

North Yorkshire County Council

Audit Committee

Minutes of the meeting held on Thursday 25 June 2015 at 1.30 pm at County Hall, Northallerton.

Present:-

County Councillor Members of the Committee:-

County Councillors Margaret Atkinson, Robert Baker, Eric Broadbent, Jim Clark, John Fort BEM and Mike Jordan.

External Members of the Committee:-

Mr David Marsh and Mr David Portlock.

In Attendance:-

Deloitte LLP Officer: Celia Craig.

Veritau Ltd Officer: Max Thomas (Head of Internal Audit).

County Council Officers: Pete Dwyer (Corporate Director - Children and Young People's Service), Gary Fielding (Corporate Director – Strategic Resources), Anton Hodge (Assistant Director - Strategic Resources), Neil Irving (Assistant Director (Policy and Partnerships)), Ruth Gladstone (Principal Democratic Services Officer) and Fiona Sowerby (Corporate Risk and Insurance Manager).

Apologies for Absence:

Apologies for absence were received from County Councillor Bill Hault (Committee Member) and County Councillors Carl Les, Arthur Barker and Janet Sanderson (Executive Members).

Copies of all documents considered are in the Minute Book

116. Election of Chairman

Resolved –

That County Councillor Mike Jordan be elected Chairman, to serve until the first meeting of the Committee following the Annual Meeting of the County Council in 2016.

County Councillor Mike Jordan in the Chair

County Councillor Mike Jordan, in taking the chair, thanked Members for electing him. He welcomed County Councillors Robert Baker and John Fort BEM to their first meeting as new Members of the Committee.

117. Minutes

Resolved –

That the Minutes of the meeting held on 5 March 2015, having been printed and circulated, be taken as read and be confirmed and signed by the Chairman as a correct record.

118. 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 2016.

119. Declarations of Interest

The Chairman invited Members to make any declarations of interest either at this stage of the meeting or during consideration of the relevant item of business.

Mr David Portlock advised that he was the Chair of two primary school governing bodies.

County Councillor Jim Clark advised that he was a Board Member of the Red Kite Multi-Agency Academy Trust.

120. Public Questions or Statements

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

121. Business Continuity - Update

Considered -

The report of the Corporate Director - Strategic Resources which provided an overview of the current Business Continuity arrangements for North Yorkshire County Council, together with a continued assurance concerning the management of risk within Directorates and service areas.

A comprehensive review of Business Continuity took place in 2014 to address issues raised in an earlier internal audit and ensure a consistent and corporate approach to business continuity planning across the County Council. Existing Business Continuity plans were being migrated into a consistent corporate document format consisting of a Business Impact Analysis, which looked at critical business functions and quantified the impact a loss of those functions might have, and an Incident Management Plan, to help a service area to plan a process to respond to a range of possible impacts on their critical services. All service area Business Impact Analyses and Incident Management Plans were due to be completed, validated and posted on a corporate share-point site by June 2015. An updated Corporate Business Continuity Plan was due to be released and communicated in July 2015. Training was scheduled for September 2015 and a management table-top exercise was planned for October/November 2015 at County Hall to test service area resilience and business continuity arrangements.

Veritau's audit of May 2015 concerning business continuity planning was due to be reported to this Committee's meeting in September 2015.

An assurance was provided that the County Council managed its finances appropriately from within central contingencies to respond to unforeseen circumstances.

Resolved -

That the continued progress made with Business Continuity planning and resilience within North Yorkshire County Council, and the updated Corporate Business Continuity Plan, be noted.

122. 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) which advised of progress on issues which the Committee had raised at previous meetings, and provided an update on matters that had arisen since the last meeting which related to the work of the Committee.

Resolved -

That the report be noted.

123. 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 2015 and the opinion of the Head of Internal Audit in respect of the overall governance, risk management and control environment in place within the County Council.
- Breaches of Finance, Contract and Property Procedure Rules identified during 2014/15 audit work.
- Internal Audit performance outturn for 2014/15 and Veritau's 2015/16 performance targets.
- The conclusions arising from the Quality Assurance and Improvement Programme.

The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the County Council was that it provided "Substantial Assurance". In providing that opinion, the Head of Internal Audit had highlighted three significant control issues which were considered relevant to preparation of the 2014/15 Annual Governance Statement. Those three issues were:- Information Security; the Highways Maintenance Contract; and two new operational systems in the Health and Adult Services Directorate.

The Head of Internal Audit considered that the breaches of Finance, Contract and Property Procedure Rules, as summarised in the report, overall were not greatly significant. Information had been shared with management and action taken where appropriate.

Members supported the view that the Highways Maintenance Contract was very important. They noted that the Corporate Director – Business and Environmental Services would be attending the Committee’s meeting in December 2015, which would provide opportunity for further discussion.

Members congratulated the Head of Internal Audit on the performance of Veritau during 2014/15 as set out in Appendix 2 to the report.

Resolved -

- (a) That the overall “Substantial Assurance” opinion of the Head of Internal Audit regarding the overall governance, risk management and 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 of Contract and Finance Procedure Rules, and the actions taken to address these matters, be noted.
- (d) That Veritau’s performance outturn for 2014/15, and the performance targets for 2015/16, be noted.

124. Internal Audit Plan for 2015/16

Considered -

The report of the Head of Internal Audit which sought approval for the planned programme of internal audit work to be undertaken in 2015/16.

The draft Plan had been considered at the Committee’s previous meeting. The version submitted to today’s meeting was the final version which took account of comments which had been received. There were no significant changes in this version compared to the draft. However, this final Plan included a split of days across different audits. The Plan needed to remain flexible to take account of changes in the County Council’s priorities and risk profile. Any changes would be reported to the Committee through regular progress reports.

The Head of Internal Audit provided an assurance that the changes which had been made to the number of audit days were appropriate to the complexity of those audits.

Resolved -

That the Internal Audit Plan for 2015/16, as appended to the report, be approved.

125. Corporate Governance

Considered -

- (a) The report of the Corporate Director - Strategic Resources concerning consideration of the Annual Governance Statement for 2014/15 and an updated version of the Local Code of Corporate Governance.
- (b) The Local Code of Corporate Governance dated May 2015, copies of which were circulated at the meeting.

- (c) An updated version of the Statement of Assurance 2014/15 by the Corporate Director – Health and Adult Services, copies of which were circulated at the meeting.
- (d) The Corporate Governance Checklist Summary, copies of which were circulated at the meeting.

Members were advised that today's meeting provided opportunity for the Committee to review the draft Annual Governance Statement and, at the 16 July 2015 meeting, the Committee would consider the draft Statement of Final Accounts including refinements to the Annual Governance Statement. The aim of these arrangements was to ensure all Members of the Committee would become comfortable with formally approving the Statement of Final Accounts including the Annual Governance Statement at the Committee's meeting on 24 September 2015, thereby ensuring compliance with the County Council's statutory obligations. Recognising the number of possible changes, it was proposed that a sub-group should be created to provide a dedicated resource to review the Annual Governance Statement and provide periodic updates culminating in a feedback report to the Audit Committee on 24 September 2015. Nominations were invited for appointment to the sub-group. The Chairman, Vice-Chairman and Mr David Portlock were proposed for appointment.

The Corporate Director – Strategic Resources invited the Committee to defer, to the July 2015 meeting, consideration of the Local Code of Corporate Governance which had been circulated at today's meeting. Members, having looked through the document, commented that the proposed amendments, which were shown as tracked changes, were very minor and they were happy to make a decision on the document at today's meeting.

In relation to the draft Statements of Assurance, a Member expressed a general sense of disappointment concerning jargon, gaps, missing dates, and that some actions were not SMART. Another Member advised that he was relatively satisfied with the draft Statements.

A Member highlighted that many County Council services were delivered in conjunction with other organisations, eg health organisations, and that some schools were no longer under the County Council's control. The Member also highlighted that, whilst the County Council was reasonably well governed as a unit, governance of the overall arrangements was a separate issue. He asked how the County Council might address that issue. The Corporate Director – Strategic Resources advised that he had already been asked, by Management Board, to consider that issue.

Resolved -

- (a) That the updated Local Code of Corporate Governance, as circulated at this meeting, be recommended for collective approval by the Chief Executive, the Leader of the Council, the Executive Member for Central Services, the Corporate Director - Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services).
- (b) That the Annual Governance Statement 2014/15 appended to the report, together with the intention of formally approving a later version at the meeting on 24 September 2015, be noted.
- (c) That the Committee's Chairman and Vice-Chairman and Mr David Portlock be appointed to serve on the Governance Sub-Group so that a feedback report can be made to Committee on 24 September 2015.
- (d) That the Statements of Assurance be noted.

126. Risk Management - Progress

Considered -

- (a) The report of the Corporate Director - Strategic Resources which set out details concerning the updated Corporate Risk Register, the links between the Corporate Risk Register and the Directorate Risk Registers, and progress on other Risk Management related matters.
- (b) A replacement Appendix B (page 143), copies of which were circulated at the meeting, which showed the links between Directorate risks and the Corporate Risk Register 2015.

A six monthly update of the Corporate Risk Register was carried out in April 2015 when significant amendments made were:- changing the title of a risk from "Preparedness for Implementation of the Care Act" to "Implementation of the Care Act"; changing the ranking of the Long Term Waste Service Strategy from 2-3 to 3-3 to reflect that this project had moved into the construction stage; and the completion of many actions. Various risk prioritisation exercises were being carried out to develop risk registers for specific areas of activity in the County Council, including registers for the Bedale, Aiskew and Leeming Bar Bypass, and for Basic Need (additional school places). The Risk Management Strategy had been reviewed and a "health check" Risk Management audit had been carried out and an opinion of "Substantial Assurance" was given.

Members advised that they felt that Risk Management was well embedded within the County Council, although there was no room for complacency.

Resolved -

- (a) That the updated Corporate Risk Register, as set out at Appendix A to the report, be noted.
- (b) That the links between the Corporate Risk Register and the Directorate Risk Registers, as shown on the replacement Appendix B, be noted.
- (c) That the position concerning other Risk Management related matters be noted.

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

Considered -

- (a) The report of the Head of Internal Audit which:- advised of the internal audit work performed during the year ended 31 May 2015 for the Children and Young People's Services Directorate; 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 advised 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 concerning the Directorate's Statement of Assurance and providing details of the Directorate's new Risk Register.

Note: During discussion, County Councillor Robert Baker advised that he was married to a teacher.

During discussion, the Corporate Director - Children and Young People's Service advised that additional resources were being allocated within the Directorate to improve Governor training and recruitment of Governors. He also advised that there were good systems and processes in place for the Directorate to deliver services in partnership with other agencies through the Children's Trust and Local Safeguarding Board arrangements.. The North Yorkshire Safeguarding Board publishes an annual report and make an assessment of compliance issues, safe recruitment, policies and procedures etc on a partnership basis. The number of Academy Schools in North Yorkshire was anticipated to be around 30 by 31 December 2015 and that number was comparatively small in relation to the total number of schools in the County and other LAs. There was strong engagement with Academy Headteachers in North Yorkshire and a protocol is in place which fully describes roles of academies and the LA.

