developed	1. Develop the delivery plan and investments for the EU110m EU Funding Secured 2. Complete negotiations with government for Local Growth Funding securing maximum investment 3. Support 2000 businesses 4. Deliver the £2m skills funding	N	Main LEP Board - Business led partnership (9 business reps, 6 local authority reps). Written governance document. Skills & Infrastructure Programme Boards below LEP Board.	www.businessinspiregrowth.com/about-the-lep/	NYCC budget of £311k for secretariat. Access to grants including Growing Places Fund (£9.4m) (to be used as a revolving fund), BIS funding (£250k) but requires match funding), Strategic growth fund £250k, RGF£4m	NYCC	The Council's Economic & Partnership Unit has a NYCC budget of £480k and staff in the unit provide support to the LEP. CE311k of the £480k budget is engaged on LEP support.	No routine report to NYCC elected member body, although any issues requiring decisions or reports will be fed in through normal processes.	Cllr John Weighell - member	N	James Farrar	Lisa Gallon	L	H	H	L	H	M	29 June 2012 - Written constitution in place. No concerns but need for further review as function of the LEP has potential for change and may need revised governance.	The Key risk is to the reputation of NYCC with the business community and government grant funding departments. Failure to attract grant income or failure to spend the grant in accordance with the conditions and achieve economic growth.	N	n/a
Leeds City Region Local Enterprise Partnership	BES	2	To direct LCR policy in relation to economic development, transport, skills and infrastructure. On-going engagement continues, with the NYCC Leader maintaining a position on the LCR LEP Board. Primarily focused on transport and infrastructure. Potential risk through City Deal and plans for pooling of monies.	None undertaken	None for NYCC. LCR LEP secured Enterprise Zone and City Deal status. City Deal recently awarded £500k with regard to skills.	Mainly transport and infrastructure (key issues being size and status of Transport Fund dependent upon Government's position regarding proposed Transport Levy. On-going issue regarding pooling of funding for the Infrastructure Fund. Strategic Appraisal Framework to determine project priorities not yet developed. Role of West Yorkshire Combined Authority unclear.	N	Business led partnership (business reps and local authority reps, including NYCC rep). Written governance document.	www.leedscityregion.gov.uk/about-lep/	Circa £36m Growing Places Fund. Circa £1.4b City Deal (tbc). Circa £500m Infrastructure Fund (tbc).	Leeds City Council	Officer time only	No routine report to NYCC elected member body, although any issues requiring decisions or reports will be fed in through normal processes.	Cllr John Weighell - member	N	James Farrar / Carl Bunnage	Lisa Gallon	M	M	L	L	M	M	2 May 2014 - The risk to NYCC is relatively low as we are not accountable body for the LEP and essentially devote the time of Members and Officers to the partnership working. Appropriate governance is in place. It is sensible to monitor the impact of the West Yorkshire Combined Authority and what influence that may have over the decision making and work of the LEP	Key risk is reputational, in particular linked to a grant to support apprenticeships and the need to achieve targets. Need to ensure the needs of NY businesses are considered in LCR developments	N	n/a
Leeds City Region Leaders Board	BES	2	To direct LCR policy and lead decision making in relation to housing, transport, and planning matters.	Unknown.	Continued support to LCR LEP Board.	Strategic review of existing housing, transport and planning strategies, and leadership in relation to objectives, priorities and actions flowing from them.	N	Local Authority Leaders. Written governance document.	http://www.leedscityregion.gov.uk/about-leaders/	Circa £1.6m expenditure. Primarily funded by LA subscriptions and Government grant.	Leeds City Council	£39k overall contribution to LCR (2013/14) c£37m 2014/15	No routine report to NYCC elected member body but regular report to LGNYY, with any issues arising feeding in to County Council processes in the usual way.	Cllr John Weighell - member	N	David Bowe / Carl Bunnage	Trevor Cliverd	L	L	L	L	M	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
Leeds City Region Housing and Regeneration Board (formerly Leeds City Region Homes & Communities Agency Joint Board)	BES	2	To lead and direct funding for housing and regeneration priorities across the city region.	Unknown.	On-going work in relation to delivery of LCR /HCA Board Implementation Plan and in connection with preparation of LCR LEP Strategy and Growth Plan. Limited impact upon NY.	On-going work in relation to delivery of LCR /HCA Board Implementation Plan and in connection with preparation of LCR LEP Strategy and Growth Plan. Likely limited impact upon NY.	N	Officers of local authorities and the Homes & Communities Agency. Written governance document.	www.leedscityregion.gov.uk/about/	No budget.	Leeds City Council	Officer time only	No routine report to NYCC elected member body but regular report to LGNYY, with any issues arising feeding in to County Council processes in the usual way.	None	N	Carl Bunnage	Graham veson	L	L	L	L	L	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
Local strategic and community safety partnerships																											
Craven Community Safety Partnership	CS	1, 3	Bringing agencies and communities together to tackle crime and anti-social behaviour.	2011 - formal streamlined structures. Proposal to combine the six CSPs to create one CSP for NY being developed and considered.	MAPS (multi-agency problem solving) meetings with collaborative interventions to address ASB. Group also supports developing stronger families agenda, and bronze level prevent. Using local intelligence to keep abreast of activity involving cross border criminals. Activities undertaken to monitor known prolific offenders in the district and associates. Educational events for motorcyclists and young people aimed at drink driving dangers, winter driving, mobile phone use dangers whilst driving.	Protecting vulnerable communities, addressing community concerns; domestic abuse; road safety; reducing re-offending.	N	Senior reps (members and officers) of key local community safety partners. Written governance document.		£10k from Craven District Council towards partnership support. £23k from Police and Crime Commissioner.	Craven District Council	Officer time only	Craven Area Committee - annually. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	Cllr Shelagh Marshall - member (Cllr Shelagh Marshall is also Chair, elected by the Partnership)	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Future funding.	Y	Overarching framework to share community safety information is in place across partner agencies.
Hambleton and Richmondshire Community Safety Partnership	CS	1, 3	Bringing agencies and communities together to tackle crime and anti-social behaviour.	2011 - formal merger agreed by Home Secretary. Proposal to combine the six CSPs to create one CSP for NY being developed and considered.	Supported and delivered a wide variety of projects including domestic abuse champions, border watch, mediation services, speed matrix, ASB diversions projects, alcohol awareness, sheducate and target hardening for vulnerable victims.	Anti-social behaviour and quality of life, crime and offender management, domestic abuse, road safety, Prevent.	N	Senior reps (members and officers) of key local community safety partners. Written governance document.		Hambleton and Richmondshire District Council covers incidental costs and partnership support. £23k from Police and Crime Commissioner.	Hambleton District Council	Officer time only	County Committee for Hambleton and Richmondshire Area Committee - normally twice a year. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	Cllr Tim Swales and Cllr Michael Heselbine - members	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Future funding.	Y	Overarching framework to share community safety information is in place across partner agencies.

Harrogate Public Services Leadership Board	CS	4	Supports the development of services that are efficient, innovative and reflect the specific needs and priorities of local communities; delivering better outcomes and improving the lives of local people.	N/A - first meeting held 27 Jan 2014. Terms of reference and governance arrangements will be reviewed at least every 2 years.	N/A - first meeting held 27 Jan 2014.	Will focus on bringing policy and delivery coherence, integration and better co-ordination within the district across a wide range of issues.	N	Senior reps (officers) of key local public sector partners. Written terms of reference.		Harrogate Borough Council covers incidental costs and partnership support.	Harrogate Borough Council	Officer time only	No formal reporting requirement to Harrogate Area Committee - issues taken will be by exception only.	n/a	N	Neil Irving	n/a	L	L	NIL	L	M	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
Harrogate and District Safer Communities Partnership	CS	1, 3	Bringing agencies and communities together to tackle crime and anti-social behaviour.	Proposal to combine the six CSPs to create one CSP for NY being developed and considered.	Continues to see a marked reduction in crime across all categories, except for cycle theft, which has seen a slight increase during this period.	Will continue to focus on crimes that affect communities with some specific campaigns in the run up to the Tour De France around cycle safety and theft awareness.	N	Senior reps (members and officers) of key local community safety partners. Written governance document		Harrogate Borough Council covers incidental costs and partnership support. £60k from Police and Crime Commissioner.	Harrogate Borough Council	Officer time only	No regular reporting requirement to Harrogate Area Committee. Reports will be taken where specific issues are to be raised or a decision is needed. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	Cllr Cliff Trotter - member	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Future funding.	Y	Overarching framework to share community safety information is in place across partner agencies.
Ryedale Strategic Partnership (includes responsibility for safer Ryedale)	CS	1, 3, 4	Set the overall strategic vision for the district, co-ordinate the actions of the public, private, voluntary and community sectors to deliver the vision and priorities. Bringing agencies and communities together to tackle crime and anti social behaviour.	2010 - amalgamated with Safer Ryedale Board, so community safety partnership and local strategic partnership. Proposal to combine the six CSPs to create one CSP for NY being developed and considered.	Progressing the development of rural broadband infrastructure. Reduction in crime and disorder	Crime in the community, safer roads, alcohol harm reduction and domestic violence.	N	Senior reps (members and officers) of key local partners. Written governance document.		Ryedale District Council covers incidental costs and partnership support. £20k from Police and Crime Commissioner.	Ryedale District Council	Officer time only	Ryedale Area Committee - normally twice a year. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	Cllr Clare Wood and Cllr Val Arnold - members (Cllr Clare Wood is also Chair, elected by the Partnership)	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Key risk is partners withdraw and cease to work together. For community safety activity - future funding.	Y	Overarching framework to share community safety information is in place across partner agencies.
North Yorkshire Coast Community Partnership	CS	4	Set the overall strategic vision for the district, co-ordinate the actions of the public, private, voluntary and community sectors to deliver the vision and priorities. Also	July 2012 - Constitution reviewed and amended.	Locality working in Castle/Northbay ward, Barrowcliff, Eastfield and Eastside of Whitby. Multi-agency Night Time Economy Plan for the Borough and Safer Communities Partnership Plan. Financial Inclusion Forum, including new forum for Whitby and the Northern Area (inc foodbank). Successful application for Local Alcohol Action Area Status (LAAA). Brief interventions service for young people based at Scarborough Hospital. (12 month pilot). Urban Forum activities.	Locality working in areas of disadvantage (Castle/North bay, Barrowcliff, Eastfield and East Whitby). Substance Misuse Harm Reduction (this will include work through the LAAA and the development of an action plan for Legal Highs). Financial Inclusion. Tackling digital exclusion and new ways of working across the public sector.	N	Senior reps (members and officers) of key local partners. Written governance document.		Partnership activity is supported and managed by the Borough Council. Contributions of £400 in total are received from other partners (YCH and NYMNP). Expenditure of approximately £1000 for items such as room hire and refreshments. Budgets for specific projects and initiatives are agreed through the partnership e.g. the Castle/North Bay multi-agency team.	Scarborough Borough Council	Officer time only	Yorkshire Coast and Moors County Area Committee - normally twice a year	Cllr Janet Jefferson - member. No NYCC officer attendance normally at meetings - agreed from Feb 2014.	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
Local Public Service Executive (Scarborough district) (includes responsibility for community safety issues)	CS	1, 3	To bring together the key public sector decision makers to pool resources, redesign services and reduce the costs of service delivery and improve outcomes for local people.	Covers community safety since abolition of CSP in 2012. Membership and terms of reference reviewed in 2012. Proposal to combine the six CSPs to create one CSP for NY being developed and considered.	Developing new models of joint working; developing and implementing joint prevention and enforcement team; contributing to master planning. Initiatives to tackle / prevent alcohol related crime.	Tackling crime and anti-social behaviour; implementing joint prevention and enforcement team; locality joint working in Castle/North Bay, Local Alcohol Action Area; night time economy.	N	Senior reps (officers) of key local public sector partners. Written terms of reference.		Scarborough Borough Council covers incidental costs and partnership support. £64k from Police and Crime Commissioner.	Scarborough Borough Council	Officer time only	Yorkshire Coast and Moors County Area Committee in respect of community safety issues - normally twice a year. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	None	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Key risk is partners withdraw and cease to work together. For community safety activity - future funding.	N	n/a
Selby Local Strategic Partnership	CS	4	Set the overall strategic vision for the district, co-ordinate the actions of the public, private, voluntary and community sectors to deliver the vision and priorities	2010 - streamlined structures	Sustainable Community Strategy in place to 2015. LSP sharing information virtually rather than via meetings. LSP members involved in Selby partnership to look at Selby Town Centre and in Selby Local Enterprise Dinner. LEP heavily involved.	It is expected that a new LSP (probably with different name) will emerge out of the Breakfast Summit held on 7 February at Drax. These summit style meetings likely to be every 6 months.	N	Senior reps (members and officers) of key local partners. Written governance document.		Selby District Council covers incidental costs and partnership support.	Selby District Council	Officer time only	No regular reporting requirement to Selby Area Committee. Reports will be taken where specific issues are to be raised or a decision is needed.	Cllr Chris Metcalfe - member	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
Selby District Community Safety Partnership	CS	1, 3	Bringing agencies and communities together to tackle crime and anti-social behaviour	Proposal to combine the six CSPs to create one CSP for NY being developed and considered.	Car crime down; increased membership of SARC - Selby Against Retail Crime; increased hate crime reporting; Selby Equalities Network established; Prevent hindsight event held with partners to raise awareness of radicalisation process; reduction in serious & minor road casualties; reduction in violent crime.	To support the NY Police Control Strategy (serious acquisitive crime, quality of life, protecting vulnerable people, organised crime groups). Anti-social behaviour. Reducing the harm caused by alcohol. Road safety.	N	Senior reps (members and officers) of key local community safety partners. Written governance document.		£34k from Police and Crime Commissioner.	Selby District Council	Officer time only	Selby Area Committee - normally once a year. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	Cllr Steven Shaw-Wright - member	N	Neil Irving	n/a	L	L	Nil	L	M	L	n/a	Future funding.	Y	Overarching framework to share community safety information is in place across partner agencies.
BES																											

Local Access Forum	BES	1	Continuation of current arrangements and support. The County Council is required to set up and convene a LAF by Statute (CRoW Act 2000).	No further review required since the initial review. No further review planned.	Four meetings held during 2013/14 providing advice & guidance on emerging issues in relation to access to the countryside.	Continuation of forum/meetings to continue to pursue the principles of the Forums work. Recruitment of new members	N	LAF purpose set out in statute with agreed terms of reference.	www.naturalengland.org.uk/ourwork/access/laf/	£0	NYCC	No budget - costs are officer time, admin support and meeting rooms	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr John Fort, Cllr Robert Heseltine, Cllr David Jeffels - members	N	Aidan Rayner	Dot Barker	L	L	Nil	L	L	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
E Crime Project	BES	2, 3	NYCC & City of York Council to deliver the national E-Crime sub projects 1 & 3 in order to undertake E-Crime enforcement and to also co-ordinate national enforcement activity.	Review undertaken during 2013. No further action required.	Implementation of the set-up phase of the National E-Crime sub projects 1 & 3. Delivery of year 2 of the national E-Crime project.	To ensure implementation and delivery of year 2 of the 3 year national E-Crime project within the submitted grant funding expenditure forecast.	N	Back to Back agreement in place between NYCC & CYC.		Projected outturn for 2013/14 for projects 1 & 3 = £588k. Funded by Central Government direct funding grant.	NYCC	Grant funded (circa £0.6m p.a. for set up with conditions). Grant is subject to audit. NB: there is NYCC contribution in terms of officer time. Projected outturn for 2013/14 for projects 1 & 3 = £588k.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	N	Andy Robson	Graham Iveson	L	L	H	L	H	M	29 June 2012 - No concerns noted.	Partnership Governance audited by Veritau during 2012. No significant risks identified.	Y	Y
North Yorkshire, York and North York Moors Minerals and Waste Plan	BES	1, 2	Production of joint mineral and waste local plan (development plan document)	On-going	Production of draft minerals and waste plan issues and options consultation for sign off by partner Authorities	To progress the minerals and waste plan for the partnership area, including consultation at preferred options stage.	N	Officer steering group. NYCC informal member input via the MWDF member working group. Executive member/Executive sign-off at key project stages		tb - estimated at circa £90k.	No official Accountable Body - joint responsibility, although NYCC would typically take lead role	tb - Indicative up to £50k	Informal reporting to MWDF member working group. Executive member/Executive sign off at key project stages	Cllr Gareth Dadd (planning portfolio holder); Cllr David Jeffels (chairman of MWDF member working group)	N	Rob Smith	Graham Iveson	L	M	L	M	M	L	n/a	1) Failure of partner to agree preferred planning strategy at key project stages. 2) Failure of partner to deliver required project resources. 3) Breach of data handling protocol by partner.	N	n/a
York & North Yorkshire Waste Partnership	BES	2, 3	Delivering efficient waste management services that are in the best interests of the council tax payers of York & North Yorkshire - Annual cost (value) of waste management in the sub-region (Inc. Yorwaste) is circa £80M. Continue to ensure delivery of joint waste strategy 'Lets talk less rubbish' & its review.	Full review completed during 2011/12 & new structure put in place from April 2012; Business Plan & Budget agreed for 2012-15 with rolling refresh & reviews.	Award of green waste framework contract. Agreement to self-fund partnership manager. Review of charging for green waste at 7/9 partners. Upgrade of inter-authority data systems. Standard approach to revised Controlled Waste Regulations.	Developing model for long term self-funding of partnership manager. Recruit new partnership manager. Tour de France. Update Business Plan. Health and Safety joint working.	N	Portfolio holders for waste management at each of the partner authorities; overarching governance through LGNY; No formal governance document however, there is a Statement of Agreed Principles (SOAP).		Base budget (excluding Waste Partnership Manager post cost) is £64.5K Made up of £36K districts / CYC contributions + £28.5K NYCC	NYCC (financially only)	£28.5k. NYCC acts as banker for Partnerships funds and is the financially accountable body to the Partnership.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	No	Tony Norris	Dot Barker	L	H	H	L	H	M	14 June 2012 - Ultimate governance through LGNY. Effective financial control. No pressing concerns.	Partnership has strong emphasis on joint working to deliver efficiencies. These are mainly at collection authority level. Joint framework contracts are providing opportunities for all partners. Main risk is reduced funding from partners, but proposal is to develop a mechanism so the Partnership becomes self funding from efficiencies and savings.	N	n/a
95 Alive Road Safety Partnership	BES	2, 3	"The Partnership will seek to make travelling in York and North Yorkshire safer, and act in a way that inspires the trust and confidence necessary to make people feel safer too." The role of the partnership is to develop, implement and oversee the strategies to deliver the vision.	A Governance framework was approved by the 95 Alive Steering Group in November 2011. The strategy is reviewed on an annual basis.	Implementation of Speed Management Protocol; continue with strategy for road casualty reduction; highlighting importance of road safety in emerging public health duty; further enhancing relationship between the different tiers of 95 Alive; use of Driver Training Officer (DTO) in the Driving at Work Policy and with Advanced Driving Instructors (ADI).	Key funding stream expires March 2014. Currently no replacement confirmed. Request to reprofile spend to October 2014 with Corporate Accountancy/ to provide stopgap. Pressing need to understand whether alternative funding will be available, how much and when.	N	Lead partners - NYCC, North Yorkshire Police, Fire & Rescue, City of York, Highways Agency, Public Health. Supporting partners - local community safety partnerships. Written governance document.		Each partner agency provides staff resource as its contribution for service delivery and officer working and steering Groups. Currently £100k from Performance Reward Grant funds 4 x core programmes and 1 x Project Officer. Performance reward grant to cease in 2014/15.	NYCC	NYCC fund officer time (with exception of Partnership Project Officer). The NYCC Road Safety & Travel Awareness Budget is closely allied to Partnership aims and delivery. £60k resources and £325k staffing.	Annual report to each Area Committee and to TEE Overview & Scrutiny Committee. In addition, reports to BES Executive Members on an ad hoc basis.	None	N	Allan McVeigh	Dianne Nielsen	H	M	M	M	M	H	4 October 2012 - Signed memorandum of understanding to govern partnership. No concerns.	The Performance Reward Grant ends on 31 March 2014. There is currently no other approved revenue funding available beyond existing individual partner budgets. Without a separate funding mechanism, activity may have to contract significantly. Discussions on-going over potential for surplus revenues from safety cameras/driver awareness courses, but nothing yet agreed.	Y	A data sharing policy is being developed as part of a general review of the 95 Alive Partnership MoU. The policy will be finalised in conjunction with the other partnership members.
North Yorkshire Timber Freight Quality Partnership	BES	4	Support the contribution of the forestry and timber industries to the North Yorkshire economy by ensuring that timber industries can access the timber resource whilst seeking to minimise the impact on the public road network, on local communities and on the environment.	None undertaken	Continuing dialogue between County Council and timber industry following adoption of Good Practice Guide for Timber Transport in North Yorkshire. North Yorkshire Agreed Timber Routes online map updated.	Continue to liaise between BES Highways & Transportation and timber transport industry regarding difficult timber extraction sites. On-going updates to timber routes map including timber production data. Identify opportunities for funding for timber transport and driver training.	N	Independent Chair Jeremy Walker. Attendance by Executive Member for Highways and Transportation Cllr Dadd, Senior officers from BES, timber hauliers, forest owners and agents. Written governance document.	www.timbertransportforum.org.uk/RegionalGroups/Default.aspx?pid=62	£0	NYCC	Officer time. Annual expenditure limited to hire of venue for meetings (Annual cost of hire circa £170), honorarium for Chair (approx. £400 plus any limited expenses in course of Chairmanship e.g. travel to Scotland for Timber Transport Forum Conference). Also some potential contribution circa £500 per year towards national timber routes map hosted by Timber Transport Forum.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Gareth Dadd - member of FQP	N	Victoria Hutchinson	Dianne Nielsen	L	L	L	L	L	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
Settle Area Freight Quality Partnership	BES	4	To provide an opportunity to develop a partnership approach to dealing with issues related to HGV traffic through the Settle Area and to utilise this partnership approach reach voluntary workable solutions through consensus and concession	None undertaken	Two meetings held during 2013/14 providing opportunity for parties to discuss issues relating to HGVs in Settle area.	Continue partnership working between local residents of Settle, BES Highways & Transportation, local businesses (including quarries) to discuss HGV traffic in the area.	N	Chair County Councillor Richard Welch. Attendance by officers from NYCC BES H&T, parish council representatives and quarry managers. Written governance document.	www.nypartnerships.org.uk/index.aspx?articleid=21234	£0	NYCC	Officer time. Annual expenditure limited to hire of Victoria Hall Settle for meetings (usually 2 meetings each year, cost of hire circa £80 per meeting).	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Richard Welch - chair of FQP	N	Victoria Hutchinson	Dianne Nielsen	L	L	L	L	L	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a