Resolved -

- (a) That the report, together with the Children and Young People's Service Directorate's Statement of Assurance and Risk Register, be noted.
- (b) That it be noted that this Committee is satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.

128. Programme of Work

Considered -

The Committee's Programme of Work for 2015/16.

Celia Craig (Deloitte) confirmed that the External Auditor had no business for consideration at today's meeting of the Committee, contrary to the indication given in the Programme of Work.

The Corporate Director – Strategic Resources clarified that the governance of outside bodies was an issue within Management Board's Statement of Assurance which would be submitted to the Committee's September 2015 meeting. Governance of outside bodies was not therefore intended to be a separate item of business.

The quantity of business scheduled for the Committee's July 2015 meeting was discussed. The Corporate Director – Strategic Resources advised that the Review of Finance, Contract and Property Procedure Rules could be delayed to the September 2015 meeting. Members expressed support for that suggestion.

Resolved -

That the Programme of Work be approved, subject to the Review of Finance, Contract and Property Procedure Rules being re-scheduled for the September 2015 meeting.

The meeting concluded at 3.35 pm.

RAG/JR



Planning Report to the Audit Committee
For the year ended 31 March 2015

July 2015

the
Distinctive
audit

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I am delighted to present this planning report for the 2014/15 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

Our plan for the 2014/15 audit

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.

The financial challenge

- The medium term financial strategy (MTFS) includes detailed proposals for 2015/16 and projections for the subsequent four years to 2019/20. Having delivered £91.1m of savings in the four years to 2014/15, further savings required over the next five years are estimated to be £75.4m.
- Proposals are in place to address the £17.6m savings required in 2015/16, with proposals exceeding target to enable investment in services. Savings of £36.4m have been identified at high level for 2016-20, leaving a gap to be addressed of £14.2m. The Council continues to address the savings targets through the 2020 North Yorkshire Programme, ensuring a fully co-ordinated long term approach is taken to financial, corporate and service planning.
- Balances of £1m are planned to be utilised in 2015/16 to enable investment in services. The General Fund at £64.7m forecast at 31 March 2015, is currently significantly above the risk-assessed minimum level of 2% plus £20m (equates to £27.5m as at 31 March 2015). The MTFS forecasts the balance reducing to £41.2m by the end of the five years.
- The Council is therefore in a strong position but delivery of the budget reductions remains very challenging.

Key areas of audit focus for 2014/15

Significant audit risks to our opinion on the accounts

- Recognition of grant income;
- Management override of key controls;
- Valuation of Property, Plant & Equipment (PPE); and
- Accounting for interests in group companies and the recoverability of inter-organisational balances.

The risks have been identified based on our understanding of the Council, its objectives and the environment in which it operates.

Further details on each of the identified significant risks are presented later in this report.

Significant audit risks to our value for money conclusion

- Financial resilience, with a focus on financial planning, efficiency plans and 2020 North Yorkshire; and
- Potential impact of continued reductions in capacity on the internal control environment.

Materiality

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

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 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 2014/15 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.”

Chris Powell
Audit Partner

Transition to the new auditors

2014/15 is the final year of our appointment as external auditors to the Council. The Audit Commission has an established protocol in place for the handover of audits between auditors. We will work with KPMG, the Council's new auditors from 2015/16, within the guidance set out in the protocol to ensure as smooth a handover as possible.

Closure of the Audit Commission

The Audit Commission ceased to exist on 31 March 2015. An independent company created by the Local Government Association (Public Sector Audit Appointments Limited) is now responsible for overseeing the external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors and set and determine fees. The National Audit Office is now responsible for issuing guidance to auditors and has confirmed that the Commission's guidance for 2014/15 audits remains in place and is unchanged. We will ensure we comply with that guidance in the delivery of the audit.

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	During the main audit period
<p>We will be in regular contact with the Finance team to ensure we remain up to date with the developing issues at the Council throughout the year, and will discuss, in advance, any papers we wish to present to the Audit Committee.</p> <p>Either Chris Powell as the Audit Partner or Celia Craig as the Audit Director, will continue to attend every Audit Committee. In these meetings we will provide updates on our findings to date, and any relevant regulatory / technical updates.</p> <p>We will also meet regularly with and make ourselves available throughout the year for ongoing discussions with Gary Fielding and the Audit Committee Chair as necessary.</p>	<p>During the audit period we will work closely with the Finance team including Karen Iveson and Katy Riley.</p> <p>We will ensure we summarise our findings on the financial statements audit, and raise any issues with the Finance team early as they emerge.</p> <p>We will work with Michael Leah as our key point of contact for the Value for Money conclusion.</p> <p>We will hold a close meeting with management to discuss the contents of our report to the Audit Committee.</p>
Open feedback process	Responding to queries and requests
<p>We will carry out debrief meetings with Gary Fielding, Peter Yates, Karen Iveson and Katy Riley 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.</p> <p>We will respond to this feedback with agreed actions and timescales.</p> <p>We will also seek direct feedback through regular meetings during the year.</p>	<p>We will always endeavour to respond to queries and requests on a timely basis and to give definitive timescales for delivery or their resolution.</p> <p>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.</p> <p>We will make ourselves available to discuss issues as they arise, in advance of the year end to smooth the closedown and accounts production processes.</p>

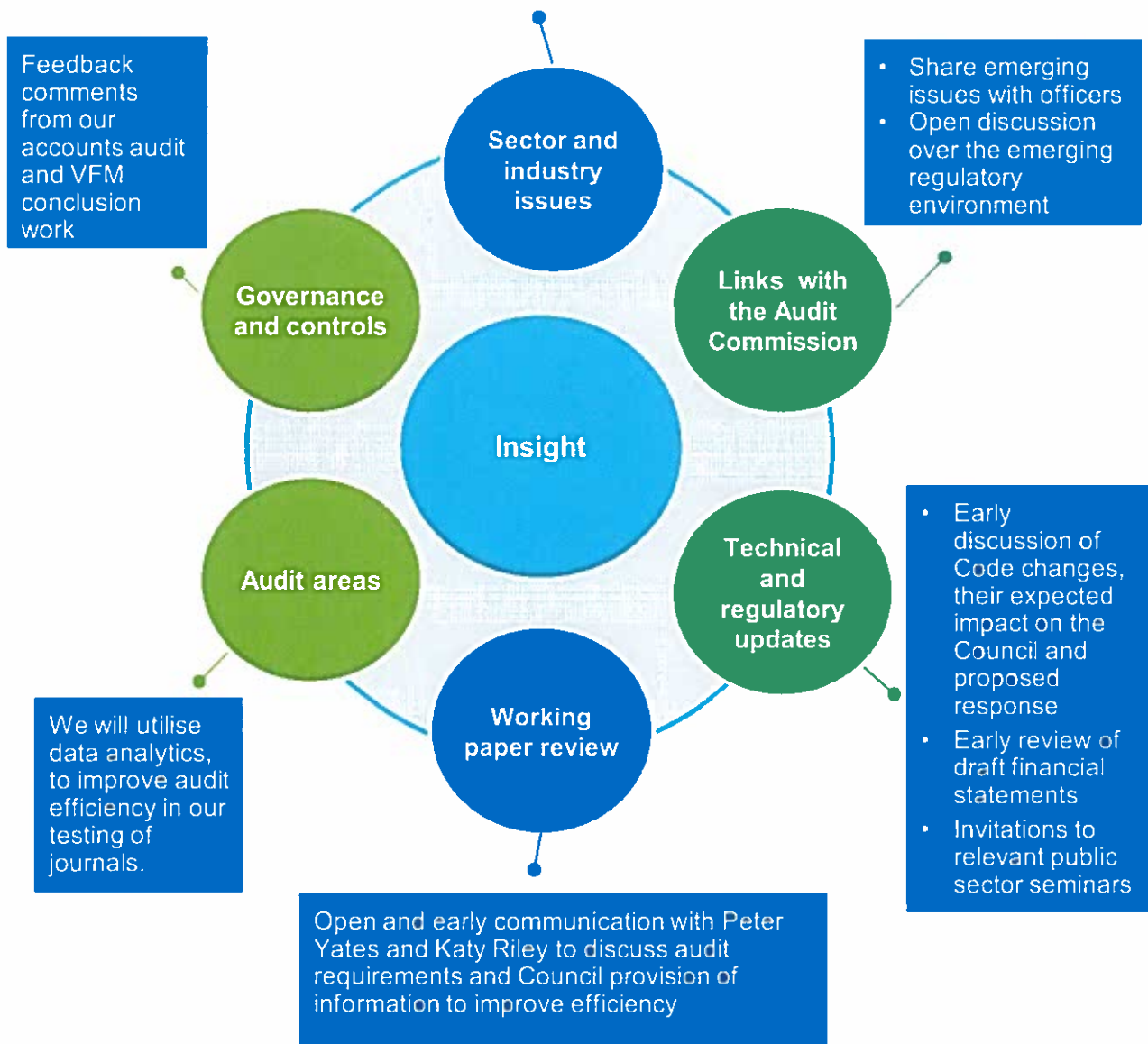
Bringing you insight

We have summarised below some of the ways we will provide the Council with insight during 2015



Sharing knowledge of sector developments, for example:

- We have attached at Appendix 6 a summary of our research into the state of local public services
- We will discuss relevant Deloitte publications with senior staff to raise awareness of sector issues



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.

For the Council's 2014/15 financial statements, we have calculated materiality based on gross expenditure for the year ended 31 March 2015, to be £15.5m (prior year £16m). We will report to the Audit Committee on all unadjusted misstatements greater than the clearly trivial threshold and other adjustments that are qualitatively material. The threshold for the 2014/15 audit is £310k (prior year £320k).

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.

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.

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. At this stage we do not anticipate any grant certification work being required.

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; and
- 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.

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.

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.

Scope of work and approach (continued)

Independence

We confirm we are independent of the Council. We will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2015 in our final report to the Committee. Appendix 2 sets out proposed fees for the year.

Approach to controls testing

As set out in "Briefing on audit matters" included as Appendix 7, 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").

We will consider the results of our procedures in respect of the Council's controls and the extent of any impact our findings have on our substantive audit procedures.

Obtain and refresh our understanding of the Council and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

Scoping of material account balances, classes of transactions and disclosures

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

Liaison with Internal Audit

We continue to rely on the work of the Internal Audit function 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 current approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and 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.

We have recently met with Internal Audit to discuss their work to date for 2014/15 and the plans for the year ahead. We will arrange further meetings and review relevant internal audit reports prior to, and during, the main audit period.

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. Work in this area is carried out in line with instructions from the National Audit Office. We will consider the requirement to review the WGA return and undertake appropriate procedures accordingly.



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.

1. Revenue recognition

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

Nature of risk

International Standards of Auditing (UK and Ireland) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to presume that there is a risk of fraud with respect to the recognition of revenue.

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 judgement 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 judgement to determine that there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

Audit work planned to address the significant risk

We will test the design and implementation of controls that management has in place to ensure income is recognised in the correct period.

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

We will test a sample of grant income which has been deferred to future accounting periods (in either creditors or reserves) to assess 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.

2. 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 occupy 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 judgement;
- omitting, advancing, or delaying recognition of events and transactions;
- engaging in complex transactions that are structured to misrepresent the 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 will update our understanding of the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements.

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;
- review managements assumptions, particularly those in relation to the pension liability to consider 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.

3. Valuation of property, plant and equipment

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

Nature of risk

CIPFA guidance provided clarification over the frequency of valuations required in relation to property, plant and equipment, confirming that all assets within a category must be revalued at the same time and that five years is an acceptable timeframe for a rolling programme but within this, it is necessary to ensure 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 requirement to consider material differences between carrying value and fair value at the balance sheet date, the Council obtains a valuation of a sample of assets from each category that is used to index the carrying value.

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

The Council's approach is compliant with the guidance but 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 judgement.

Audit work planned to address the significant risk

We will test the design and implementation of controls put in place to carry out and record valuations.

We will obtain a copy of the third party valuation report for the categories revalued in full in the year and 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 undertake an evaluation of the appropriateness and validity of the methodology and 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 2014, 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 2015 to ensure the results of the valuation have been appropriately reflected in the underlying accounting records.

We will review managements 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.

4. Group companies

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

Nature of risk

Accounting for interests in group companies and the recoverability of inter-organisational balances can require significant judgement 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;
- 78% shareholding in Yorwaste Limited;
- 50% shareholding in Veritau Limited and an indirect 25% in Veritau's subsidiary Veritau North Yorkshire Limited; and
- 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.

Value for money conclusion

This section sets out our comments regarding our approach to local value for money (VFM) audit work at councils as specified by the Audit Commission. We explain the nature of the risk itself and how these risks will be addressed by our audit work.

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.

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 2014/15
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 any challenge work undertaken in response to questions or objections received from electors;
- 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 2014/15; 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 2014/15, 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.

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 2019/20 is in place.

Savings in place for 2015/16 together with other improvements in the financial position exceed the requirement by £7.2m which, together with £1m from General Balances will be invested in specified priority areas. High level proposals totalling £36.4m and improvements in the financial position of £3.3m have been identified for the subsequent years, leaving a current gap of £14.2m to identify.

The 2020 North Yorkshire programme is critical to the achievement of the financial strategy and addressing the savings. Project management arrangements are well established and monitoring of savings has been further strengthened over recent months.

Progress in rationalising the estate has been slower than preferred but increased priority is now being attached to this work stream, with proposals due to be prepared by September 2015. While savings on running costs of £1.5m are included in the MTFS to be achieved by 2020, we understand that the project is focusing on wider considerations and is now being linked to the Service reviews within the 2020 Programme. It is essential that decisions made are driven by Service needs and work is currently ongoing to identify and collate those needs in order to identify how those needs can be met. Implementation of proposals will inevitably take some time so it is essential that momentum in this area is maintained.

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 and our assessment in our 2013/14 audit that the project management arrangements are appropriate, we do not at this stage anticipate undertaking any detailed audit work in relation to 2020 North Yorkshire programme. We will, however, update our understanding of project management arrangements and maintain a watching brief over progress.

We will maintain a watching brief over progress in developing the proposals for rationalising the estate.

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 2013/14 audit and have not identified any specific risks in 2014/15, 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. Challenge work

Where relevant, the results of any work undertaken in response to questions or objections received from electors will be taken into account for our VFM conclusion.

Background

In accordance with the Audit Commission Act 1998 (the Act), we are required to give electors the opportunity to raise questions on the accounts and to consider and decide upon objections received in relation to the accounts.

Questions and objections can only be raised in relation to the year under audit and up until the time the audit is certified as completed, at which point the accounts are closed for audit purposes.

Questions must relate to fact and not opinion or policy.

Objections must comply with the requirements of Section 16 of the Act and regulation 17 of the Accounts and Audit Regulations 2003, and must request the auditor to:

- issue a report in the public interest; and / or
- apply to the courts for a declaration that an item of account is contrary to law.

Whilst questions must relate to a financial transaction in the accounts in the year under audit, matters raised may lead to consideration of arrangements relevant to our VFM conclusion.

Audit work to respond to questions and objections

Audit work is responsive to matters raised by electors so cannot be planned. To date we have considered four questions raised in relation to:

- library services in Scarborough;
- a new pedestrian crossing in Scarborough;
- street lighting in Hungate; and
- the construction of the new primary school at Bentham.

Work to date has not identified any additional risks in relation to our VFM conclusion.

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. We enhance this reporting with observations arising from our audit work which are designed to help the Audit Committee discharge its governance duties. Our report includes:

- our audit plan, including key audit judgements and the planned scope and timing of our audit; and
- key regulatory and corporate governance 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 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" circulated to you with this report.

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
Chartered Accountants

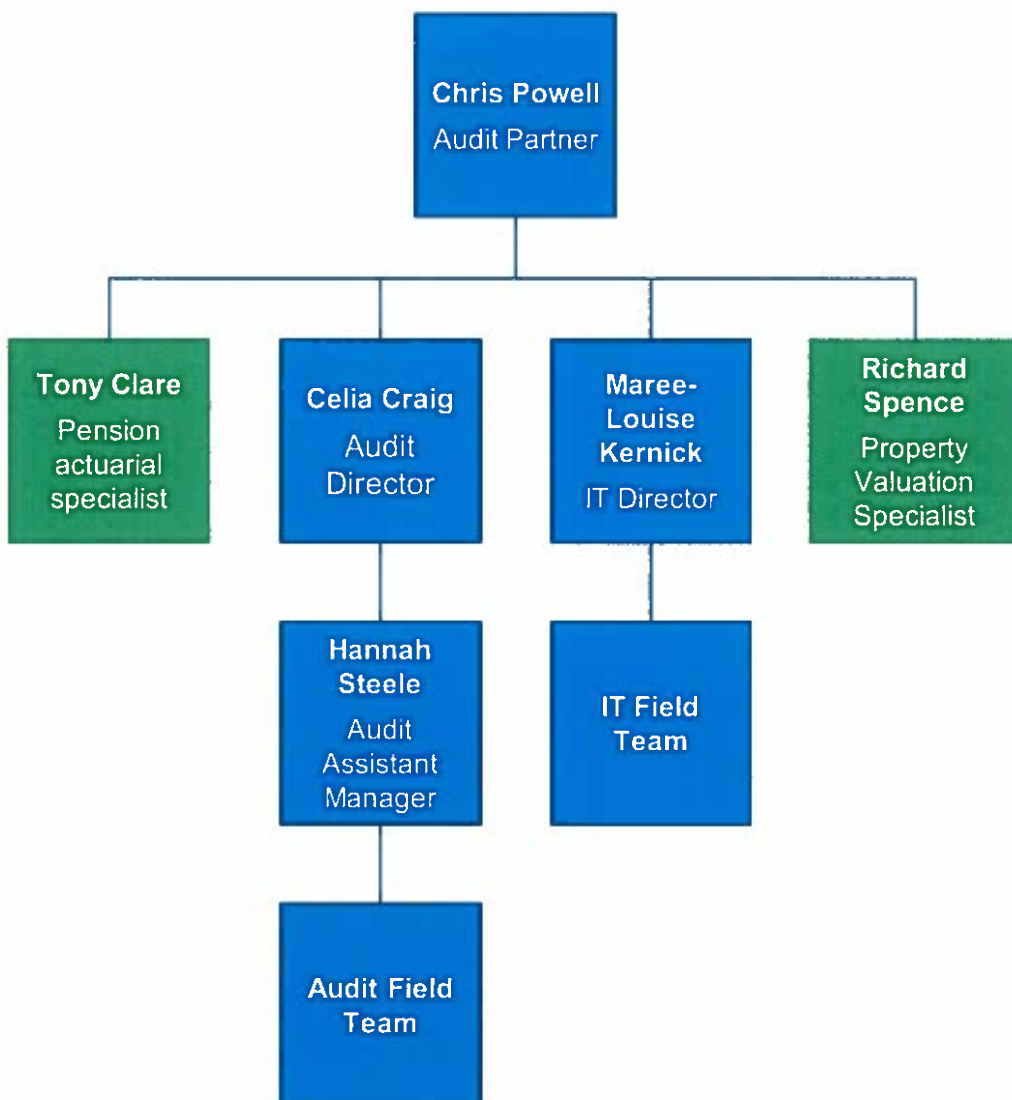
Leeds
July 2015

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

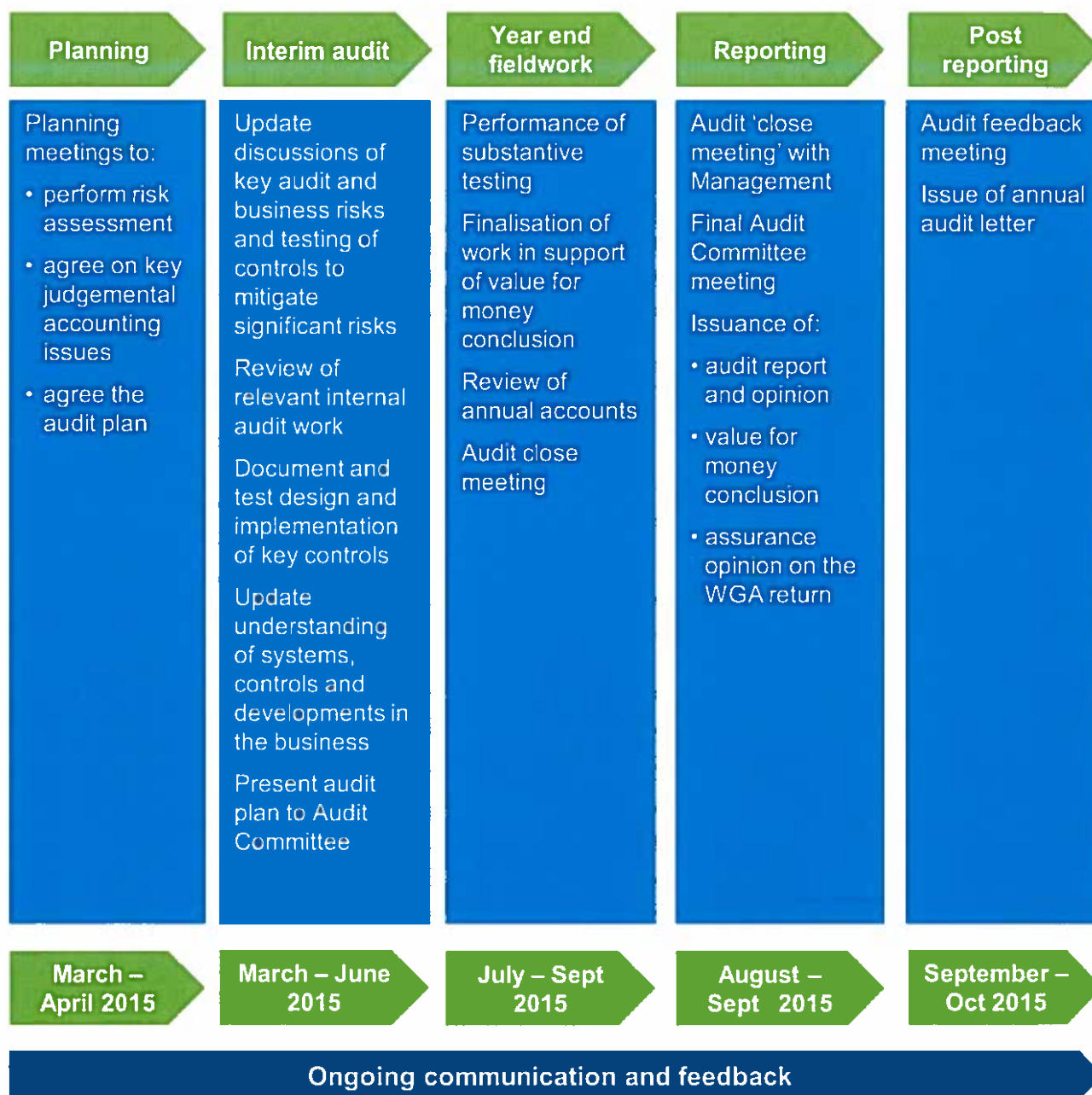
Appendix 1: Your audit team

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 1: Timetable (continued)

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.