Forest of Bowland AONB JAC	BES	1	AONBs were established in accordance with the National Parks and Access to the Countryside Act of 1949 and the Countryside and Rights of Way Act 2000. The statutory purpose of AONBs is to conserve and enhance the natural beauty of their area.	09/10/2013 Joint Advisory Committee meeting. Partnership funding agreed. Management Plan actions agreed.	On-going delivery of the five-year AONB Management Plan; Inc. the Lancashire Green Tourism Project & planning advice.	On-going delivery of Management Plan with year on year 5% reduced Defra core funding. NYCC funding not being reduced.	N	Memorandum of understanding - JAC includes one NYCC elected member. There is also an Officers Steering Group.		£333k. 75% funding from Defra. Other contributions from Lancashire CC and 6 district councils, Inc. Craven DC.	Lancashire County Council	£7k	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Richard Welch - member	N	Graham Megson	Dot Barker	L	L	L	L	L	L	n/a	Risk – if further staff and budgets cuts, NYCC may withdraw contribution to partnership. Statutory duty on NYCC to produce a management plan, currently done for us by host authority. If NYCC did not contribute, greater cost incurred writing the Management Plan ourselves.	N	n/a
Nidderdale AONB JAC	BES	1	AONBs were established in accordance with the National Parks and Access to the Countryside Act of 1949 and the Countryside and Rights of Way Act 2000. The statutory purpose of AONBs is to conserve and enhance the natural beauty of their area.	19/09/2013 Joint Advisory Committee mtg. Partnership funding and annual work plan agreed.	On-going delivery of the five-year AONB Management Plan. Numerous environmental, business and access initiatives. Drafting of Management Plan for 2014-19 + public consultation.	On-going delivery of Management Plan with 5% reduced core funding	N	Memorandum of understanding - JAC including three NYCC elected Members. Also Officers Steering Group.		£477k. 75% funding from Defra. Other contributions from Harrogate BC.	Harrogate Borough Council	£19k	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Mike Harrison, Cllr John Fort and Cllr Margaret Atkinson	N	Graham Megson	Dot Barker	L	L	L	L	L	L	n/a	Risk – if further staff and budgets cuts, NYCC may withdraw contribution to partnership. Statutory duty on NYCC to produce a management plan, currently done for us by host authority. If NYCC did not contribute, greater cost incurred writing the Management Plan ourselves.	N	n/a
Howardian Hills AONB JAC	BES	1	AONBs were established in accordance with the National Parks and Access to the Countryside Act of 1949 and the Countryside and Rights of Way Act 2000. The statutory purpose of AONBs is to conserve and enhance the natural beauty of their area.	07/11/2013 Joint Advisory Committee mtg. Partnership funding agreed for 2013-14. Annual work plan agreed for 2013/14.	On-going delivery of the five-year AONB Management Plan. Delivery of school twinning project with Hull and York. Drafting of Management Plan for 2014-19 + public consultation.	On-going delivery of Management Plan with 5% reduced core funding	N	Memorandum of understanding - JAC including two NYCC elected Members. Also Officers Steering Group.		£264k. 75% funding from Defra. Other contributions from Ryedale and Hambleton DC.	NYCC	£40k	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Clare Wood and Cllr Caroline Patmore - members	N	Graham Megson	Dot Barker	L	L	L	L	M	L	n/a	Risk – if budgets cuts, NYCC may reduce contribution - might encourage Hambleton & Ryedale DC to reduce theirs and would attract less funding from Defra, so less money to deliver statutory duty of preparing a Management Plan. Staff loss would mean less delivery and loss of reputation.	N	n/a
Local Nature Partnership	BES	2, 3	To drive positive change in local natural environment, taking a strategic view of challenges and opportunities linking benefits of nature, people and the economy. LNP strategy provides context for on-the-ground activity. The intent to establish LNPs was announced in the 2011 Natural Environment White Paper.	Draft strategy written during 2013 which sets out vision and objectives. Agreed to consult on this in Jan-March 2014 with a view to formal strategy adoption in Summer 2014.	Shadow Board well established and met 4 times in 2013 to drive the LNP forward. Draft strategy written and approved in Dec 2013 for consultation in Jan-March 2014. LNP presence created on nypartnerships.org.uk website. Links made to H&W Board and LEP so that shared objectives and priorities can be taken forward.	Adoption of the LNP Strategy by Summer 2014. Issue of practical delivery when there is no central funding for LNPs - partners have to work together to target limited resources to best effect. Improving links to LEP to access some of the EU Strategic Investment Funds. Improved links to health and well being team.	N	Senior officers of key local partners. Governance document in development through 2014/15.	www.nypartnerships.org.uk/lnp	No partnership spend or income in 2013-14. No identified source of income for the future.	NYCC	No direct £ contribution on an on-going basis. NYCC provide secretariat to LNP; champions one of the priority areas and involved in project delivery which may include staff and £ in future.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	N	Kerry Green	Dot Barker	L	L	L	L	L	L	n/a	Key risk is partners withdraw and cease to work together.	N	n/a
North Eastern Inshore Fisheries and Conservation Authority (NEIFCA)	BES	1	Marine & Coastal Access Act 2009 - duty to champion & manage a sustainable marine environment & inshore fisheries. The partnership has a membership of 30 individuals including 13 local authority Members from 11 coastal local authorities (between Tyne & NE Lincs).	At the meeting of 05/12/2013 it was agreed to fix the levy for 3 yrs.	On-going monitoring & enforcement of inshore fisheries using land based and sea based operations; 'No Take Zone' at Flamborough Head; new patrol vessel operational.	Delivery of Marine & Coastal Act 2009 especially management & protection of fisheries & marine environment.	N	Reps from the 11 coastal Local Authorities, 14 members appointed by the Marine Management Organisation and one member appointed by each of the Marine Management Organisation, the Environment Agency and Natural England.	www.neifca.gov.uk/about-us/our-members	£875k. Other funding from Durham County Council, East Riding of Yorkshire Council, Hartlepool District Council, Hull City Council, Lincolnshire County Council, North East Lincolnshire Council, North Lincolnshire Council, Redcar and Cleveland District Council, South Tyneside Metropolitan District Council, Sunderland City Council.	East Riding of Yorkshire Council	£198k (+ £54.9k which is received as a grant from Defra).	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Members are Cllr Derek Bastiman & Cllr Tony Randerson	NYCC is tied into a three year fixed levy. NYCC proportion of total levy is 22.2%. NYCC Member representation is 2. Defra currently (2013-14) provides a grant of £54.9k but this is not guaranteed to continue year on year.	Graham Megson	Dot Barker	L	L	M	L	L	L	n/a	Statutory duty to annually fund NEIFCA and no leeway on amount – fixed by agreement until 31 March 2017. If £54.9k grant from Defra is withdrawn, NYCC would need to find this amount.	N	n/a
Welcome to Yorkshire (W2Y)	BES	2	NYCC contribute to W2Y as part of support for tourism in the region	September 2011.	Support to Tour de France, assisting businesses to maximise the opportunities around the TdF.	Developing a sustainable model post Yorkshire Forward Funding. £10m annual budget from Yorkshire Forward lost representing over 80% annual budget. Support to businesses to benefit from the Tour de France	N	Public / private partnership. Written governance document.	industry.yorkshire.com/documents/about/WTYManAofAssociations041209new.pdf	Annual turnover 2011/12 was £10.6m. Main source of income was grant related funding	W2Y	£83k	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	Sustainability beyond 2012/13.	James Farrar	Lisa Gallon	M	L	M	L	M	M	12 April 2013 - Company governed by memorandum and articles of association. Accounts up to date. Robust governance. No concerns.	Key risk is reputational.	N	n/a
North Yorkshire - Cleveland Coastal Forum	BES	3	To promote Heritage Coast for economy, tourism, natural beauty, etc.	Annual Exec meeting on 20 March 2013. 5 year coastal forum strategy to be confirmed. NYCC budget contribution to remain at £7,600	On-going delivery of the Management Plan which aims to manage the needs of the coast and manage the relationship between different and sometimes conflicting issues, including rural economy and heritage conservation.	Due to savings burden on NYCC, NYCC is considering it's funding position - grant reduction to £4k recommended for 2014-15.	N	Member representation from NYCC, North York Moors NPA, Redcar & Cleveland BC, Scarborough BC. Written terms of reference agreed in 2005 and not updated since.		£39k	North York Moors NPA	£7.6k.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Derek Bastiman, Cllr John Blackburn and Cllr Joe Plant - Members	Due to savings burden on NYCC, NYCC is considering it's funding position	Graham Megson	Dot Barker	L	L	L	L	L	L	n/a	Risk - if core funding amount is withdrawn as a savings measure, NYCC would experience some loss of reputation.	N	n/a

North Yorkshire Flood Risk Partnership	BES	2	To coordinate and lead sub-regional activity aimed at reducing and managing flood risk	Terms of reference were extended to formalise the partnership role in collating the sub-regional capital investment priorities for submission to the Environment Agency in April 2013	Input to the DEFRA Partnership funding proposals, via the Regional Flood and Coastal Committee and a DEFRA study; Coordination of responses to DEFRA consultations; coordination and direction of technical partnership activity; Communication of key new duties under the Flood and Water Management Act	Input to the DEFRA 6 year Partnership Funding programme; Oversight for the Development Control and Sustainable Drainage; Development of Local Flood Risk Strategies in concert with EA Flood Risk Management Plans	N	Member body with reps from Yorkshire Regional Flood & Coastal Committee, NYCC, City of York Council, Yorkshire Water, Environment Agency, and Internal Drainage Board core members. Written terms of reference - no formal decision making functions.		£0	n/a	Officer time only	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr John Fort	N	Mark Young	Dianne Neilsen	L	M	L	L	M	L	n/a	No specific financial risks. Any financial risks associated with the partnership would be limited to the long term reputational damage suffered as a consequence of failure to attract funding.	N	n/a
Rail North Leaders Board / Leader Forum	BES	2,3	Strategic leadership for the development of Rail Strategy and priorities for Rail in the North of England	Accountable Governance Arrangements agreed February 2014	Not applicable	Adopt Long Term Rail Strategy for the North; Establish Partnership Governance Arrangements; Influence Franchise Specification; Prepare management arrangements for managing franchise in conjunction with DfT	N	Leaders from all 33 North of England LA's and the 5 northern ITA's/CA's		TBC	Accountability ultimately rests with DfT	Officer time only	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr John Weighell rep on Leaders Board; Cllr Chris Metcalfe rep on Leader Forum	N	David Bowe / Graham North	Graham Iveson	L	L	L	L	L	L	n/a	Risks relate to failures of influence which may result in lower service levels	N	n/a
Yorkshire European Regional Development Fund Local Management Committee	BES	1, 2, 3	Strategic leadership of the 2007-13 Yorkshire and the Humber ERDF competitiveness programme.	2011 - streamlined structure	Following the closure of Yorkshire Forward the ERDF function has gone through significant changes both in terms of locating within DCLG and the role and responsibilities of the team. The primary aim has been spending available funding within the required timescale, which has been achieved.	The focus for 2014/15 remains promoting the fund to attract proposals to achieve spend targets. With government austerity measures and no Yorkshire Forward funding, identifying major projects with sufficient match is a significant issue.	N	Senior reps (members and officers) of key local partners. Written governance document.	www.gov.uk/erdf-regional-guidance-yorkshire-and-the-humber	ERDF funding for 2012 = £58.7m and for 2013 = £59.8m	DCLG	Officer time only	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	Ability to attract viable proposals and to spend the ERDF monies. The risk is European Monies are returned to the EU. Reputational risk of association.	James Farrar	Lisa Gallon	M	L	L	L	L	L	n/a	Key risk is financial and may lead to grant repayment if conditions not adhered to.	N	n/a
North Yorkshire Local Transport Body	BES	2,3	To prioritise and oversee delivery of a programme of major transport schemes and to advise the Local Enterprise Partnership on transport priorities.	Assurance framework signed off by DfT. Recent audit of the LTB concluded high assurance.	Prioritised list of schemes submitted to Government for devolved major transport scheme funding. Transport priorities submitted to LEP for inclusion in the Strategic Economic Plan.	To oversee delivery of the devolved major transport scheme programme and to continue to advise the LEP on transport issues.	N	Member body which has 2 NYCC, 2 District Council & 1 LEP voting representatives. Assurance framework signed off by DfT.	www.northyorks.gov.uk/article/27000/Local-transport-body-LTB	£9.6 capital allocation between 2015/16 & 2018/19	NYCC	Officer time only (capital allocation is direct grant from Department of Transport)	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Gareth Dadd & Cllr Chris Metcalfe members	N	David Bowe / Tom Bryant	Trevor Cliverd	L	M	H	L	M	M	2 May 2014 - Audit complete - concluded high assurance.	Risks relate to not delivering the prioritised scheme programme. Assurance Framework approved by DfT with appropriate risk management measures.	N	n/a
CYPS																											
North Yorkshire Children's Trust Board	CYPS	1, 2, 3	The North Yorkshire Children's Trust has been set up under the requirements of the Children Act 2004 and represents all the agencies working with children and young people across the county. The Children's Trust provides strategic and operational direction to improve outcomes for all children, young people and families within North Yorkshire.	The Children's Trust Board has completed a partnership and governance review initiated in 2012. The revised arrangements, taking into account legislative reforms and the Health and Well-Being Board were taken to the Board in February 2013.	Delivery of the multi-agency CYPF; Delivery Performance Reward Grant projects; Effective partnership arrangements noted in external inspections. For more detailed performance reports, see Annual Review 2011-12 and individual reports on Children's Trust website.	A new Children & Young People Plan is in development, which will set out the aims and objectives of the Children's Trust over the next three years. Areas of focus will include ensuring every child in North Yorkshire receives a good or outstanding education, supporting and protecting vulnerable children and their families and promoting health and wellbeing.	No	Senior reps (mostly officers) of key local partners. Written governance document. Sub-groups changed to 'task and finish groups' operating under Children's Trust Governance. Area Liaison Groups incorporated into Children's Trust Board arrangements.	cyps.northyorks.gov.uk/index.aspx?articleid=16826	Circa £3k (excluding officer time). Funded by CYPS. Influences all CYPS and partner spend on children's services	NYCC	The Trust has a leadership and co-ordinating role for all children and young people spending. The majority of funds are spent by individual partners and currently total over £600M per annum. The Lead Member & Lead Officer responsibility for the Trust rests statutorily with the Council but with all partners having a statutory duty to co-operate. Some resources are administered through individual partnerships (detailed elsewhere in this summary) who report to the Trust.	The Trust reports to the Executive and Full County Council via the Chair of the Trust. Full County Council sign off for the Children and Young People's Plan is required by law. Progress reports on the Trust's work (Children and Young People's Plan) to CYP Overview and Scrutiny Committee bi-annually	Lead Member (Children's Services) Cllr Tony Hall - member	N	Pete Dwyer	Anton Hodge	L	H	H	H	M	M	29 June 2012 - Robust governance documents. Will need modification due to changes in public health but arrangements in hand. No concerns.	Govt. repeals statutory requirement for Children's Trust or partners choose to disengage from partnership. Governance arrangements set out exit strategy in the eventuality that partnership is dissolved.	Y	Overarching framework to share information is in place across partner agencies. Specific and discrete information sharing protocols are put in place as necessitated by specific thematic areas of work or projects, for example Developing Stronger Families Programme.
Local Children's Safeguarding Board	CYPS	1, 2	Section 14 of the Children Act 2004 sets out the objectives of LSCBs. Regulation 5 of the Local Safeguarding Children Boards Regulations 2006 sets out that the functions of the LSCB, in relation to the above objectives under section 14 of the Children Act 2004. Section 13 of the Children Act 2004 requires each local authority to establish a Local Safeguarding Children Board (LSCB) for their area and specifies the organisations and individuals (other than the local authority) that should be represented on LSCBs.	Governance arrangements are being updated as part of the NYSCB Improvement Plan	Business Plan for 2013/2016. Child Sexual Exploitation Project. Group to focus on multi-agency compliance with Working Together 2013. Development of the Learning and Improvement Framework. Major Review of Key Procedures. Self-Evaluation of Board. Section 11 Audit. Management of the Child Death. E-Safety Strategy and Mini-Conference. Multi-Agency training delivered on CSE, Early Help, Working with Teenagers. Improved governance arrangements with Children Safeguarding Strategy Groups. Significant Incident Learning Process Review. Case File Audits for CP, Pre-Birth and Strategy Meetings. Overview of Audit Activity carried out in NYSCB Partners. Development of NYSCB Dataset. NYSCB Briefings.	Identified in the NYSCB Business Plan and CSE Project. All Subgroups have identified Work Plans.	N - although Ofsted recommended areas for improvement for the LSCB in the Oct 2012 inspection.	Lead Member Children's Services, Senior Managers from CYPS and Partners. All the health trusts are now full members. 'Working Together 2013' gives a statutory membership.	www.safeguardingchildren.co.uk	£278k. Contributions from key partners - NYCC, Health, Police, Probation, CAF/CAS, CDOP funding.	NYCC	£135.6k	Reports to Executive Members, Overview and Scrutiny Committee.	Lead Member (Children's Services) Cllr Tony Hall - observer.	N	Dallas Frank	Howard Emmett	L	H	H	H	H	M	12 April 2013 - Robust governance documents. No strong concerns. Published terms of reference (2009) should ideally be updated to reflect personnel changes.	Government repeals requirement for Local Safeguarding Boards, or makes significant changes to function, or partners choose to disengage. The LSCB has undergone significant change in leadership arrangements over recent months, including the appointment of a new Independent Chair. An improvement plan has been developed and is being implemented, which includes governance arrangements of the Board. Consequently, the risk of governance failure has been reassessed as low.	Y	An overarching framework to share information is in place across partner agencies. However, a new, joint framework is in development between the NYSCB and the City of York Safeguarding Children Board and will replace existing arrangements in Q1 2014/15.