Appendix 2: 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 2015 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 and are presented in the table below.

We confirm that we have not performed any non-audit work for the year ending 31 March 2015.

	2014/15*	2013/14
	£	£
Fees payable in respect of our work under the Code of Audit Practice in respect of:		
Council's annual accounts, assurance report on the Whole of Government accounts and the value of money conclusion	125,987	125,987
2013/14 challenge work	-	3,000
Audit of the Pension Fund	24,943	24,943
Total Audit fees	150,930	153,930

* Excludes fees for challenge work due to uncertainty of requirements.

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 3: 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

Our responsibilities and those of the Council are explained in the Audit Commission's publication, 'The Responsibilities of Auditors and of Audited Bodies – Local Government' issued March 2010.

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 3: 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 4: Prior year audit adjustments

The following uncorrected audit adjustments were identified during the course of our audit in the prior year.

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

Description	Net assets	Unusable reserves
	DR / (CR)	DR / (CR)
	£000	£000
County Hall valuation	900	(900)
Pension asset overstatement		
Factual differences in valuations	(2,352)	2,352
Extrapolated difference in valuations	<u>(1,112)</u>	<u>1,112</u>
Total	<u>(2,564)</u>	<u>2,564</u>

Appendix 5: 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 North Yorkshire County Council
<ul style="list-style-type: none"> The revised Code includes extensive revisions for Group Accounts to reflect the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011. 	<ul style="list-style-type: none"> IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> are relevant to the Council and should be considered when preparing the Group accounts.
<ul style="list-style-type: none"> The Code incorporates amendments to IAS 1 in respect of the new requirements for specific comparative information and clarification regarding the complete list of financial statements. 	<ul style="list-style-type: none"> The Council should consider the changes in the Code when preparing the statement of accounts.
<ul style="list-style-type: none"> The Code now incorporates CIPFA's updated <i>How to Tell the Story</i>, which is intended to help CFOs and other senior staff present the financial statements to members and other key stakeholders, by explaining how the formats can be used to convey key information in these areas, and covers the main financial statements. 	<ul style="list-style-type: none"> The Council should consider the guidance within the Code when preparing the statement of accounts to be ensure financial information is best presented to the users of the accounts.
<ul style="list-style-type: none"> The Code has been updated for the consequences of the accounting requirements for the second phase of The Carbon Reduction Commitment Energy Efficiency Scheme, which runs from April 2014 until March 2019. 	<ul style="list-style-type: none"> The Council should consider whether this has a material impact on the accounts.
<ul style="list-style-type: none"> The Code adopts amendments made to IAS 32 <i>Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities)</i>, December 2011. This includes amended disclosures for certain types of specific financial instruments. 	<ul style="list-style-type: none"> The amended disclosures should be considered when preparing the statement of accounts.
<ul style="list-style-type: none"> The 2014/15 Code Guidance Notes include new requirements to consider Local Authority maintained schools as entities over which the Council has control. This may have an impact on the Council's group accounts and associated disclosures such as related parties. 	<ul style="list-style-type: none"> The Finance team has concluded that there is no impact of this guidance on the accounts. We are currently considering the review carried out by the Finance team.

Appendix 6: 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 2014, 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.

Pride and pragmatism

Faced with unprecedented budget reductions, public sector organisations have adapted significantly since 2010. Many Executives confirmed they had managed to maintain standards in service delivery and in some cases make improvements.

Interviewees told us the most common changes in recent years included cutting headcount numbers, reducing lower priority services and collaborating more effectively with other sectors.

A significant number spoke about pushing accountability down, which they felt improved efficiency but made management roles more challenging.

Risk, uncertainty and crises

A number of executives expressed concerns over the ability of public sector services to cope with future austerity measures.

Most recognised that the cuts to come would be more challenging than those already achieved and that the changes they expect to make will have increasingly profound implications for their organisations.

Many interviewees also spoke about increased demand for services due to cuts in other areas of the public sector including welfare reform. A significant number also commented that local politics or economics presented additional barriers to initiatives for dealing with budget cuts.

Constructive political narrative

Our research suggests that those running our public services believe that national politicians could do more to lead a national debate on what citizens should expect from public services and local politicians could do more to engage citizens in what they should expect locally. There is a current perception that politicians often criticise public services but rarely help citizens appreciate that spending reductions may lead to reduced levels of service. As a result, citizens have unrealistic expectations about state provision. In addition, public sector employees feel exposed and unsupported by political leadership, exacerbating recruitment and retention challenges.

Appendix 6: State of local public services (continued)



Talent management

Our interviews found that people issues have begun to preoccupy many public sector Chief Executives. They told us about difficulties in attracting, recruiting and retaining people for a range of key jobs.

Some interviewees described specific recruitment difficulties for nurses, teachers, social workers and public health analysts. The most-often cited causes were that the area struggles to attract people, that some professionals are in limited supply and the public sector cannot compete with the private sector on pay and conditions.

Many Chief Executives told us that workforce reductions had lowered staff churn and they were beginning to feel the effects of not having new staff to bring new perspectives and ideas. Others commented that morale had been affected by cuts and continued criticism of the public sector. A further specific issue raised by many interviewees was the need for more training in change-management for middle managers.

The three most commonly-cited factors influencing retention were stress, weak career progression opportunities and pay and conditions.

Technology, estates and ways of working

Our interviews suggest that attitudes to technology, ways of working and estate management differ across local public services.

Most executives felt their organisations had started to make progress with technology and that technology which enabled front line delivery, such as mobile working for social workers tends to have been prioritised. Budgets, inflexible IT contracts and concerns over data security were cited as barriers to effective use of technology.

Some said they were reticent to introduce flexible working patterns while others recognised they could have a role to play in attracting and retaining talented staff.

A number of chief executives felt they had reduced their organisation's estate as far as they could, but others felt there was more they could do. Typical activities undertaken in recent years include the closure of unviable schools, consolidation of office space and sale of unused buildings. Some told us that the potential for cost reductions were more limited in their areas, where land and property is less expensive. Political issues were also cited as barriers to change, noting that closing police stations and hospitals is invariably unpopular.

The full report, *The State of the State 2014-15* is available on our website at www.deloitte.co.uk. We would be happy to discuss the report in more detail, including how the major themes identified affect the Council.

Appendix 7: 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

<p>Primary audit objectives</p>	<p>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:</p> <ul style="list-style-type: none"> • 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 express an opinion as to whether the entity has put in place appropriate systems and processes to secure value for money in its use of resources; and • to express an opinion as to whether the Annual Governance Statement, is consistent with the financial statements and our knowledge of the Council.
<p>Other reporting objectives</p>	<p>Our reporting objectives are to:</p> <ul style="list-style-type: none"> • 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 7: 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 member 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.

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.

Appendix 7: Briefing on audit matters (continued)

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 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 7: 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 7: 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 7: 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.



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Member of Deloitte Touche Tohmatsu Limited



Planning Report to the Pension Fund Committee and Audit Committee for year ending 31 March 2015

July 2015

the
Distinctive
audit

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I am delighted to present our planning report for audit of the North Yorkshire Pension Fund's 2014/15 accounts. This report sets out our audit approach and the more significant areas where we will focus our attention this year.

Chris Powell, Engagement Partner



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.

Key developments in your Pension Fund

- Adoption of LGPS 2014 and transition to Career Average Revalued Earnings (CARE) as basis of pension calculation for current service
- The triennial valuation dated 31 March 2013 was completed by Mercer, showing the assets of the fund to be £1,841m and the Past Service Liabilities to be £2,509m (funding ratio: 73%)
- This valuation established a new schedule of rates with aggregate employer contributions for the 3 years commencing 1 April 2014, 1 April 2015 and 1 April 2016 as being 13.8% of pensionable pay
- There are no significant changes to the financial reporting framework
- Focus within the sector on administration and investment manager fees
- The Pensions Regulator is taking on the role of the regulator of Local Government Pension Schemes from 1 April 2015
- Additional governance arrangements will be applied from 1 April 2015 as required by the Public Sector Pensions Act 2013

Key developments in our audit

- No changes to the overall scope of our audit. We have estimated materiality at the planning stage to be £21.7m based on Q3 net assets of the fund, although this will be confirmed once the materialities for the scheduled and admitted bodies are received from the auditors of those other organisations.
- Contributions remain a risk in view of the complexity arising from the participation of different admitted bodies within the fund, together with the fact that members pay different rates depending on their pensionable pay.
- Benefits in retirement and ill health remain a risk in view of complexities around their calculation and the implementation of LGPS 14.
- The pension fund in the past has made some use of investments in absolute returns vehicles and quoted property funds which can give rise to complexities in 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 risk due to the unique position management are in to override the controls present. This role is focused around the use of journals, accounting estimates and unusual transactions outside the normal course of business.

Significant Audit Risks

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

A reminder on our conclusions in 2013/14

- In September 2014, we issued the Fund with an unmodified audit opinion on the financial statements.





The big picture

Significant risks

The below dashboard summarises the significant risks we have identified as part of our planning procedures. These are the risks which we consider require a detailed response from the Auditor to address the risk of a material misstatement being undetected by audit procedures.

Each risk is explained in detail on the subsequent pages, together with any observations from our planning procedures.

Auditing standards require us to presume that a significant risk of fraudulent financial reporting exists with respect to the management override of controls, owing to management's unique position to influence the presentation of balances within the accounts.

	Material	Fraud risk	Planned controls testing approach	Level of management judgement
Calculation of Contributions	✓	✗	Design and implementation of controls	
Benefits	✓	✓	Design and implementation of controls	
Investments	✓	✗	Design and implementation of controls	
Management override of controls	✓	✓	Design and implementation of controls	



High level of management judgement



Medium level of management judgement



Low level of management judgement

Our audit quality promise

Our audit quality promise

Our quality standard



The quality of our audit delivery is of great importance to us. In order to ensure we deliver an 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 your control environment, systems and audit risk areas; and
- how we ensure that our team is delivering the best quality audit at every level.

This section sets out our commitments to management, 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 good degree of continuity to deliver the 2014/15 audit. We will support this team with skilled, experienced and knowledgeable individuals to ensure the timely and effective delivery of our audit.

Chris Powell
Audit Partner

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 6 monthly 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 Audit Committee where updates on the audit progress will be presented.

During the main audit period

We will diarise status updates with the Pensions 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.

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

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.

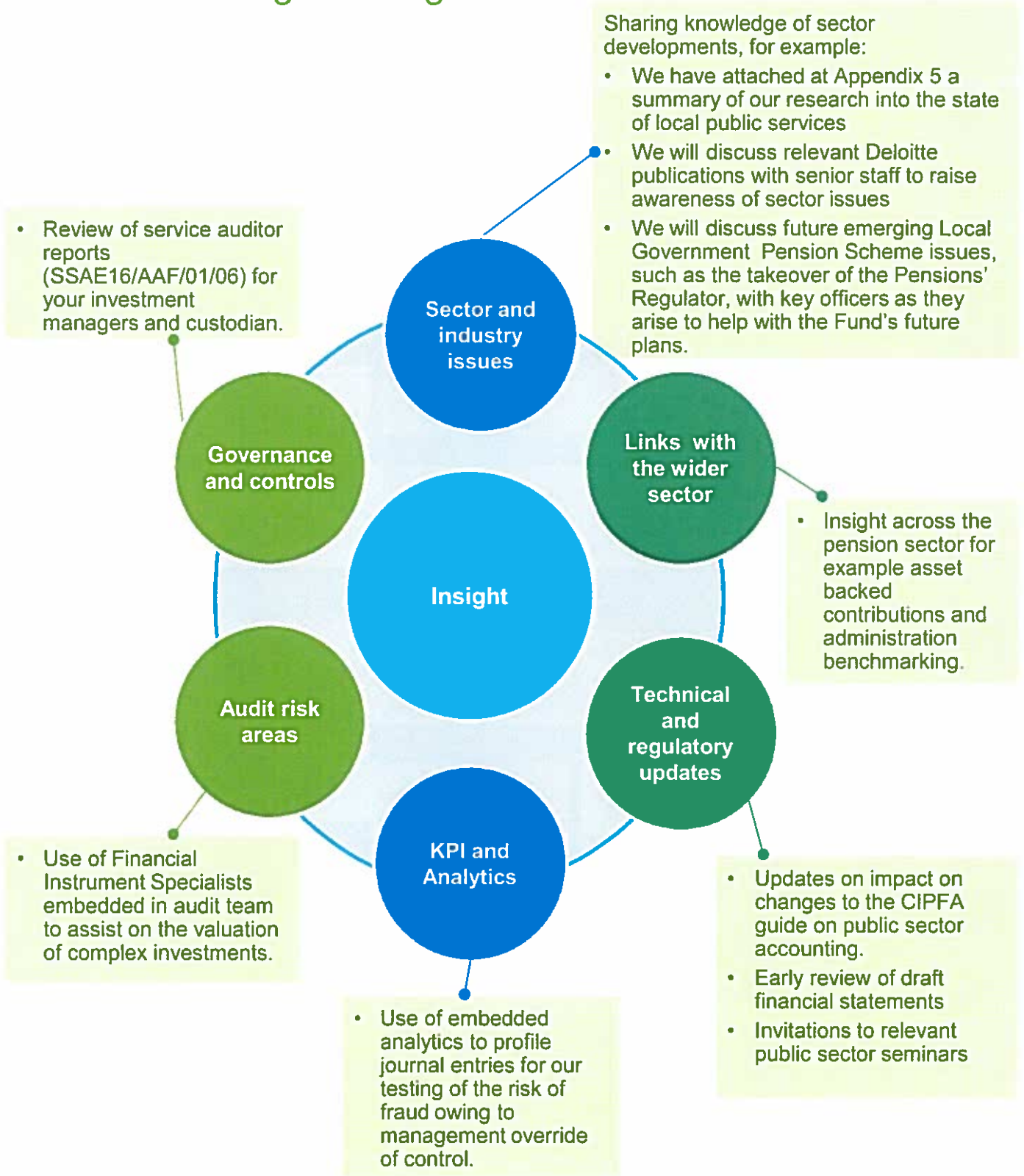
We will proactively set up meetings to discuss any technical accounting or regulatory developments, which could have a significant impact on the Fund, as soon as we become aware.

We will make ourselves available to discuss issues as they arise, in advance of the year end to smooth the closedown and accounts production processes.

Bringing you insight



We have summarised below some of the ways we have and continue to provide the Fund with insight during 2014/15



Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements, as well as in relation to our other responsibilities as your external auditors. 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 upon guidance issued by the Audit Commission, auditors are again asked, for audit purposes, to treat the Local Government Pension Scheme (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

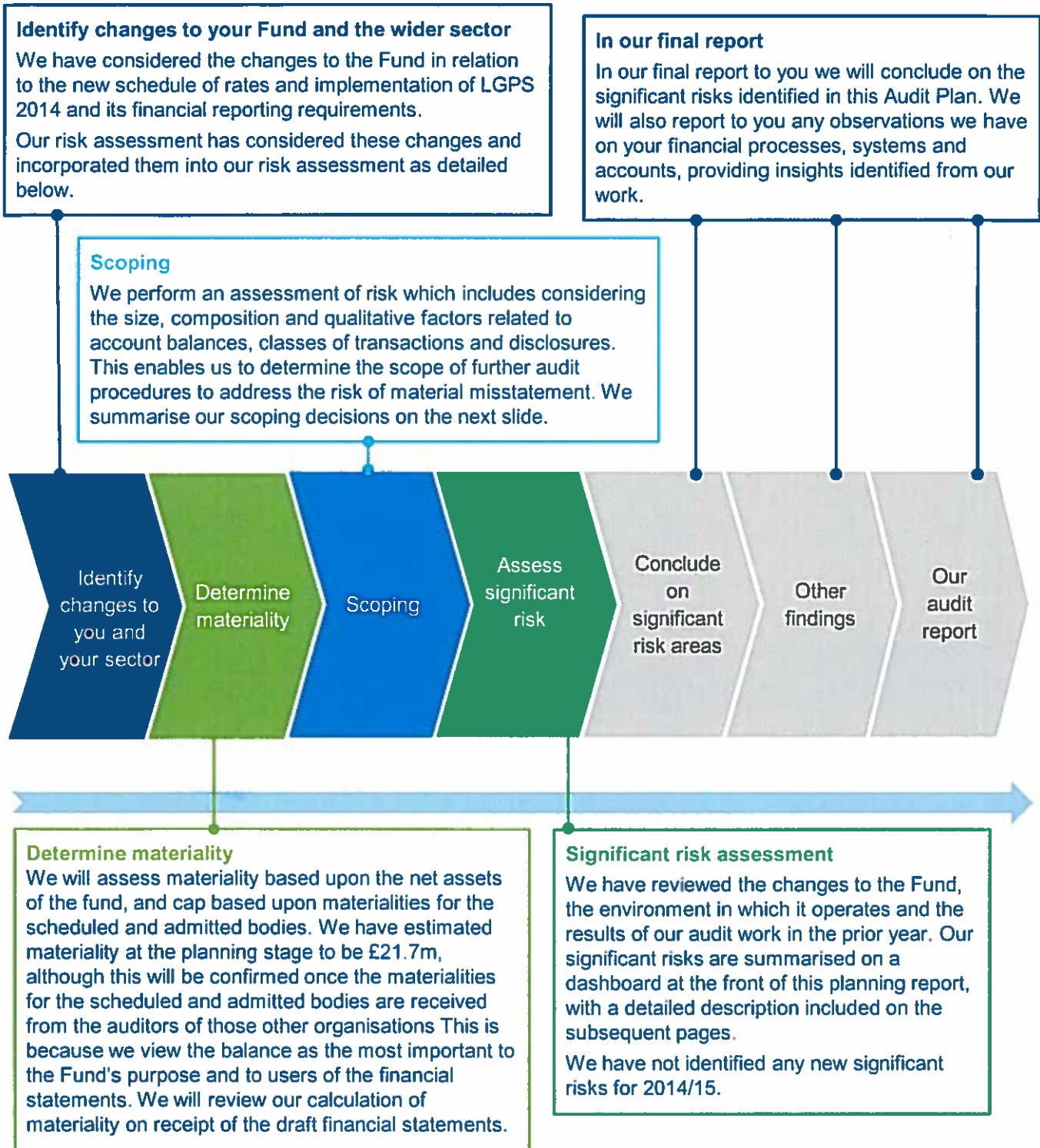
The audit opinion we intend to issue as part of our audit report on the Authority's financial statements will reflect the financial reporting framework adopted by the pension fund. This is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the "Code of Practice").

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 with 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.

Our audit explained

We tailor our audit to your Fund and your strategy



Quality and Independence

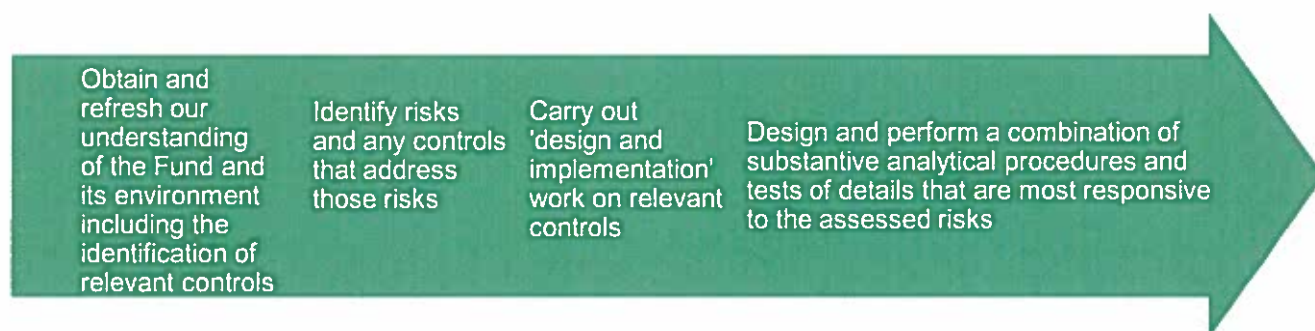
We confirm all Deloitte network firms are independent of North Yorkshire Pension Fund. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Scope of work and approach (continued)

Approach to controls testing

As set out in "Briefing on audit matters" included 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").

We will consider the results of our procedures in respect of the Fund's controls and the extent of any impact our findings have on our substantive audit procedures.



Liaison with internal audit

We continue to rely on the work of the Internal Audit function 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 current approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and 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.

We plan to hold discussions with the Head of Internal Audit to understand the work they have performed in the year and any weaknesses they have identified in the control environment, so we can assess their impact and plan our audit response.



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 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 further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

For the Funds 2014/15 financial statements, we have estimated materiality at the planning stage to be £21.7m based on Q3 net assets of the fund. We will report to the Audit Committee on all unadjusted misstatements greater than £434k and other adjustments that are qualitatively material. Materiality will be confirmed once the materialities for the Scheduled and Admitted bodies are received from the auditors' of those organisations.

1. Contributions

There are complexities around the calculation of contributions.