North Yorkshire Schools Forum	CYPS	1, 2, 3	The schools forum has been established under the Education Act 2002 to provide schools with greater involvement in the distribution of funding within their local authority and to act as a consultative and advisory body in relation to school funding.	Reviewed on an ongoing basis upon receipt of relevant DfE guidance. Date of last review - March 2013.	The Schools Forum is a consultative body and is not directly involved in decision-making activities. Therefore, this section is not relevant	As a consultative body, the Schools Forum's work is dictated by external work-loads	N	Membership comprises representation from headteachers and governors from secondary, primary and nursery schools (including academies and PRS), staff associations (UNISON and Teacher unions), early years and childcare providers, Church of England / Roman Catholic North Yorkshire dioceses. Governance of partnership delivered via North Yorkshire County Council. Schools Forum Constitution.	cyps.northyorks.gov.uk/index.aspx?articleid=13901	£100k	NYCC	£100k (DSG)	Reports to Executive Members, Overview and Scrutiny Committee	Lead Member (Children's Services) Cllr Tony Hall - (non voting); Cllr Arthur Barker (Schools) - (member (non-voting))	N	Jayne Laver (clerk)	Anton Hodge	L	H	M	M	L	M	12 April 2013 - No concerns. Effective constitution and clear guidance over its remit.	Govt. repeals statutory requirement for a Schools Forum. Decision making is dependent upon achieving quorum of 40% of members (as described in constitution) and securing sufficient attendance at meetings to ensure quorum is monitored and contingency measures in place.	N	n/a
Youth Justice Service (Management Board)	CYPS	1, 2, 3	To provide strategic direction and resourcing to enable the Youth Justice Service to meet its principal aim of preventing offending by children and young people. Section 38 of The Crime & Disorder Act 1998 places a duty on the Local Authority, acting in co-operation with other statutory partner agencies, to ensure the availability of appropriate youth justice services for their area.	Reviewed in 2012	The number of first time entrants into the youth justice system has continued to steadily reduced, as has the use of custody and the number of secure remand episodes (although the number of bed nights relating to secure remands has increased). The rate of re-offending however has increased (latest YJB data to March 2012), although it remains below the national average.	To maintain the low numbers of first time entrants into the youth justice system; Reduce reoffending by children and young people; and Reduce the use of secure remand and custody. Improve on levels of victim satisfaction and engagement. Uncertainty around levels of future funding from the YJB, statutory partner agencies & the Police & Crime Commissioner remains and impacts upon planning.	N	Chief Executive, Lead Member Children's Services, Senior Managers from CYPS and Partners. Written governance document.	www.ny-yot.org.uk	£2.92 million (including seconded staff). Expenditure is funded by statutory funding partners (NYCC, Police, Probation & Health) together with grant funding by the Youth Justice Board.	NYCC	£1.29 million.	Reports periodically to Executive Members AND Overview & Scrutiny Committees.	Lead Member (Children's Services) Cllr Tony Hall - member.	N	Pete Dwyer (Chair)	Howard Emmett	L	M	H	H	H	M	10 August 2012 - No concerns noted. Police and Crime Commissioner may influence future function of the service and merits an early review.	Failure to plan for future funding reductions and agree reshaping of the service with key partners, results in inability to meet statutory requirements, ineffective use of resources and criticism of service level provision. Failure to appropriately assess and manage risks and follow appropriate procedures resulting in significant/serious harm to staff/young people/public, media attention, loss of partner credibility and possible claims, prosecution.	N	n/a
HAS																											
North Yorkshire Learning Disabilities Partnership Board	HAS	2	This is an important partnership, in view of the role of visible public engagement on these services.	The Board reviews the work it undertakes on a yearly basis. NYCC reviewed the work and role of the Board in 2011 and formed one NY Board.	Participating in the Health and Well Being Board arrangements. Conferences on Autism and Complex Needs and transitions. Established a travel and safe places group. Held a workshop on Winterbourne View and out of area placements. Held a Celebration day to acknowledge the work achieved to date. commissioned 4 co production workshops. Held several self advocacy events around the county to increase engagement.	continue to contribute to the Health and Well Being Board agenda. Continue to contribute to the development of a joint Autism Strategy. Maintain the Self Advocates forum. Commission safeguarding training for self advocates. Seek agreement for a North Yorkshire Safe places initiative. develop an easy read guide and on line learning.	N	Service users and carers, NYCC officers. Written governance document.	www.nypartnerships.org.uk/index.aspx?articleid=16810	HAS budget (Learning Disability Development Fund) approx. £160k	NYCC	£180,000 for 2012/3. £9,000 to each Local Area Group. £9k to Self Advocates Forum and the Carers Forum.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	none	N	Joss Harbron	David Firth	L	M	M	M	M	L	n/a	Funding not available to facilitate the partnership. Criticism for NYCC for not engaging with vulnerable groups.	N	n/a
Supporting People Partnership	HAS	2, 3	Overseeing the commissioning of housing support services for vulnerable groups. This includes contract monitoring and quality assurance.	2010. Outcome was to continue with the current commissioning arrangements.	recommissioning home improvement and handyperson services with Districts. Achieving targets for MTFs savings. Transferring budget relating to learning disabilities.	Achieving 2020 savings requirement. Undertaking appropriate consultation. Planned programme of recommissioning involving other partners..	N	NYCC, District and Borough Councils, Probation Providers Representatives. Written governance document.		c£14.3 m. HAS budget.	NYCC	c£14.3 m	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	N	Avril Hunter	Ginny Harrison	L	M	H	M	M	M	2 May 2014 - Need to revise governance documents due to need to restructure. Legal Services are working with the Lead Officer to achieve this.	Partners withdraw and cease to work together. Reducing resources and difficult decisions regarding priorities.	N	n/a
Substance Misuse Partnership Board	HAS	2	Be an advisory and reference group on substance misuse. Inform the development of the alcohol strategy. Inform the development of drugs strategy. Gather intelligence to inform strategy development and implementation, and delivery of services. Strategically address transition from young people to adult substance misuse services.	01/02/2014. TOR agreed.	All drug and alcohol service contracts have been updated under NYCC. Re-established drug and alcohol related deaths confidential enquiry process under NYCC. Re-configuration of all drug and alcohol services (adults) underway. tender in progress. PQQ evaluation complete. SMPB membership and TOR revised. Alcohol Strategy engagement event completed.	Complete tender for new integrated, recovery focussed adult drug and alcohol service. Manage transition between outgoing and incoming providers. Implement new integrated recovery focussed service. Engage on draft Alcohol Strategy and develop implementation plan.	N	See TOR. Sub group of HWBB.	www.nypartnerships.org.uk/smpb	c£5m Public Health budget within NYCC. Mental health budget within NYCC. OPCC contribution.	NYCC	c£5m	Reporting is via HASLT to HAS Exec as required. Cllr Don Mackenzie took Key Decision re substance misuse tender.	None	No	Lincoln Sergeant	Nick Morgan	M	M	M	M	M	M	February 2014 - New terms of reference agreed.	Current tender exercise cannot be completed in timescales	N	n/a
Physical and Sensory Impairment Partnership Board	HAS	2	This is an important partnership, in view of the role of visible public engagement on these services.	n/a	Implementing the priority areas of the Action Plan -Health, Transport, Housing, Choice and control, Discrimination and Harassment, Making a Positive Contribution and Economic Well Being, Personal Dignity. Developing how this board fits into the emerging Health and Well Being structures.	Continue to develop work with the four area Reference Groups based on the Equal Lives Action Plan objectives	N	Disabled people attend as elected representatives from the four area Reference Groups with attendance of statutory organisations as required. Written governance document.	www.nypartnerships.org.uk/index.aspx?articleid=16811	£35k is allocated from Performance Reward Grant through HAS to Reference Groups and PSI Board expenses. Officer support from HAS.	NYCC	£35k	Reporting is via HASMB to HAS Exec as required. Membership of Healthwatch Board. Confirmation awaited for new arrangements for 2014-15.	None	Accountability arrangements to be identified	Carol S Johnson	David Firth	L	M	L	L	L	L	n/a	Funding not available to facilitate the partnership. Criticism for NYCC for not engaging with vulnerable groups.	N	n/a
Safeguarding Adults Board	HAS	2 but will become statutory when the Care Bill becomes enacted.	To provide strategic leadership for Adult Safeguarding arrangements and to quality assure partner agencies safeguarding practice.	January 2014 - chair carried out evaluation of the Board. Governance arrangements changed from April 2014 to deliver our strategic plan more effectively, strengthen accountability and enhance the participation of partners.	Continued public awareness campaign. Engaged with new Health arrangements (CCGs), Healthwatch and Public Health. Refreshed training strategy to include Mental Capacity Act. Strengthened accountability for Mental Capacity Act Forum and to domestic abuse governance arrangements.	Increasing user influence on the board. Responding to major enquiries. Implement requirements of the Care Bill. Implement outcome based performance framework. Secure partnership funding for the Board. Promote cultural leadership.	N	NYCC, District Councils, Probation, ICG, NYFF, Police, Fire and Rescue, Health Trusts and CCGs, NHS England, LCSB, Director of Public Health, CQC. Written governance document.	www.nypartnerships.org.uk/index.aspx?articleid=17008	c£400k	NYCC	c £400,000. This includes Safeguarding team, support to the Board and multi-agency training .	6 monthly to Care and Independence OSC	Cllr Clare Wood - member	Securing effective engagement with GPs and CCGs. Relationship with HWB.	Richard Webb	Nick Morgan	L	H	H	M	H	M	2 May 2014 - Appropriate governance arrangements in place. These appear to be kept under regular review and were revised in 2012/13 to reflect NHS changes and to be able to work with new health partners. A performance framework has been devised and no action is required at this time.	Partners withdraw and cease to work together.	N	n/a

Market Development Board	HAS	2	Has operated as an effective leadership board on the issues regarding social care.	No formal review. Now chaired by AD Procurement, Partnerships and Quality Assurance.	Continued high level dialogue to achieve: new overarching contract, agreement on efficiencies. Continuing to raise profile of social care sector in economic development. Actual Cost of Care exercise undertaken.	Continued market development with respect to personalisation, health linkages, operating within financial framework.	N	NYCC, Independent Care Group (ICG), reps from the 3rd Sector, lead CCG. Written governance document.		No direct funding to Board.	NYCC	No funding direct to the Board.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	N	Mike Webster	n/a	L	M	L	M	M	L	n/a	Partners withdraw and cease to work together. Legal challenge to local authority. Market not developed to meet future care needs.	N	n/a
Health and Wellbeing Board (HWB) and associated partnerships, including the Integrated Commissioning Board	HAS	1, 2, 3	To provide system leadership for health, social care and well being.	Review initiated at HWB in May 2014.	Establishing the HWB. Agreeing the Health and Wellbeing Strategy. Developing, agreeing and submitting the Better Care Fund. Developing other strategy and investment plans.	Delivery of Better Care Fund and other key strategies.	N	NYCC, Clinical Commissioning Groups, representative from district councils, NHS providers, Voluntary and Community Sector, Health Watch	http://www.nypartnerships.org.uk/index.aspx?articleid=16861	No funding of its own but provides strategic direction for spend eg BCF	NYCC	Officer time only	Executive Members are part of the Board.	Cllr Clare Wood - Chair, Cllr Tony Hall - member, Cllr Don McKenzie - member	Governance review initiated. Multi-organisational membership	Richard Webb	Paul Cresswell / Nick Morgan	L	M	M	M	M	L	n/a	Partners work together less effectively. Reducing resources and difficult decisions regarding priorities.	N	n/a