We have identified the calculation of contributions as a significant risk on the grounds that:

- There is complexity arising from the participation of different employers within the fund, and employees paying tiered contribution rates depending upon their pensionable pay;
- A new schedule of rates relating to 1 April 2014 and beyond has been brought into force, varying the rates at which employers are expected to pay. This is as a result of the actuary's triennial valuation dated 31 March 2013;
- Complexity also arises because pensionable pay now includes non-contractual overtime for part-time staff; and
- This remains a material income stream for the Fund.

The key judgement areas and their potential impact upon 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.

Our approach

- We will request that management provides an analysis of contribution rates by employer;
- We will test the design and implementation of controls management has put in place to ensure contributions are paid over at the correct rates. We will also perform tests of detail to consider whether each material income stream has been calculated in accordance with the recommendations of the Actuary;
- We will agree monthly payments of contributions to independent member body returns;
- On a sample basis, we will review individual payslips to test the accuracy of the calculation of pensionable pay and to confirm whether the contributions deducted from members have been calculated correctly, in accordance with the schedule of rates;
- On a sample basis we will agree change in membership included in the membership statistics; and
- We will perform an analytical review to gain assurance over the completeness of contributions.

2. Benefits

There are complexities surrounding the calculation of benefits in retirement, ill health and death benefits, as well as adoption of LGPS 14 regulations in the period.

We have identified the calculation of benefits as a significant risk on the grounds that:

- There is complexity arising from the calculation of benefits in retirement, specifically with the adoption of LGPS 2014 and transition to Career Average Revalued Earnings (CARE) as basis of pension calculation from 1 April 14 onwards.
- There have been changes to the accrual and revaluation rate in year, which increases the complexity involved in the calculation of benefits;
- The calculation of ill health retirements and death benefits is inherently complex; and
- This remains a material class of transactions.

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

The significant number of benefits paid each year and the complexity of the calculations means that incorrect calculation could yield a material error.

Given that payments are made based upon clearly defined rules, there is very limited scope for management judgement in this area.

Our approach

- We will test the design and implementation of controls management has put in place to ensure benefits are calculated in accordance with LGPS regulations;
- We will request that management provide us with a schedule of benefits paid and supporting calculations, and test whether benefits have in all material respects been paid in accordance with the scheme rules;
- We will develop an expectation based upon changes in membership numbers and pension increases to analytically review benefits paid in the year;
- We will review the NFI matches to identify the level of payment made by the Fund to deceased members;
- On a sample basis we will test the calculation and payment of individual benefits;
- On a sample basis we will agree change in membership included in the membership statistics; and
- We will consider on a test basis whether any changes in benefit rates, including the annual uplift, were applied on a timely basis and correctly calculated.

3. Investments

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

We have identified the valuation of investments as a significant risk.

- The pension fund's investments include absolute return vehicles and quoted property funds.
- The valuation of absolute return vehicles and quoted property funds is normally undertaken by the fund managers. As these investments are more complex to value, we have identified the Fund's investments in absolute return vehicles and quoted property as a significant risk.

The key judgement areas and their potential impact upon 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.

Our approach

- We will perform design and implementation procedures on the reconciliation of investments undertaken by management at year end;
- We will vouch the underlying fund manager portfolio valuations received directly by Deloitte to those reconciliations prepared by the Scheme as at 31 March 2015;
- For a sample of investments where independent prices are available, we will confirm the prices quoted by the investment managers to independent pricing sources. Where such prices are not available, we will perform alternative procedures such as reviewing transactions around year-end or performing 'look through' testing; and
- We will liaise with internal financial instrument specialists as part of the above assessment of our approach.

4. Management override of controls

In accordance with International Standards on Auditing (ISA 240), we presume that there is a risk of fraud as a result of management override of controls.

Our approach

- ISA 240 requires auditors to identify a presumed risk of management override of controls. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place. 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 in the year end accounts;
- We will request that management provides us with an analysis and supporting documentation for journal entries, key estimates and judgements;
- We will perform focussed work on the testing of journals, using data analytics to profile the journal population and focus our testing on higher risk journals; significant accounting estimates, and any unusual transactions, including those with related parties; and
- We will use enhanced data analytics to provide support and enable more targeted testing of items which bear the characteristics of a risk.

Data Analytics

We will use our patented Data Analytics tool to drill down into balances and undertake more focussed testing, more appropriate to the account balance or class of transaction. Analytics enables us to undertake sample testing in a risk-focused and user-friendly way.

We are embedding data Analytics technology in all our testing. This provides audit teams on the ground with a range of tools to understand trends in data and highlight areas of audit interest, allowing for more focussed and meaningful testing of risk areas.

We will use Data Analytics to give us insight into your annual financial statements. We will also use Data Analytics to identify high risk journals for our testing the specific identified risk of Management override of controls.

Data Analytics tools will help us to deliver audits in more insightful, better way.

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. We enhance this reporting with observations arising from our audit work and our Insight Plan performed to date which are designed to help the Pension Fund Committee and Audit Committee discharge their governance duties. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit; and
- Key regulatory and corporate governance 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 Scheme 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 we have included as an Appendix to this report.
- 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
June 2015

This report has been prepared for the Pension Fund Committee and 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 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	<p>We confirm we are independent of 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 2015 in our final report to the Pension Fund Committee and Audit Committee.</p> <p>The engagement partner and senior manager have a "long association" with North Yorkshire Pension Fund having already worked on the fund audit for seven financial year ends. Nevertheless, we have implemented safeguards, such as the inclusion of an Independent Review Partner, a Strategically Focussed Second Partner, as well as an additional junior manager. Each of these additional roles will provide robust and independent challenge to work conducted on our audit of the Fund.</p>
Fees	<p>Our audit fees are set by the Audit Commission in line with national scale fees. Details of the non-audit services fees proposed for the period have been presented separately on the following page.</p>
Non-audit services	<p>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.</p>

Appendix 1: Independence and fees (continued)

We have set out below our audit fees for 2014/15

The professional fees earned or proposed by Deloitte in the period from 1 April 2014 to 31 March 2015 are as follows:

	Current year £'000	Prior year £'000
Audit of the North Yorkshire Pension Fund	25	25

There are no non-audit services provided or proposed to North Yorkshire County Council Pension Fund for the period from 1 April 2014 to 31 March 2015.

Professional fees earned or proposed by Deloitte for services in the period from 1 April 2014 to 31 March 2015 in respect 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 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 above we have identified the risk of fraud in management override of controls as a key audit risk for your organisation

Our responsibilities and those of the Authority are explained in the Audit Commission's publication, 'The responsibilities of Auditors and of Audited Bodies – Local Government' issued March 2010.

Appendix 2: Fraud: responsibilities and representations (continued)

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

We will make the following inquiries regarding fraud:

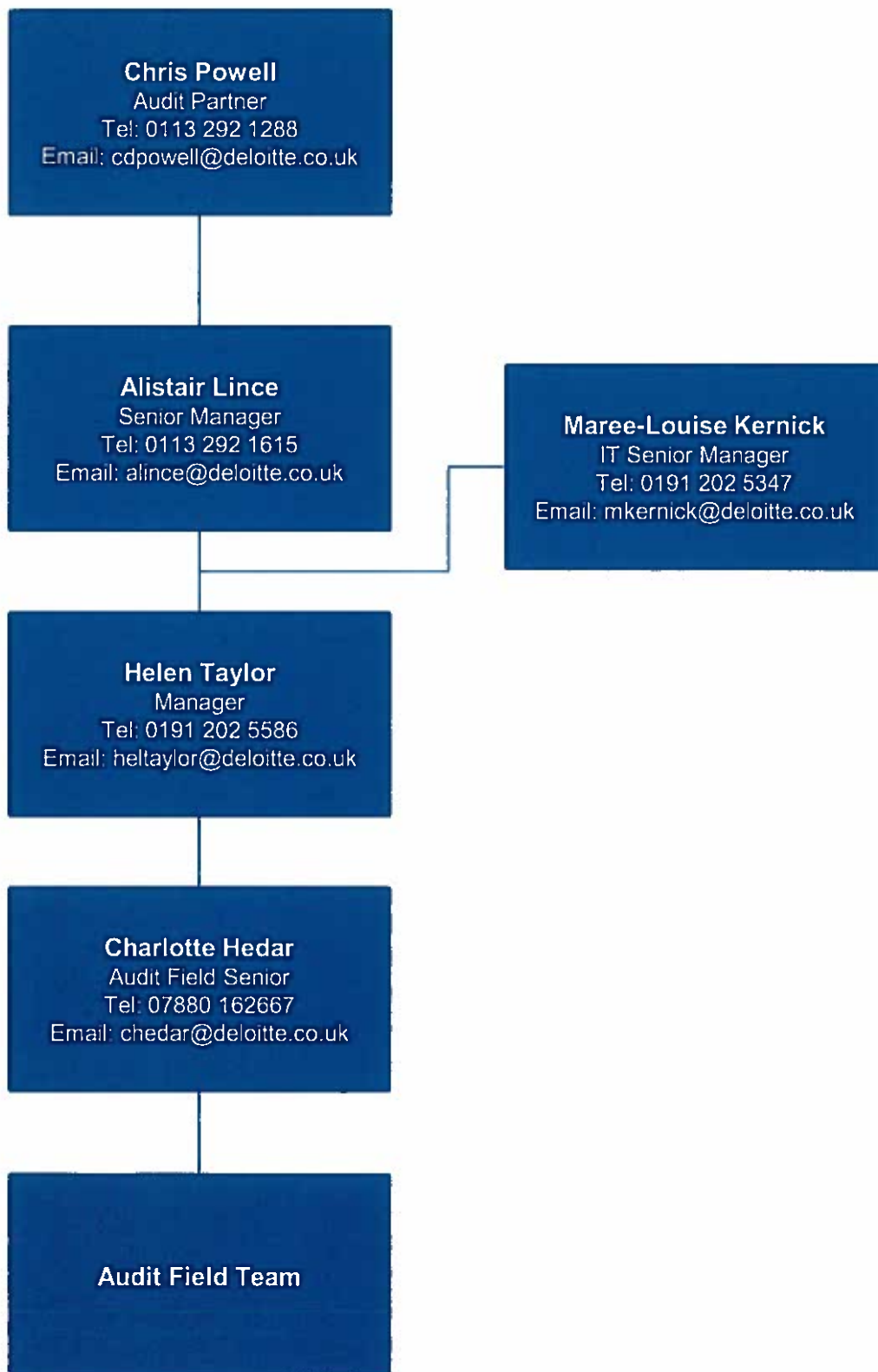
Management	Internal Audit	Those charged with governance
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments.</p> <p>Management's process for identifying and responding to the risks of fraud in the entity.</p> <p>Management's 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>Management's 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, to obtain their views about the risks of fraud, and to obtain status reports on fraud cases during 2014/15.</p>	<p>How the committee exercises oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management have established to mitigate these risks.</p> <p>Whether the committee has knowledge of any actual, suspected or alleged fraud affecting the entity.</p> <p>The view of those charged with governance on the most significant fraud risk factors affecting the Authority.</p>

We will request 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.