AUDIT COMMITTEE - PROGRAMME OF WORK 2014 / 15

	ANNUAL WORKPLAN	JUNE 14	JULY 14	SEPT 14	DEC 14	MAR 15	APRIL 15
	Audit Committee Agenda Items						
A	Training for Members (as necessary)	2		3	TBA		
	Annual Internal Audit Plan 2014/15						
	Annual report of Head of Internal Audit 2013/14	*					
	Public Sector Internal Audit Standards						
	Progress Report on Annual Internal Audit Plan 2013/14	*					
	Internal Audit report on Children and YP's Service	*					
	Internal Audit report on Computer Audit/Corporate Themes/Contracts			*			
	Internal Audit report on Health and Adult Services			*			
	Internal Audit report on BES						
Internal Audit report on Central Services							
B	Annual Audit Letter	*					
	Annual Audit Plan 2013/14 (NYCC & NYPF)		*				
	Annual Report / Letter of the External Auditor			*			
	Annual Grant Letter						
	Discussion with External Auditor on 1-to-1 basis						
C	Statement of Final Accounts including AGS (NYCC + NYPF)		*	*			
	Letter of Representation			*			
	Chairman's Annual Report			*			
	Effectiveness of Audit Committee/Internal Audit System	*					
	Changes in Accounting Policies						
	Corporate Governance – review of Local Code + AGS	*					
	– progress report inc re AGS	*					
	Risk Management (inc Corporate R/R) – progress report	*					
	Partnership Governance – progress report		*				
	Information Governance – progress report						
	Review of Finance,/Contract/Property Procedure Rules		*				
	Service Continuity Planning	*					
	Audit Committee Terms of Reference						
	Counter Fraud						
	Veritau – progress report						
Treasury Management – Executive February 2013 – Revised TMPs							
VFM Review		*					
D	Work Programme	*	*	*	*		
	Progress on issues raised by the Committee (inc Treasury Management)	*	*	*	*		
E	Agenda planning / briefing meeting	11/06	03/07	10/09	19/11		
	Audit Committee Agenda/Reports deadline	16/06	07/07	15/09	24/11	19/02	31/03
	Audit Committee Meeting Dates	26/06	17/07	25/09	04/12	05/03	16/04

Themes Identified but yet to be programmed

- 2020 North Yorkshire
- Information Governance – risks arising
- Health & Social Care Integration and Challenges

- A = Internal Audit
- B = External Audit
- C = Statement of Final Accounts / Governance
- D = Other
- E = Dates

- ◊ before formal meeting
- 1 External Auditor
- 2 IT Strategy
- 3 Governance & Statement of Account

NORTH YORKSHIRE COUNTY COUNCIL

DRAFT STATEMENT OF ACCOUNTS 2013/14

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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



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	980.5

* 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
	980.5	100

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	344.6
Temporary Borrowing from Internal Cash Balances	25.5
Less: relating to debt administered on behalf of North Yorkshire Police Force	(0.2)
	369.9

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 and provide more strategic context to the annual Statement of Financial Accounts:-

Policy or Plan	Purpose of Policy or Plan
Constitution	Sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also details 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>	Cost of Services	<u>943,394</u>	<u>(536,069)</u>	<u>407,325</u>
			Other Operating Expenditure			
		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
			Financing and Investment Income and Expenditure			
		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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)

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)					
Taxation and Non-Specific Grant Income					
		(247,149)			(228,516)
		(114,567)			(58,334)
		(11,305)			(97,423)
		<u>(49,316)</u>			<u>(58,566)</u>
		(422,337)			(442,839)
		<u>9,771</u>			<u>3,239</u>
Deficit on Provision of Services					
Items that will not be reclassified to the deficit on the Provision of Services					
		0			0
		3,590			(58,478)
		65,516			(266,189)
		<u>69,106</u>			<u>(324,667)</u>
		<u>78,877</u>			<u>(321,428)</u>
Other Comprehensive Income and Expenditure					
Total Comprehensive Income and Expenditure					

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; which is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement reconciles the year on year change in the net assets and Reserves held in the Balance Sheet.

The statement is divided into two sections; the Surplus or Deficit on the Provision of Services and the Other Comprehensive Income and Expenditure. The Surplus or Deficit on the Provision of Services represents the IFRS-based accountancy cost of delivering services by the County Council.

Other Comprehensive Income and Expenditure includes movements in the fair value of assets and actuarial movements on pension balances that are not reflected within the Surplus or Deficit of Provision of Services. All the results described above derive from continuing activities of the organisation.

MOVEMENT IN RESERVES STATEMENT

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

MOVEMENT IN RESERVES STATEMENT (continued)

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

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
1,506,237	Long Term Assets	1,535,407
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
265,260	Current Assets	285,305
(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)
(118,614)	Current Liabilities	(134,559)
(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)
(939,139)	Long Term Liabilities	(650,981)
713,744	Net Assets	1,035,172

BALANCE SHEET AS AT 31ST MARCH 2014 (continued)

31st March 2013 £000		31st March 2014 £000
Usable Reserves		
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
164,661	Total Usable Reserves	198,283
Unusable Reserves		
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
549,083	Total Unusable Reserves	836,889
713,744	Total Reserves	1,035,172

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
(9,771)	Net Deficit on the Provision of Services - See Comprehensive Income and Expenditure Statement	(3,239)
	Adjust net deficit on the provision of services for non cash movements	
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
124,475		104,678
	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	
(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)
(55,612)		(67,114)
59,092	Net cash flows from Operating Activities	34,325

CASH FLOW STATEMENT (continued)

31st March 2013 £000		31st March 2014 £000
59,092	Net cash flows from Operating Activities	34,325
	Investing Activities	
(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
(10,320)	Net cash flows from Investing Activities	31,248
	Financing Activities	
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)
(24,329)	Net cash flows for Financing Activities	(10,555)
24,443	Net Increase in Cash and Cash Equivalents	55,018
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
24,443		55,018

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
Cost of Services	370,535	1,399	371,934
Surplus on Trading Activities	(102)	20	(82)
Net Interest on the Net Defined Benefit Liability	18,805	3,450	22,255
Deficit on Provision of Services	4,902	4,869	9,771
Remeasurements of the net defined benefit liability	70,385	(4,869)	65,516
Other Comprehensive Income and Expenditure	73,975	(4,869)	69,106

(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 £000	Local Authority Block £000	Services £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>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>407,325</u>

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)
Total Income	(549,262)	(4,702)	5,173	12,722	(536,069)	(453,268)	(989,337)
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
Total Operating Expenses	901,819	123,785	(67,969)	(14,241)	943,394	49,182	992,576
(Surplus) / Deficit on the Provision of Services	352,557	119,083	(62,796)	(1,519)	407,325	(404,086)	3,239

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 Services	Health and Adult Services	Other Central Services	Total
	Schools	Local Authority Block				
	£000	£000	£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>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>371,934</u>

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)
Total Income	<u>(540,948)</u>	<u>(2,355)</u>	<u>6,733</u>	<u>13,876</u>	<u>(522,694)</u>	<u>(427,189)</u>	<u>(949,883)</u>
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
Total Operating Expenses	<u>883,875</u>	<u>108,937</u>	<u>(69,585)</u>	<u>(28,599)</u>	<u>894,628</u>	<u>65,026</u>	<u>959,654</u>
(Surplus) / Deficit on the Provision of Services	<u>342,927</u>	<u>106,582</u>	<u>(62,852)</u>	<u>(14,723)</u>	<u>371,934</u>	<u>(362,163)</u>	<u>9,771</u>

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				
Catering							
- Provision of School and Welfare Catering Services	Breakeven	15,487	15,476	11	14,570	14,150	420
Building Cleaning Services							
- Provision of Building Cleaning Services to schools and other NYCC establishments	Breakeven	8,308	8,615	(307)	8,500	8,350	150
Schools ICT Services							
- ICT Services to schools	Breakeven	4,298	4,164	134	4,105	4,025	80
Education Supply Teachers Insurance Scheme							
- In house insurance scheme for schools	Breakeven	3,721	3,185	536	3,736	4,390	(654)
Education Maintenance and Servicing Scheme (MASS)							
- Provision of a regular servicing, breakdown and day to day maintenance	Breakeven	3,951	4,230	(279)	3,484	3,650	(166)
Consolidation results of all other Trading Units		<u>8,718</u>	<u>8,839</u>	<u>(121)</u>	<u>8,639</u>	<u>8,046</u>	<u>593</u>
Total Results for Trading Units		<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	253	253
	<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)	2,756	515
	<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	
Non Ring-fenced Government Grants				
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>
Capital Grants				
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
Children and Young People's Service				
- 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
Business and Environmental Services				
- 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
Health and Adult Services				
- Public Health	19,021		0	
- Learning Disabilities Transfer Grant	0		9,124	
- Other Grants	<u>266</u>	19,287	<u>265</u>	9,389
Other Corporate Grants		2,095		194
Total		<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
To be used within 1 year				
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>
To be used in excess of 1 year				
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
Comprehensive Income and Expenditure Statement						
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
Total post employment Benefits charged to the deficit on the Provision of Services	<u>61,437</u>	<u>55,773</u>	<u>450</u>	<u>511</u>	<u>61,887</u>	<u>56,284</u>
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability	265,244	(64,019)	945	(1,497)	266,189	(65,516)
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	<u>326,681</u>	<u>(8,246)</u>	<u>1,395</u>	<u>(986)</u>	<u>328,076</u>	<u>(9,232)</u>
Movement in Reserves Statement						
Reversal of Net Charge to the Deficit on Provision of Services	(61,437)	(55,773)	(450)	(511)	(61,887)	(56,284)
Actual amount charged against the General Fund Balance in the Year						
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
	138	134

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	1,058	1,068
	<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	3,449	3,554
	<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
Expenditure				
Gross Expenditure	188	669	857	825
(Over) / Underspend 2012/13	(245)	3	(242)	(133)
Underspend 2013/14	287	32	319	242
Total Pooled Fund	<u>230</u>	<u>704</u>	<u>934</u>	<u>934</u>
Contribution to Pooled Fund				
Local CCG's	103	269	372	562
NYCC	127	435	562	372
Total Contributions	<u>230</u>	<u>704</u>	<u>934</u>	<u>934</u>

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 Richmondshire £000	Whitby Ryedale £000	Harrogate 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 £
Chief Executive		
<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>
Corporate Director of Children and Young People's Services		
<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>
Corporate Director of Business and Environmental Services		
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>
Corporate Director of Health and Adult Services		
<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 £
Corporate Director (Strategic Resources)		
<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>
Corporate Director of Finance and Central Services		
<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>
Corporate Director (Strategic Projects)		
<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>
Director of Public Health		
<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>
Assistant Chief Executive (Policy, Performance and Partnerships)		
<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>
Assistant Chief Executive (Business Support)		
<i>As from 1st October 2012 the post title was changed from Assistant Chief Executive for Human Resources and Organisational Development</i>		
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>
Assistant Chief Executive (Legal and Democratic Services)		
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 £
Assistant Chief Executive (Customer Services)		
<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
Cost or Valuation						
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)
As at 31st March 2014	972,930	97,025	629,547	18,873	5,559	1,723,934
Depreciation and Impairments						
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
As at 31st March 2014	(28,700)	(81,211)	(144,147)	(596)	0	(254,654)
Balance Sheet Net Amount as at 31st March 2014	944,230	15,814	485,400	18,277	5,559	1,469,280
Balance Sheet Net Amount as at 31st March 2013	951,466	20,017	461,397	19,809	4,492	1,457,181

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
Cost or Valuation						
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)
As at 31st March 2013	<u>1,023,133</u>	<u>93,153</u>	<u>595,584</u>	<u>21,823</u>	<u>4,492</u>	<u>1,738,185</u>
Depreciation and Impairments						
As at 1st April 2012	(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
As at 31st March 2012	<u>(71,667)</u>	<u>(73,136)</u>	<u>(134,187)</u>	<u>(2,014)</u>	<u>0</u>	<u>(281,004)</u>
Balance Sheet Net Amount as at 31st March 2013	<u>951,466</u>	<u>20,017</u>	<u>461,397</u>	<u>19,809</u>	<u>4,492</u>	<u>1,457,181</u>
Balance Sheet Net Amount as at 31st March 2012	<u>1,009,301</u>	<u>25,191</u>	<u>441,286</u>	<u>10,791</u>	<u>4,026</u>	<u>1,490,595</u>

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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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/> <hr/> 84,493

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
Capital Investment		
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>
Sources of Finance		
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
Opening Capital Financing requirement		388,710		405,703
Movement in year				
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
Closing Capital Financing Requirement		<u>375,701</u>		<u>388,710</u>
Decrease in Capital Financing Requirement		<u>13,009</u>		<u>16,993</u>
Closing CFR consists of				
Capital spending funded by borrowing		369,910		382,683
PFI contracts		4,692		4,922
Finance leases		1,099		1,105
CFR at 31st March		<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
Health and Adult Services				
- 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
Children and Young People's Service				
ICT Software	591	(183)	369	405
Central Services				
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
General Working Balance at Start of Period	(56,602)	(36,107)
Comprehensive Income and Expenditure charged to the General Balance	3,239	9,771
Adjustments between accounting basis and funding basis under regulations		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Amortisation of Intangible Assets	(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)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Statutory Provision for the financing of capital investment	15,359	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>
Total of adjustments between accounting basis and funding basis under regulations	(37,023)	(40,207)
Transfers from Earmarked Reserves	<u>11,895</u>	<u>9,941</u>
General Working Balance at Period End	(78,491)	(56,602)

(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
Earmarked for Schools					
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
Total Earmarked for Schools	41,923	4,863	37,060	(811)	37,871
Retained for Specific Initiatives					
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
Retained for Specific Initiatives (Cont.)					
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
Total Retained for Specific Initiatives	37,233	2,188	35,045	5,938	29,107
Reserves of Trading and Service Units					
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
Total Reserves of Trading and Service Units	4,866	(1,506)	6,372	859	5,513

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
Revenue Grants and Contributions Reserves					
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
Total Revenue Grants and Contributions Reserves	29,125	6,350	22,775	3,955	18,820
Total Earmarked Reserves	113,147	11,895	101,252	9,941	91,311

(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
Adjustments between accounting basis and funding basis under regulations		
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)
Other Reserve Movements		
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.

Trust Fund and Purpose	Income 2013/14 £000	Expenditure 2013/14 £000	Assets as at 31st March 2014 £000
Sir John Horsfall To assist by means of a grant, pupils who have attended primary or voluntary schools in the South Craven Area	0	0	14
Haywra Crescent Educational Trust Fund 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
Norwood Primary School To be used for education purposes at Felliscliffe and Darley Schools	0	1	59
Wrea Head Ellis Fund To be used for the advancement of education	0	1	831
Burniston Educational Foundation Promoting education of persons under 25 who are or have parents resident in Burniston	0	0	105
JW Driver - The Annie Driver Award For the benefit of scholars / ex scholars of Cowling School attending or about to attend University or similar establishment	1	0	14
Felliscliffe School Charity (Consolidated) For the benefit of Grantley, Hampsthwaite and Felliscliffe Schools	0	0	1
Goathland School Endowment For the benefit of Goathland School	0	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.

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 summaries 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	<u>1.0</u>
	<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 £000	Income £000	Net £000		Expenditure £000	Income £000	Net £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>	Cost of Services	<u>994,318</u>	<u>(585,057)</u>	<u>409,261</u>
			Other Operating Expenditure			
		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
			Financing and Investment Income and Expenditure			
		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>	Deficit on Provision of Services			<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
Movement in Reserves during 2013/14						
Balance at 31st March 2013	(164,661)	(549,083)	(713,744)	716	(2,712)	(715,740)
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)
Total Comprehensive Expenditure and Income	3,239	(324,667)	(321,428)	2,624	(13)	(318,817)
Adjustments between accounting Group Accounts and Authority Accounts	0	0	0	0	0	0
Net (Increase) / Decrease before Transfers	3,239	(324,667)	(321,428)	2,624	(13)	(318,817)
Adjustments between accounting basis and funding basis under regulations	(36,861)	36,861	0	0	0	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(33,622)	(287,806)	(321,428)	2,624	(13)	(318,817)
Balance at 31st March 2014	(198,283)	(836,889)	(1,035,172)	3,340	(2,725)	(1,034,557)
Balance at 31st March 2012	(137,687)	(654,934)	(792,621)	(2,432)	(2,809)	(797,862)
Deficit on Provision of Services (accounting basis)	4,902	0	4,902	3,100	97	8,099
Other Comprehensive Expenditure and Income	0	73,975	73,975	48	0	74,023
Total Comprehensive Expenditure and Income	4,902	73,975	78,877	3,148	97	82,122
Adjustments between accounting Group Accounts and Authority Accounts	0	0	0	0	0	0
Net (Increase) / Decrease before Transfers	4,902	73,975	78,877	3,148	97	82,122
Adjustments between accounting basis and funding basis under regulations	(31,876)	31,876	0	0	0	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(26,974)	105,851	78,877	3,148	97	82,122
Balance at 31st March 2013	(164,661)	(549,083)	(713,744)	716	(2,712)	(715,740)

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
1,516,026	Long Term Assets	1,540,868
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
285,654	Current Assets	309,956
(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
(136,718)	Current Liabilities	(159,158)
(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)
(949,222)	Long Term Liabilities	(657,109)
715,740	Net Assets	1,034,557
164,661	Usable Reserves	198,283
549,083	Unusable Reserves	836,889
1,996	Reserves - Group Entities	(615)
715,740	Total Reserves	1,034,557

GROUP CASH FLOW STATEMENT

31st March 2013 £000 As Restated		31st March 2014 £000
(12,968)	Net Deficit on the Provision of Services	(6,289)
	Adjust net surplus/(deficit) on the provision of services for non cash movements	
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
134,335		113,733
	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	
(49,316)	Grants received for investment purposes	(58,566)
(6,296)	Proceeds from the sale of property and other assets	(8,548)
(55,612)		(67,114)
0	Equity Dividends Paid	(29)
(491)	Taxation	(149)
65,264	Net cash flows from Operating Activities	40,152
	Investing Activities	
(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
(15,836)	Net cash flows from Investing Activities	27,806
	Financing Activities	
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)
(24,132)	Net cash flows for Financing Activities	(11,104)
25,296	Net Increase / (decrease) in Cash and Cash Equivalents	56,854
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
25,296		56,854

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
Cost of Service	407,325	(962)	509	36	2,353	409,261
Other Operating Expenditure						
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
Financing and Investment Income and Expenditure						
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)
Deficit on Provision of Services	3,239	(367)	727	45	2,353	5,997
Tax Expenses	0	181	(11)	(9)	0	161
Interim Dividend	0	130	0	0	0	130
Group Deficit	3,239	(56)	716	36	2,353	6,288
(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)
Other Comprehensive Income and Expenditure	(324,667)	0	0	(438)	0	(325,105)
Total Comprehensive Income and Expenditure	(321,428)	(56)	716	(402)	2,353	(318,817)

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
Long Term Assets	1,535,407	17,335	3,269	5	(15,148)	1,540,868
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
Current Assets	285,305	18,956	7,070	176	(1,551)	309,956
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)
Current Liabilities	(134,559)	(11,581)	(14,462)	(107)	1,551	(159,158)
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)
Long Term Liabilities	(650,981)	(12,476)	(5,525)	243	11,630	(657,109)
Net Assets	1,035,172	12,234	(9,648)	317	(3,518)	1,034,557
Usable Reserves	198,283					198,283
Unusable Reserves	836,889					836,889
Reserves - Group Entities	0	12,234	(9,648)	317	(3,518)	(615)
Total Reserves	1,035,172	12,234	(9,648)	317	(3,518)	1,034,557

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
Cost of Valuation					
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)
As at 31st March 2014	1,006,954	120,384	629,547	32,939	1,789,824
Depreciation and Impairments					
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
As at 31st March 2014	(36,023)	(94,823)	(144,147)	(25,660)	(300,653)
Balance Sheet Net Amount at 31st March 2014	970,931	25,561	485,400	7,279	1,489,171
Balance Sheet Net Amount at 31st March 2013	979,010	30,693	461,397	6,361	1,477,461

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
Cost of Valuation					
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)
As at 31st March 2013	1,058,995	121,351	595,584	30,196	1,806,126
Depreciation and Impairments					
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
As at 31st March 2013	(100,285)	(90,658)	(134,187)	(23,835)	(348,965)
Balance Sheet Net Amount at 31st March 2013	958,710	30,693	461,397	6,361	1,457,161
Balance Sheet Net Amount at 31st March 2012	1,027,169	35,592	441,286	6,482	1,510,529

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		31st March 2013 £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		31st March 2013 £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
CONTRIBUTIONS AND BENEFITS			
Contributions			
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	
105,636	Total Contributions Receivable (note 7)		109,404
6,772	Transfers in (note 8)		11,273
<u>Less</u>			
Benefits			
(62,211)	Pensions	(66,500)	
(20,181)	Commutation and Lump Sum Retirement Benefits	(19,936)	
(2,201)	Lump Sums Death Benefits	(1,314)	
(84,593)	Total Benefits Payable (note 9)		(87,750)
Leavers			
(17)	Refunds to Members Leaving Service	(8)	
0	Payments for Members Joining State Scheme	0	
(6,241)	Transfers Out	(4,106)	
(6,258)	Total Payments on Account of Leavers (note 10)		(4,114)
(1,664)	Administration Expenses (note 11)		(1,559)
19,893	Net additions from dealings with Members		27,254
RETURNS ON INVESTMENTS			
21,774	Investment income (note 12)		22,895
(379)	Taxation (note 13)		(397)
(3,324)	Investment Expenses (note 14)		(6,075)
237,204	Change in market value of investments (note 15)		198,746
255,275	Net returns on investments		215,169
275,168	Net increase in the Fund during the year		242,423
1,565,565	Opening Net Assets of the Fund		1,840,733
1,840,733	Closing Net Assets of the Fund		2,083,156

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2013 £000		31st March 2014 £000
	INVESTMENT ASSETS (note 15 and 16)	
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>	TOTAL INVESTMENT ASSETS	<u>2,081,335</u>
	INVESTMENT LIABILITIES (note 15 and 16)	
(2,863)	Derivate Contracts - Forward Currency Contracts	(23)
(3,857)	Investment Creditors	(11,785)
<u>(6,720)</u>	TOTAL INVESTMENT LIABILITIES	<u>(11,808)</u>
<u>1,829,128</u>	NET INVESTMENT ASSETS	<u>2,069,527</u>
	CURRENT ASSETS	
4,609	Contributions due from employers	9,233
3,083	Other Non-Investment Debtors	742
6,187	Cash	4,888
<u>13,879</u>	TOTAL CURRENT ASSETS	<u>14,863</u>
	CURRENT LIABILITIES	
(2,274)	Non-Investment Creditors	(1,234)
<u>(2,274)</u>	TOTAL CURRENT LIABILITIES	<u>(1,234)</u>
<u>1,840,733</u>	TOTAL NET ASSETS (note 16)	<u>2,083,156</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 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 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 1/49th 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
Assets					
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>
Liabilities					
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	2012/13
	£000	£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	Fair Value		Cost	Fair Value
£000	£000		£000	£000
Assets				
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>
Liabilities				
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
Assets				
Fair Value through Profit and Loss	2,068,892	0	258	2,069,150
Loans and Receivables	27,048	0	0	27,048
	<u>2,095,940</u>	<u>0</u>	<u>258</u>	<u>2,096,198</u>
Liabilities				
Fair Value through Profit and Loss	11,785	23	0	11,808
Liabilities at Amortised Cost	1,234	0	0	1,234
	<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
Assets				
Fair Value through Profit and Loss	1,826,943	0	478	1,827,421
Loans and Receivables	22,307	0	0	22,307
	<u>1,849,250</u>	<u>0</u>	<u>478</u>	<u>1,849,728</u>
Liabilities				
Fair Value through Profit and Loss	3,858	2,863	0	6,721
Liabilities at Amortised Cost	2,274	0	0	2,274
	<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	2,069,130		2,278,921	1,859,339

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	1,829,128		2,013,049	1,645,207

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
Cash and Cash Equivalents		
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
Deposits with Banks and Financial Institutions for less than 1 year		
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
Debtors		
Investment Debtors		
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>
Other Debtors		
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
Creditors		
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
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4. Role of the Chief Financial Officer
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1.0 SCOPE OF RESPONSIBILITY

- 1.1 North Yorkshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall duty the County Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and establishing a sound system of internal control and arrangements for the management of risk.
- 1.3 The **Local Code of Corporate Governance**, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* is reviewed annually. The current version was approved by the Audit Committee in June 2013 and adopted by the County Council in October 2013. A copy of the Code is available on the County Council's website (www.northyorks.gov.uk) or can be obtained from the office of the Corporate Director – Strategic Resources (telephone 01609 533304 or email gary.fielding@northyorks.gov.uk . The Audit Committee also reviewed the County Council's corporate governance arrangements on 26 June 2014 and recommended the Local Code of Corporate Governance to the County Council for approval. The County Council subsequently approved the Local Code of Corporate Governance at its meeting on 17 July 2014.
- 1.4 This Statement explains how the County Council has complied with its Local Code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an **Annual Governance Statement**.
- 1.5 This Statement also confirms that the financial management arrangements within the County Council comply with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government(2010)*. (See **Section 4** for full details).

North Yorkshire Pension Fund

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

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The Governance Framework as detailed in the Local Code comprises the systems and processes, the culture and values, by which the County Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the County Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The **system of internal control** is a significant part of that Framework and is designed to manage risk to a reasonable level rather than try to eliminate all risk of failure to achieve policies, aims and objectives. Because it is not possible to eliminate all risks, the system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks that threaten the achievement of the County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and then to manage them efficiently, effectively and economically.
- 2.3 The overall Governance Framework, and in particular the system of internal control, described in this Statement, has been in place within the County Council for the year ended 31 March 2014 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts on 25 September 2014.

3.0 THE GOVERNANCE FRAMEWORK

- 3.1 The requirement to have a robust and resilient governance framework and sound system of internal control covers all aspects of the County Council's activities. For the purposes of this Statement, the policies, procedures and operations that taken together create the overall governance framework are grouped under the following headings -
- (a) identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
 - (b) reviewing the authority's vision and its implications for the authority's governance arrangements
 - (c) translating the vision into objectives for the authority and its partnerships
 - (d) measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and they represent the best use of resources and value for money
 - (e) defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication for the authority and partnership arrangements

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

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

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

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

Equivalent documents for the period 2013/15 and the year 2013/14 were approved by the County Council in February 2013
- **paragraph 3.2(s)** provides details of how the County Council communicates with the community, other stakeholders and its staff

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

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

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

- based on the Council Plan and annual Budget / MTFS process, each Service Unit sets out its detailed objectives, performance targets, available resources and risk assessment which are included in a Directorate / Service Plan.
- an annual review is carried out on partnership arrangements which considers a range of factors. This is reported to the Audit Committee and the Executive as part of the Council's approach to governance.