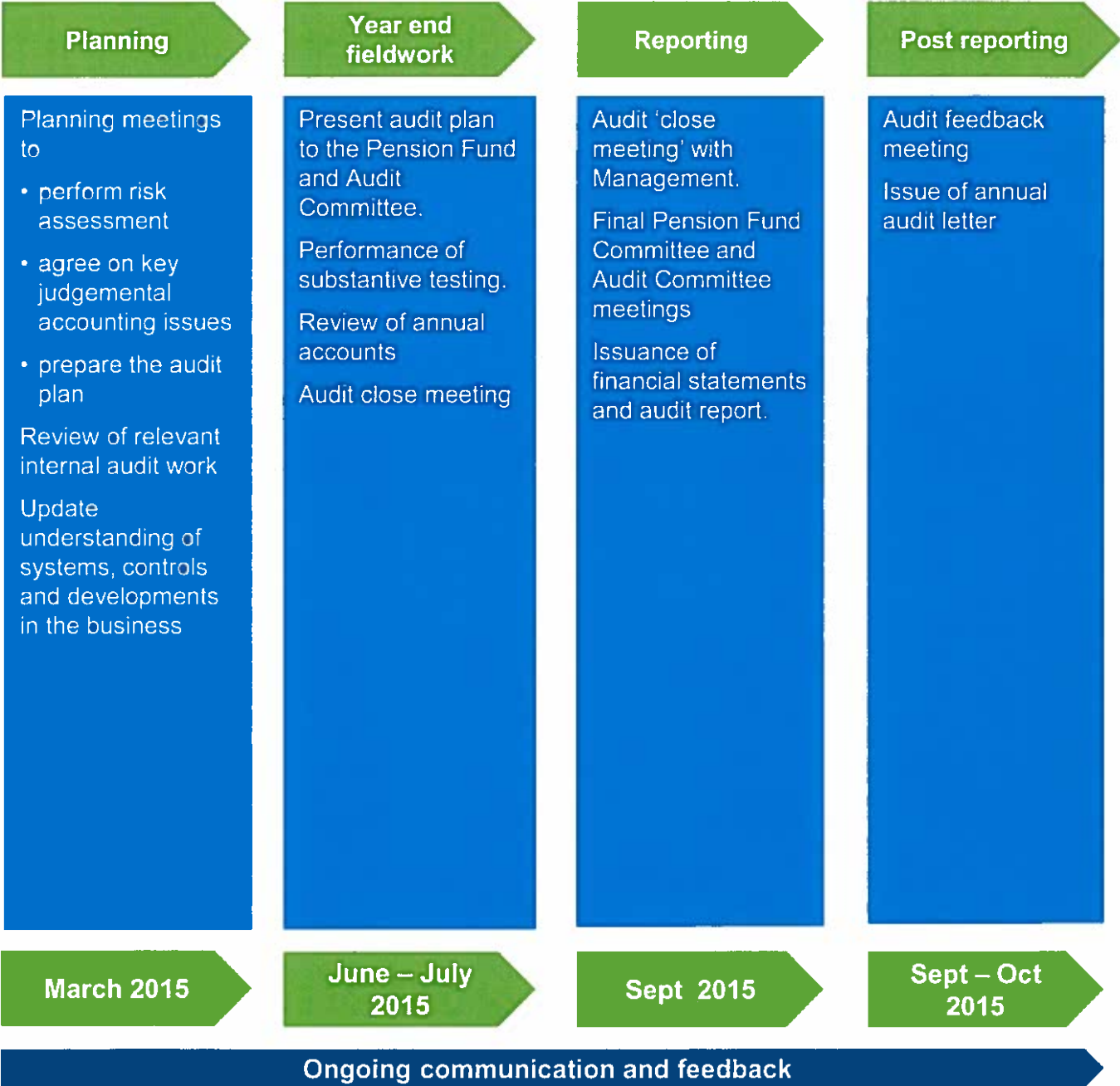
Appendix 3: Your audit team

A senior team, with continuity from last year, that incorporates pension specialists to provide insight and add value



Appendix 4: Timetable

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.



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	<p>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:</p> <ul style="list-style-type: none">• 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 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• to form an opinion as to whether contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary .
Other reporting objectives	<p>Our reporting objectives are to:</p> <ul style="list-style-type: none">• 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 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 5: 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 those charged with governance whilst minimising a "box ticking" approach.

Our audit methodology is designed to give 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 5: 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 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.
- 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. It has been noted that both the engagement partner and senior manager have a “long association” with North Yorkshire Pension Fund having worked on the fund audit for seven financial year ends. Nevertheless, we have implemented safeguards, such as the inclusion of an Independent Review Partner, a Strategically Focussed Second Partner, as well as an additional junior manager. Each of these additional roles will provide robust and independent challenge to work conducted on our audit of the Fund.
- 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 5: 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.



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Member of Deloitte Touche Tohmatsu Limited

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

16 JULY 2015

STATEMENT OF FINAL ACCOUNTS 2014/15 - 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 2014/15

2.0 BACKGROUND

- 2.1 The Draft Statement of Final Accounts for the North Yorkshire Pension Fund (NYPF) for 2014/15 is contained in the attached booklet 'North Yorkshire County Council Draft Statement of Accounts 2014/15' on pages 124 to 147. NYPF's Accounts are subject to a separate external audit.

3.0 STATEMENT OF FINAL ACCOUNTS

- 3.1 At its meeting on 9 July 2015 the Pension Fund Committee will be considering the draft statement of accounts for 2014/15.
- 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 17 September 2015 for recommendation. If approved it will then be considered by the Audit Committee at its meeting on 24 September 2015 when it is asked to approve the County Council's (including NYPFs) Statement of Final Accounts.

4.0 RECOMMENDATION

- 4.1 Members are asked to consider the draft Statement of Final Accounts of the North Yorkshire Pension Fund for 2014/15

GARY FIELDING
Corporate Director, Strategic Resources
County Hall, Northallerton
6 July 2015

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

16 JULY 2015

STATEMENT OF FINAL ACCOUNTS 2014/15

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

1.1 To consider a draft Statement of Final Accounts (SOFA) for 2014/15 for the County Council in advance of:

- (a) these accounts being audited by Deloitte during July and August 2015 and
- (b) being re-submitted to this Committee for formal approval on 24 September 2015 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 SOFA.
- 2.2 There is no requirement for Member approval of a draft SOFA at this stage in advance of consideration and review by External Audit.
- 2.3 Currently the SOFA must be 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. DCLG and CIPFA however suggest that it would be good practice for the SOFA still to be presented to Members for review and comment prior to audit and that this is an area where the Audit Committee can add value. Therefore as in recent years the SOFA is being submitted to the Audit Committee in July for information and review/comment only, not formal approval. Hopefully this will provide Members of the Audit Committee with greater assurance so that the SOFA can be approved when presented formally on 24 September 2015.
- 2.4. New 2015 Accounts and Audit Regulations change some of the final accounts timelines from 2017/18 and other and requirements from 2015/16 however and this is covered in more detail in **section 10**.

2.5 The draft SOFA includes the draft Annual Governance Statement (AGS) which was considered by the Audit Committee on 25 June 2015. At this stage it remains incomplete pending further work from the Governance sub-group established at the meeting of 25 June.

2.6 The final SOFA, after External Audit, will be re-submitted to this Committee on 24 September 2015 for formal approval.

3.0 **STATEMENT OF FINAL ACCOUNTS 2014/15**

3.1 Revenue Budget and Capital Plan outturn reports for 2014/15 were considered by the Executive on 16 June 2015 (**section 12**). These reports and the spending details reported form only part of the information reflected in the full SOFA which 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 (**paragraph 5.3**).

3.2 The County Council's draft SOFA for 2014/15 is attached as a separate booklet circulated with the agenda after being certified by the Corporate Director – Strategic Resources on 30 June 2015 (page 32) 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 2014/15* and is; therefore, largely outside the Council's control. This Code prescribes the accounting treatment and disclosures for all transactions and balance sheet items of a Local Authority's Accounts and 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.

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 2014/15 SOFA**

4.1 For 2014/15 there are only relatively minor presentational changes reflected in this year's SOFA as there were no significant updates arising from the 2014 *Code of Practice on Local Authority Accounting (paragraph 3.3)*. Minor changes have however been made as follows:

4.2 **Accounting Policies for:**

The only change to the 2014 Code of Practice that potentially impacted on the Council's 2014/15 Accounting Policies was around Group Accounts and this technical change was reported to the Audit Committee on 4 December 2014 as part of the *Accounting Policies report*. Although the wording of the Group Accounts Accounting Policy has been refined to reflect the change, the substance of the accounting policy itself has remained unchanged. There has also been no impact on any figures.

4.3 **Other changes:**

As indicated in **paragraph 4.1** there are no other changes in the SOFA resulting from the 2014 Accounting Code of Practice but a number of minor refinements and presentation changes have been made as they usually are each year.

5.0 **REVENUE OUTTURN FOR 2014/15**

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 37 of the SOFA.

5.2 The Council's in-year accounting and budgeting arrangements are designed to fit its organisational structure and are different to both the statutory year end and SeRCOP requirements. Therefore, the management accounts as reported to the Executive on 16 June 2015 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, Business Rates 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 from the revaluation of propriety and equipment etc.
- 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. The MRP is therefore not charged to the Comprehensive Income and Expenditure Statement. 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 Statement.

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 Statement 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 Statement.

(d) Central Support Services

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 under SeRCOP 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 includes the Authority's share of the carried forward Council Tax and Business Rates Collection Fund surpluses and 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 Statement with an estimate of accrued and untaken Annual Leave and Flexi Leave at 31 March 2015. 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 Statement 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 2015 as reported to the Executive on 16 June 2015.