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

- there is an **integrated Service Planning and Budget Process** under which each Service Unit in each Directorate sets out its detailed objectives, performance targets, available resources and risk assessment. These feed into both the Council Plan and the annual Budget/MTFS process
- the **Performance Management framework**, continues to be refined. There is quarterly reporting of key performance information to Management Board and a joint meeting of Executive and the Scrutiny Committee Chairs. In 2013/14 a revised approach was taken to the quarterly reports so that a more rounded view was provided of key service areas throughout the Council. This revised information brings together activity levels; financial information (e.g. cost drivers); quality issues; customer feedback; and improvement areas. Supplementary information continues to be provided on HR, compliments and complaints as well as financial monitoring information. Part of this approach is to ensure that the key components of value for money are considered together and that both senior management and Members can better understand and challenge key services and areas of Council spending. This is supplemented by more frequent reporting and monitoring processes within Directorates
- **comprehensive budgeting systems** are applied across all Directorates. Further work is under way as part of the 2020 Finance Programme in order to further improve budgeting across the Council. This includes greater use of systems supplemented by a proposed restructure of the finance function into a more consolidated service. Budget managers and other stakeholders are being engaged as part of the change.
- priority has been given to frontline services in determining the savings programme for 2011/12 to 2014/15 and beyond as part of the **2020 North Yorkshire Programme**. The One Council Programme was instrumental in maintaining a focus on simplifying, standardising and sharing across the Council so that back office costs are kept to a minimum. This builds upon a protracted period of delivering savings through Gershon targets and provides some of the principles that continue to underpin 2020 North Yorkshire.
- in the past benchmarking statistics have shown an overall level of high performance and value for money for the County Council. The abolition of much of the national indicator set has made this increasingly difficult. Ofsted benchmarking data continues to show the County Council in a positive light but in other areas

greater reliance is made on “softer” networking in order to identify areas of best practice across the country. An increased focus on team performance is also providing key management information to assess the productivity of staff and teams and ultimately services with a view to driving improvements in performance. This approach is incorporated into the quarterly monitoring reports provided to the Executive and will help to shape budget thinking on an on-going basis.

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

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

- an **Asset Management Strategy** has been in place since 2006. In addition to the redefinition of key corporate processes (eg purchasing and disposal of property) the adoption of a corporate approach to repairs/maintenance combined with up to date condition data, etc, has provided a foundation for a systematic approach to property improvement based upon the needs of the services (both users and providers). A Capital Project Management system (Gateway) has been implemented to improve the delivery of larger projects. The system is integrated with the job management system (PMCS) used by the County Council's property adviser, Jacobs UK; this integration means there is now a single source of data relating to projects, shared by the County Council and its principal adviser on property matters. The Corporate Asset Register system has been upgraded and has shared access for County Council and Jacobs' UK staff. The Executive also receives an **Annual Property Performance report** that details the progress made on key indicators relating to property and asset management
- the County Council's improvement priorities, as set out in the Council Plan and in its service performance plans and strategies, are **reviewed regularly** throughout the year. This is achieved through -
 - ➔ quarterly reports on key service performance plus corporate issues such as personnel, finance and commendations / complaints are considered by Management Board, the Executive and Chairs of the Overview and Scrutiny Committees

- regular reports to Corporate Directors and Executive Portfolio Holders
- publication of an **Annual Report on Overview and Scrutiny** by the Scrutiny Board

(e) **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

- **Corporate Governance** (C-Gov) framework encompasses, defines and quality assures the various systems by which the County Council directs and controls its functions and relates to the North Yorkshire community. It is therefore the totality of the policies, management systems, procedures and structures that together determine and control the way in which the County Council manages its business, formulates its strategies and objectives and sets about delivering its services to meet those objectives, for the greater good of the community of North Yorkshire. The County Council aims to incorporate the principles of C-Gov into every dimension of its business to ensure that all stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Elected Members, officers and agents in delivering services. The **Local Code of Corporate Governance** defines these values and expresses the approach adopted by the County Council. Adherence to this Code is overseen and monitored by the Audit Committee. In addition, the C-Gov Officer Group meets three times a year to update its C-Gov self-assessment checklist and monitor progress, especially in addressing areas identified to be in need of improvement. The Local Code is reviewed annually alongside the preparation of this Statement
- additionally, the **Standards Committee** works on those areas of governance which fall within its remit. It is primarily concerned with standards of conduct for elected Members, the promotion of the principles in the Member Code of Conduct and the promotion of high ethical standards throughout the authority
- to ensure full compliance with the *Good Governance Standard for Public Services* and the CIPFA SOLACE *Delivering Good Governance in Local Government Framework*, the C-Gov Officer Group continues to maintain and regularly update, a **Self Assessment Check List** covering the whole internal control agenda. As part of this process, a record of key internal control weaknesses identified within the internal control environment is prepared which inputs to this Annual Governance Statement.
- the **Constitution** sets out how the County Council operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also embraces the detailed Contract, Financial and Property Procedure Rules, Scheme of Delegation, Codes of Conduct, etc. These are reviewed and updated on a regular basis to ensure they are consistent with the contemporary operating requirements of the County Council (see **paragraph 3.2(b)** for further details)
- all 72 Councillors meet together as the **Council**. Meetings are open to the general public. At its annual meeting in May each year the Council appoints its Chairman. The Leader is elected by the Council at its annual

meeting every four years in the election year, and s/he appoints the Executive Members, and determines their portfolios. The Executive set the Executive delegation scheme. The full Council is responsible for setting the budget and policy framework of the County Council

- the **Executive** is legally responsible for developing and making proposals to the Council for the budget and the policy framework and taking the decisions to implement them once they are agreed. If the Executive wishes to make a decision this must be referred to the Council as a whole to decide. They are also responsible for all other functions not falling within the responsibility of the Council or any other committee. Each Member of the Executive has a portfolio responsibility that relates to a specific area(s) of the County Council's services and responsibilities. The Executive meets formally at least once a month but will hold informal meetings on a more regular basis as required to progress the business of the authority
- the **Management Board** (which comprises the Chief Executive and all Corporate Directors plus Assistant Chief Executives) is responsible for implementing all County Council policies and decisions at officer level, providing advice to Members, for co-ordinating the use of resources and the work of the Directorates. The 'Role of Management Board' is set out formally within the Constitution. Circumstances permitting, the Management Board meets weekly
- there are four **Overview and Scrutiny Committees** that support the work of the Council and the Executive, together with a Scrutiny of Health Committee. Their roles and responsibilities are detailed in Article 6 of the Constitution
- **Statutory Officers / Codes and Protocol** – the County Council employs officers to give advice, implement decisions and manage the day-to-day delivery of its services. Certain officers have a designated duty to ensure that the County Council acts within the law and uses its resources wisely (**see paragraphs 3.2 (f) and (g) below**). A Protocol on Member / Officer relations, is part of the Constitution and, amongst other documents, governs the relationships between Officers and Members of the Council.
- pursuant to its powers under Section 101 of the Local Government Act 1972 the Council arranges for certain of its functions to be discharged by officers of the Council as set out in the **Officers Delegation Scheme**
- **Partnership Arrangements** - the County Council's Constitution and Finance Procedure Rules contain a number of important steps to be considered before the County Council enters into a partnership, including the need for approval by the Executive or under the terms of the Delegation Schemes, of appropriate written governance arrangements and interaction with the County Council's decision making arrangements commensurate with the role of the partnership, the part played in it by the County Council, and the risks attached to that

involvement. An annual report is made to the Executive and Audit Committee on the governance arrangements and work of partnerships.

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

- elected members have to agree to follow a **Code of Conduct** to ensure high standards in the way they undertake their duties. Members must complete a **Register of Interests** which is publicly available. The County Council has established a **Standards Committee**, which monitors the operation of the Code of Conduct. The Committee has in place procedures for the assessment, investigation and determination of complaints against Members (involving Independent Persons) and a procedure for granting dispensations.
- staff operate to a corporate behaviour and skills framework which is used to develop staff skills and monitor performance. A Manager's Pocket Book has been introduced in April 2013 outlining key behaviours for all managers in NYCC.
- there is a **Local Code of Corporate Governance** in place that is fully consistent with the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. The Local Code defines -
 - ➔ the fundamental values and principles of corporate governance
 - ➔ the corporate governance framework and arrangements to deliver it within the County Council
 - ➔ arrangements for annual review and reporting of the framework
- **Registers of interests, gifts and hospitality** are also maintained for Members and officers. Details of **Related Party Transactions** are sought from all Members and senior officers

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

- as explained in **paragraph 3.2(e) above**, the **Constitution** sets out how the County Council operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also embraces the detailed Contract, Financial and Property Procedure Rules, Scheme of Delegation, Codes of Conduct, etc. These are reviewed and updated on a regular basis to ensure they are consistent with the contemporary operating requirements of the County Council (see **paragraph 3.2(a)** for further details)
- as indicated above, the Council has approved **Budget and Policy Framework Procedure Rules, Contract Procedure Rules, Financial Procedure Rules, and Property Procedure Rules**

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

- **independent monitoring** of all the above by the Monitoring Officer, Section 151 Officer and Head of Internal Audit on a regular basis
- **Partnership Arrangements** – the County Council’s Constitution and Finance Procedure Rules contain a number of important steps to be considered before the County Council becomes involved in a partnership. (see **paragraph 3.2(e)** above for further details)

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

- the County Council’s comprehensive, well established and award winning approach to **risk management** is laid out in the Corporate Risk Management Policy and its associated Strategy. These documents were reviewed in 2012/13 and are due to be reviewed again during 2014/15. Implementation of the Action Plan is overseen by the Corporate Risk Management Group chaired by the Corporate Director – Strategic Resources. Risk Registers are developed and maintained at Corporate, Directorate and Service Unit levels. The generic risk assessment methodology is also applied to specific key projects or areas of policy development (eg Bedale and Leeming Bypass). The **risk prioritisation process** is designed to identify key risks that are a threat to the achievement of objectives, evaluate risk controls and ensure risk reductions are embedded within Service Performance Plans
- Internal Audit (Veritau) review the effectiveness of the framework for identifying and managing risks on a regular basis. Any weaknesses identified are recorded in the Action Plan and progress to rectify those weaknesses is monitored by the Corporate Risk Management Group as well as Internal Audit.
- an annual progress report on risk management is made to the Audit Committee. In addition a 6 monthly update is provided as part of an overall progress report on Corporate Governance. The Audit Committee’s role is to assess the effectiveness of the authority’s risk management arrangements and to review progress on the implementation of risk management throughout the authority.
- Corporate Directors provide an update on the progress of mitigating risks identified in their risk registers to Audit Committee once a year.
- clear accountability is shown in both the Corporate Risk Management Policy and Strategy and as part of the risk register process.

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

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

(j) ensuring effective management of change and transformation

- a significant degree of change is as a result of the need to make budget savings. Progress is monitored on an on-going basis as part of the Revenue Budget monitoring exercise as reported in the Quarterly Report to the Executive.
- significant areas of change will require Executive approval and will often involve updates being brought back to a future Executive meeting. One such example is the 2020 North Yorkshire Programme where the Executive authorise release of funding to implement elements of the Programme as well as monitoring progress.
- significant change projects are managed by a Programme Board with appropriate governance arrangements. For example, the 2020 North Yorkshire Programme Board function is carried out by Management Board in recognition of the importance of the Programme. The task of this Board, and others, is to ensure that benefits are realised and that progress is on track and, where not, that corrective actions are taken. Similar governance arrangements can be found throughout all Service Directorates where there are significant change or capital programmes.
- there are also development interventions which are available for teams to utilise to support the embedding of new team structures, new ways of working and processes. These development interventions will also improve and support staff

resilience in times of change, thus reducing health and wellbeing problems associated with significant change.

- a range of project and change managers specialist resource can be drawn upon where required. Guidance and training is available and provided across the council on project and change management where required.
- managing change is a key component in all of the staff development programme and particularly for management. The revised middle manager development programme has taken the opportunity to review material and bring together key support resources to assist.
- A suite of online resources, on a range of subjects regarding good performance management, engagement and change management is available for managers and staff.
- managers across the council are expected to embrace innovation and display the correct behaviours delivering change. This is set out in the behaviour and skills framework which is a fundamental part of the appraisal process.

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

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

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

The CD-SR is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the County Council. The CD-SR also ensures that proper accounting arrangements are established in all Directorates. Individual Corporate Directors are responsible for the satisfactory operation of financial and accounting systems, and associated controls, within their Directorates – this responsibility is defined in the Financial Procedure Rules.

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

It is the duty of all Service Managers within Directorates to plan and manage their budgets to meet the agreed bottom line budget figure for their Service Unit. This includes ensuring that adequate arrangements exist for monitoring revenue and capital budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The CD-SR is responsible for submitting a quarterly report to Executive on the overall Revenue Budget / Capital Plan position; this report is part of the Quarterly Performance and Improvement reporting arrangements referred to in **paragraph 3.2(d) above**

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

- the CD-SR is the Chief Financial Officer (CFO) for the purposes of compliance with the CIPFA Statement referred to in **paragraph 1.5** above
- the **external auditor** for 2013/14 appointed by the Audit Commission is Deloitte: They will publish an Annual Audit Letter on the completion of their audit that follows the end of each financial year
- under the Accounts and Audit Regulations 2011, the County Council has a legal responsibility to provide an adequate and effective **internal audit** of its records and control systems. The Council has delegated this responsibility to the CD-SR who provides the service through Veritau*

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

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

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

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

At the end of the financial year, a summary of the audit work carried out is reported to each Corporate Director and an audit opinion, based on the

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

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

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

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

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

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

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

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

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

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

- a separate Audit Committee has been in operation since April 2006. (**See Section 6 below**). A key role of the Audit Committee is to act as the responsible body charged with ensuring that a sound system of internal control operates throughout the County Council. In doing so, it provides independent assurance to the Council on the adequacy of the risk management framework and the associated control environment and independent scrutiny of the County Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment. It also oversees the Procedure Rules that relate to Contracts, Finance and Property matters as well as the Information Governance and Counter Fraud arrangements. It is also responsible for scrutinising the Treasury Management policies and activities of the County Council are for ensuring that arrangements exist to secure value for money.

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

- the Assistant Chief Executive (Legal and Democratic Services) is currently the officer designated by the County Council as the **Monitoring Officer** and is responsible for performing the duties imposed by **Section 5** of the **Local Government and Housing Act 1989** which relate to ensuring the legality of the Council's operations and the duties in the Localism Act 2011 relating to the promotion of high ethical standards. The Monitoring Officer is a member of the Management Board and attends and monitors decision making at the County Council, Executive and all Committees
- the Corporate Director – Strategic Resources is the Chief Financial Officer for the purposes of S.151 of the Local Government Act 1972 (see **paragraph 3.7(g)** for further details)
- the requirements of the **Data Protection** and **Freedom of Information** legislation are co-ordinated by an Information Governance Team (part of Veritau) which, working in conjunction with the Corporate Information Governance Group (CIGG), assist the Corporate Director – Strategic Resources in developing and implementing a comprehensive Information Governance Framework
- the County Council operates an **Information Security Management System** which is certified to the requirements of ISO/IEC 27001 (Information Security). Official Certification was received on 31 January

2011. Work to maintain this standard is coordinated by the Senior Information Security Compliance Officer working in conjunction with the Information Governance Team. Compliance was re-certified during 2011/12, with further audits by BSI (British Standards Institute) every six months.

- in addition, the County Council now operates an **Information Technology Service Management System** which was awarded certification to ISO/IEC 20000 in February 2013. ISO 20000 provides quality assurance to the processes, policies and procedures operated in the delivery of ICT Services to the council and is the only standard specifically aligned to Information Technology service delivery and service management. By achieving and maintaining certification of both standards this serves to deliver services which are compliant, quality assured, and provide continual improvement.
- ICT Services in North Yorkshire County Council are amongst only five other local authorities who have achieved certification to both these internal standards. Achieving certification to these standards demonstrates the County Councils continued commitment to protect the data we hold and provide secure IT systems to our staff, partners and citizens.
- the council is also amongst the first local authorities to be certified to the **Public Sector Network (PSN) Code of Connect** version 2.7. The certifications have enabled the Council, for example, to be certified for connection to secure video conferencing with the Criminal Justice System. The certification also enabled our connection to the NHS.net. The standards allow us to use both the British Standards Institute kite mark and the United Kingdom Accreditation Service assurance mark.
- the Corporate **Health and Safety** Policy was comprehensively rewritten in 2010 taking into account recent HSE guidance relating to local authorities, and a fresh Action Plan established. Corporate and Directorate Action Plans have been recast in line with the updated Policy. New procedures in relation to performance monitoring and workplace inspections are being developed linked to web based assessment tools and learning materials
- the County Council approved a revised **Equality and Diversity Policy Statement** in February 2012 . The County Council has also published equality information and objectives as required by the Equalities Act 2010
- there is a comprehensive annual plan for Employment Policies to ensure that all policies and practices adhere to all relevant legislation. All policy updates go through a full consultation with unions recognised by the County Council.
- **Internal Audit** arrangements operate in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual work programme is set out in an Audit Plan following the production of an Audit Risk Assessment and consultation with individual Directorates and the External Auditor. The Audit Committee approves the Audit Plan and receives, thereafter, regular

reports on its progress. The Head of Internal Audit expresses an opinion on the control environment within each Directorate on an annual basis; he also submits an Annual Report to the Audit Committee which includes his/her overall opinion for the County Council as a whole. During 2013/14, the Audit Plan included audits on a number of corporate themes (eg complaints handling and information governance), such audits are key to providing the appropriate assurance to the County Council that its overall governance arrangements remain effective.

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

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

- the County Council has approved and implemented a formal **Whistleblowing Policy** which is reviewed annually by the Audit Committee
- the County Council has a **complaints procedure** that is advertised by leaflets and on its website. The procedure includes targets for acknowledging and responding to complaints in full.

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

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

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

- **elected Members** have a significant role to play in ensuring compliance and propriety, either collectively (eg through the work of the Overview and Scrutiny Committees), and individually as local representatives, providing feedback from their constituents
- the County Council communicates the Vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the County Council's

stakeholders is undertaken and **relevant and effective channels of communication** are developed. Key mechanisms include –

- publishing a Council Plan and annual Statement of Final Accounts to inform stakeholders and services users of the previous year's achievements and outcomes
- engagement with strategic partners through the publication of the North Yorkshire Community Plan and delivery of priority outcomes.
- opportunities for the public to engage effectively with the County Council including attending meetings
- a Citizens' Panel of 2000 residents who are consulted on a wide range of issues at least once a year
- consultation toolkit that provides advice to all staff about how to consult effectively
- an engagement promise setting out in simple terms how everyone who lives or works in the county, or uses the County Council's services can influence decisions relating thereto
- maintaining a County Council website that provides access to information, delivers services and opportunities for public engagement, including delivery of information required by the transparency agenda
- developing social media to inform and engage with residents on development of services, provision of information, responding to concerns and issues, etc
- publication of an e-newsletter, available by subscription or through the council website, covering news and information about the County Council and its services; there are currently over 4000 subscribers
- a partnership with 6 local newspapers to provide a monthly round-up of news and information specific for the local area, for local readers
- communicating and engaging with staff across the County Council, through a number of different internal communications channels

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

- the County Council and the other eight local authorities in North Yorkshire Police Force area have established the North Yorkshire Police and Crime Panel as a joint committee to scrutinise the directly elected Police and Crime Commissioner as required by the Police Reform and Social Responsibilities Act 2011. The Panel is hosted by the County Council and has a work programme agreed by the Panel.

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

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

- the County Council's Constitution and Finance Procedure Rules contain a number of important steps to be considered before the County Council becomes involved in a partnership, including the need for approval by the Executive or under the terms of the Delegation Schemes, of appropriate written governance arrangements and interaction with the County Council's decision making arrangements commensurate with the role of the partnership, the part played in it by the County Council, and the risks attached to that involvement. An annual report is made to the Executive and Audit Committee on the governance arrangements and work of partnerships.
- where the County Council is a substantial **equity holder in a company** (ie NYnet, Veritau, Yorwaste) it will ensure appropriate governance arrangements are in place both within the company and as between the company and the County Council. These will be based on the Local Code but also take into account the operational circumstances of the company. A requirement to report annually to the Executive on the Business Plans and financial performance of these companies was introduced in 2011/12

4.0 ROLE OF THE CHIEF FINANCIAL OFFICER

4.1 In the County Council the Corporate Director – Strategic Resources fulfills the role of the CFO as defined in the CIPFA Statement referred to in **paragraph 1.5** above.

4.2 A full assessment of the criteria in the CIPFA Statement was undertaken for the 2009/10 AGS. This area is picked up as part of the annual review of the Corporate Governance Checklist and the Corporate Director Strategic Resources is of the opinion that the County Council fully complies with the Statement.

5.0 REVIEW OF EFFECTIVENESS

5.1 The County Council has responsibility for formally conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

5.2 On behalf of the Audit Committee, and in conjunction with Corporate Directors and senior officers, the Corporate Governance Officers Group, (which includes the Monitoring Officer, Section 151 Officer and the Head of Internal Audit) reviews the effectiveness relating to the development and maintenance of the governance environment of the organisation on a regular and ongoing basis by referring, amongst others, to the work of

- ➔ the Executive
- ➔ the Management Board
- ➔ the Corporate Directors and their Service Unit Heads in the individual Directorates
- ➔ the Internal Audit function (as carried out by Veritau) and the Insurance & Risk Management Section
- ➔ the Standards Committee
- ➔ the Audit Committee
- ➔ the External Auditor (Deloitte LLP) and other external inspectorates

5.3 In relation to the Management Board, all of the Corporate Directors have prepared and signed individual **Statements of Assurance** for 2013/14 relating to the governance and internal control procedures, and the review thereof, in their service areas. In addition the Chief Executive has prepared and signed a further Statement of Assurance on behalf of himself and the Management Board as a whole.

5.4 This on-going review of the effectiveness of governance and internal control systems is also informed by the work of Veritau who have responsibility for providing assurance on the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

6.0 **ACTIVITIES OF THE AUDIT COMMITTEE**

6.1 During 2013/14 the Audit Committee met six times and -

- ➔ approved the Internal Audit work plan
- ➔ considered the annual fraud and risk loss assessment
- ➔ considered the work done by Veritau throughout the year. Where necessary, confirmation was requested from Corporate Directors that improvements in control were being made in line with agreed action plans
- ➔ considered the governance arrangements of the County Council's significant partnerships
- ➔ ensured that the ongoing work in relation to improvement issues on Corporate Governance, Information Governance, Service Continuity and Risk Management, was progressing

- ➔ considered the proposed Audit Plan of the External Auditor and reviewed any reports they have produced concerning the financial statements of the County Council for 2012/13
- ➔ considered the arrangements made by the County Council in securing value for money
- ➔ held separate one to one meetings with the External Auditor and the Head of Internal Audit
- ➔ reviewed the Contract , Finance, and Property Procedure Rules of the County Council
- ➔ considered the Treasury Management arrangements of the County Council and made recommendations for improvement to the Executive
- ➔ reviewed changes to the County Council's counter fraud policy framework
- ➔ considered the Annual Report of the Head of Internal Audit expressing his opinion on the overall controls environment operating within the County Council. This report also highlighted the significant breaches of Procedure Rules found by Veritau* during the year and the steps taken by management to address them
- ➔ agreed the Statement of Final Accounts submitted by the Corporate Director – Strategic Resources following robust challenge of the accountancy principles adopted

6.2 In addition the Audit Committee has:-

- ➔ approve a new Internal Audit Charter
- ➔ reviewed the Corporate Governance self assessment checklist and approved changes to the County Council's Local Code of Governance
- ➔ considered the corporate governance arrangements in respect of the North Yorkshire Pension Fund.
- ➔ monitored progress towards developing an Information Governance framework for the County Council and considered performance in dealing with Freedom of Information requests within the statutory deadline

6.3 All this work has been used in supporting the preparation of the County Council's (ie this) Annual Governance Statement for 2013/14.

7.0 SIGNIFICANT GOVERNANCE ISSUES

7.1 The governance and internal control arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the County Council's objectives have been mitigated.

7.2 On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2013/14. **There were, however, some areas identified which require attention to**

address weaknesses and ensure continuous improvement of governance and internal control arrangements; included within this definition are issues related to service delivery, the satisfactory achievement of which will depend in some measure on changes to / improvements in governance and internal control arrangements. Having regard to the published guidance on the governance framework, these are disclosed in the Table below.

7.3 As part of preparing the Table below, a review was undertaken of the issues identified in the equivalent Table in the 2012/13 Annual Governance Statement. Some of these issues were not fully resolved in 2013/14, but some of these “incomplete” issues have reappeared in the Statements of Assurance for 2013/14 prepared by Corporate Directors. Therefore, the items including the table below represent the list of key issues requiring attention in 2014/15.

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

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

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

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

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"> – Further Information Governance sweeps by Veritau with disciplinary actions being taken against staff where appropriate. – A re-refresh of the training requirements for staff (which has been a mandatory course). – Practical arrangements to help staff ensure data is secure such as easier access to lockable cabinets etc. – Implementation of more secure systems and ways of working for transferring data securely between organisations. – On-going communications to staff on the importance of good Information Governance, including messages from the Chief Executive.
<p>A10</p>	<p>Corporate Arrangements relating to Performance Management</p> <ul style="list-style-type: none"> • Ensuring that performance is embedded across the Council and increased productivity remains the heart of Council Plans 	<ul style="list-style-type: none"> a) Implementation of a revised Workforce Strategy in line with the 2020 North Yorkshire Programme. b) Further revision to the approach on performance management across the Council with focus on team and staff contributing to innovation. c) Ensuring that there remains a focus on simplifying, standardising and sharing across the Council where best practice is universally used across the council. d) Keep under review performance issues such as Highways North Yorkshire Improvement Action Plan.
<p>A11</p>	<p>Right Skills, Capacity and Resilience</p> <ul style="list-style-type: none"> • Ensuring that the Council has the right skills, capacity and 	<ul style="list-style-type: none"> a) Ensuring strong leadership across the Council so that all staff feel engaged and

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

8.0 SUMMARY

- 8.1 The governance framework operating during 2013/14 is considered to have provided reasonable and objective assurance that significant risks impacting on the achievement of the County Council's principal objectives would be identified and actions taken to avoid or mitigate their impact.
- 8.2 Some issues that require attention have, however, been identified and these are set out in **Section 7** above together with details of how they will be addressed during 2014/15. Reports on progress will be submitted to the Audit Committee.

9.0 SIGNATURES

- 9.1 We, the undersigned, accept primary responsibility for the content of this Annual Governance Statement and will over the coming year, take steps to address the matters identified in Section 7 of this Statement to further enhance the governance arrangements of the County Council. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed:

Cllr John Weighell
Leader of the County Council

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.