6.0 KEY FEATURES

6.1 The SOFA is a lengthy technical document which is necessary to comply with the IFRS Code of Practice on Local Authority accounting so key features of the Accounts are highlighted below. The figures quoted relate only to the 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 Spending

- 6.2 The net cost of the provision of services reported in the Comprehensive Income and Expenditure Statement is £387.5m consisting of gross spending of £926.8m less income of £539.3m.
- (a) service income of £539.3m includes specific grants totalling £433.4m the biggest of which is the Dedicated Schools Grant (DSG) of £347.4m. The remaining £105.9m is from sales, fees and other charges/reimbursements
 - (b) after net service spend is other operating expenditure totalling £15.6m (mainly relating to fixed asset transactions impacting on the Income and Expenditure Statement) and financing and investment income and expenditure of £24.1m (relating mainly to capital charges, investment income and pensions contributions)
 - (c) total reported funding (taxation and non-specific grant income) is £453.2m consisting of the demand on Direct Council Collection Funds for Council Tax of £236.7m (includes statutory Council Tax accounting requirements) , non-domestic rates income from the Government and seven local District Councils of (£60.8m), Revenue Support Grant of £77.8m, Capital Grants of £72.5m and other Government funding of £5.4m
 - (d) the resulting reported surplus on the provision of services is £26.0m 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	= Surplus in year £m
SOFA Comprehensive Income and Expenditure Statement surplus on the provision of services	427.2	-453.2 5.4	-26.0
Different treatment of some Government funding (mainly New Homes Bonus)	-5.4		0
Other 'non cash backed' transactions reflected in the Income and Expenditure Account (- £12.8m)		72.5 2.5	
Capital Accounting	-55.8		16.7
Pensions Accounting	-10.0	-372.8	-10.0
Movement in earmarked reserves	2.7		2.7
Collecting Fund Accounting	0	-25.1	2.5
Holiday Pay Accounting	0.9		0.9
= Management Accounts surplus	359.6	-1.3	-13.2
2013/14 underspends rolled forward to 2014/15 and funded from revenue balances		-0.4	-25.1
Agreed budgeted contribution from GWB			-1.3
2014/15 approved investments being spent in year			-0.4
= Budget outturn in Management Accounts	359.6	-399.6	-40.0

(- = saving)

- (f) therefore net revenue spending of £359.6m was £40.0m below total funding of £399.6m (£399.8m net expenditure budget less £0.2m funding shortfall) with a breakdown by Directorate being as follows:

Directorate	Revised estimate	2014/15 Outturn	Variation
	£m	£m	£m
Children and Young People's Service	77.7	75.9	-1.8
Business and Environmental Services	81.6	78.7	-2.9
Health and Adult Services	144.2	141.0	-3.2
Central Services	54.5	54.2	-0.3
Corporate Miscellaneous			
- Budgets	21.2	15.9	-5.3
- Corporate PIP (PIP)	20.6	0	-20.6
- release of earmarked reserves	-	-6.1	-6.1
Total budget saving	399.8	359.6	-40.2
Funding shortfall	0	0.2	0.2
Net overall saving	399.8	359.8	40.0

The £40.0m bottom line saving indicated above includes the unspent corporate PIP of £20.6m, the release of earmarked reserves of £6.1m and funding outturn variations of +£0.2m. After removing the impact of these three items which total £26.5m, the resulting saving on operational budgets is £13.5m (3.6%).

(g) the bottom line saving of £40.0m consists of the following components:

Item	£m
Increase in the General Working Balance from sums not carried forward to future year's	16.6
Saving to be carried forward to future years	23.4
= Total savings	40.0

The £16.6m increase in the General Working Balance from sums not carried forward consists of:

- Unwinding of some earmarked reserves (£6.1m)
- Early achievement of Directorate Budget / MTFS savings (£4.4m)
- An unused element of the £3m HAS demographic growth contingency held in Corporate Miscellaneous (£1.3m)
- The late notification of some Government grants (£1.2m)
- Unused contingencies for increased Pension Fund liabilities (£1.7m)
- Other net one off windfalls and savings net of additional spending on North Yorkshire 2020 initiatives and a small funding shortfall (£1.9m)

the £23.4m savings to be carried forward to future years consist of:

- Various projects and initiatives for future years (£2.8m)
- Unallocated Corporate PIP funding (£20.6m)

(h) The net spend of £359.6m was funded by:

Item	£m
Revenue Support Grant from the Government	77.9
Business Rates Income (9% from District Councils)	18.7
Business Rates 'top up' funding from the Government	41.8
Business Rates – District's collection fund deficits	-0.8
Council Tax payers for 2014/15	233.2
Council Tax from previous years	2.0
Increase in Working Balances from (£78.5m to £91.7m)	-13.2
=total net spending in 2014/15	359.6

- (i) Income from Council tax payers of £233.2m was based on a charge of £1,078.52 for an average Band D property, a 1.99% increase over the charge for 2013/14 (which had been unchanged from the previous three years).

Comprehensive Income & Expenditure Statement Surplus 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 surplus of £26.0m (£3.2m deficit 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 as revenue spending but do not impact on the real spend, funding or working balances position of the County Council.
- 6.5 The notional transactions which impact on the report surplus (or 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	-40.0
Funding of previous year's carry forward funded from revenue balances	25.1
Other items impacting on balances (budgeted contributions)	1.7
Total increase in balances (surplus)	-13.2
Notional (not cash backed) entries reflected in I and E statement (£12.8m)	
Capital Accounting adjustments	-16.7
Pensions Accounting adjustments	10.0
Movement in Earmarked Reserves adjustment	-2.7
Collection Fund Accounting	-2.5
Holiday Pay accrual adjustment	-0.9
= reported surplus in the I and E statement	-26.0

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 (-£16.7m)

The significant -£16.7m "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 £2.2m 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 | -2.2 |
| <ul style="list-style-type: none"> • depreciation charges, based on asset valuations and associated estimated remaining useful life of £55.3m are also included in the Income and Expenditure account to replace the Minimum Revenue Provision (MRP) of £14.7m (£14.5m 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 £40.6m | -40.6 |
| <ul style="list-style-type: none"> • capital expenditure of £105.4m was incurred in 2014/15. £12.0m 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 | -12.0 |
| <ul style="list-style-type: none"> • loss on disposal of assets – 3 schools gained academy status in 2014/15 and their land and buildings transferred to their Academy Trust for no consideration, resulting in a £17.7m loss being recorded in | -14.1 |

the Income and Expenditure Statement. This loss was reduced to £14.1m by the profit realised on the disposal of other assets

• 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 £10.3m also have to be included in the Income and Expenditure Statement	-10.3
• where the terms and conditions of capital grants received by the County Council have been met, the Income and Expenditure Statement has been adjusted to reflect the use of the grant in year, resulting in a £78.3m credit	+78.3
• credit of £17.6m in relation to revenue financing of capital expenditure is also removed from service costs and replaced by an appropriate depreciation charge	+17.6
= Total impact of Capital accounting adjustments	<hr/> -16.7m <hr/>

(b) Pensions Accounting adjustment (+£10.0m)

The nature of this notional Pensions charge of £10.0m is described in **paragraph 5.3 (e)** with the figure determined by the Pension Fund actuary consisting of two elements.

Firstly, a credit for the difference between the Council's actual contributions to pension schemes (mainly 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 adjustment is credited to the Comprehensive Income and Expenditure statement against the provision of services (non distributed cost).

Secondly, there 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.

(c) Movement in Earmarked Reserves adjustment (-£2.7m)

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 £2.8m (from £113.1m to £115.9m – see paragraph 6.9 (b) adjusted down to £2.7m after roundings.

(d) Council Tax and Business Rates accounting (-£2.5m)

This adjustment is described in paragraph 5.3 (f)

(e) Holiday Pay accrual (-£0.9m)

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 are required. The effect in the Comprehensive Income and Expenditure Statement is to significantly reduce a £40.0m budget saving to a £26.0m surplus 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 £105.4m which was £1.2m below the last Capital Plan update approved in February 2015 (£106.6m) and £1.5m below the original Capital Plan approved in February 2014 (£106.9m).

(b) The £1.2m gross underspend resulted mainly from capital expenditure being re-phased from 2014/15 to 2015/16

(c) gross spending at Directorate level against the Capital Plan was:

Directorate	Capital Plan update Feb 2015	2014/15 Outturn	Variation
	£m	£m	£m
Children and Young People's Service	31.2	34.3	+3.1
Business and Environmental Services	69.5	66.3	-3.2
Health and Adult Services	0.6	0.6	0
Central Services	5.3	4.2	-1.1
Total	106.6	105.4	-1.2

(d) after accounting for additional grants and contributions income of £2.4m from Directorates, there was a net capital underspend of £3.6m

(e) only £1.4m of the capital underspend is carried forward to 2015/16

(f) the £105.4m capital spend was funded by:

Item	£m
Borrowing	
External sources (PWLB)	0
Internal sources	5.7
Capital Grants and Contributions	74.2
Schemes financed from revenue	16.5
Capital receipts, including loan repayments (i) below	9.0
= total capital expenditure to be financed	105.4

(g) £1.2m also spent on fixed assets financed from Directorate revenue budgets

(h) total capital investment in 2014/15 was therefore £106.6m

(i) capital receipts of £9.0m included £4.3m loan repayments and £4.7m from the sale of assets in 2014/15 which was lower than forecast because of some slippage of sale of county farm receipts into 2015/16.

Balance Sheet

6.9 Significant features are:

(a) the General Working Balance (GWB) at 31 March 2015 was £91.7m of which £23.4m relates to savings which are approved for carry forward to 2015/16 and beyond. The unallocated working balance is therefore £68.3m which is £2.5m

above the Q3 forecast at 31 March 2015 and £40.8m above the current new minimum level which was set as part of the 2014/15 budget/MTFS process (2% of the net revenue budget and £20m buffer = £27.5m).

This £68.3m unallocated GWB at 31 March 2015 does however exclude future commitments to 2019/20 from the MTFS in February 2015 together with further potential commitments on capital financing and new investment proposals.

(b) other earmarked reserves total £115.9m (£113.1m at 31 March 2014) and consists of:-

Earmarked Reserve	31 March 2014	31 March 2015	2014/15 variation
	£m	£m	£m
Earmarked for schools			
Schools balances (LMS reserve)	30.9	30.9	0
Schools block / DSG / energy funds	11.3	13.4	+2.1
Sub total	42.2	44.3	+2.1
Other Earmarked reserves			
Insurance reserve	6.9	6.7	-0.2
BES Swing Bridge	1.0	0	-1.0
Highways Advance payments	0.9	1.3	+0.4
BES Flood Risk management	0.6	1.5	+0.9
Corporate redundancy reserve	0.7	4.6	+3.9
Redundancy costs in schools	1.1	0.1	-1.0
CYPS Special Education needs	1.0	0.2	-0.8
ICT SDT/Directorate refresh	2.8	0	-2.8
ICT – Strategy and infrastructure	3.5	4.7	+1.2
SmartSolutions Trading	4.3	4.8	+0.5
HAS supporting people	2.4	2.6	+0.2
HAS Social Care Transfer Monies	0	9.3	+9.3
SFNY contribution	3.1	0	-3.1
CYPS special projects	1.1	0.6	-0.5
Other smaller reserves	8.4	8.2	-0.2
Sub total	37.8	44.6	+6.8
Revenue Income reserves (mainly grants and contributions) (paragraph 6.41)			
CYPS	3.5	6.8	+3.3
BES	8.1	8.1	0
HAS	1.5	0	-1.5
HAS health funding	17.9	10.2	-7.7
Central services	0.2	0.5	+0.3
LAA performance reward grant	1.9	1.4	-0.5
Sub total	33.1	27.0	-6.1
=Total earmarked reserves	113.1	115.9	+2.8

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

Provisions	31 March 2014	31 March 2015
	£m	
Highways advance payments	2.4	2.5
Insurance claims	4.0	4.4
Insurance liability	0.2	0.2
Carbon reduction	0.5	0
HAS residence fees	0.3	0
Restructure Costs	0	1.0
Allerton Park	0	0.8
Other smaller provisions	0.2	0.2
Sub total	7.6	9.1
IFRS holiday pay provision	9.6	8.7
= Total provisions	17.2	17.8

(d) There are unusable 'technical accounting' reserves of £764.0m at 31 March 2015 (£836.9m at 31 March 2014). 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 £1,552.8m at 31 March 2015 compared with £1,469.3m at 31 March 2014. The £83.5m increase in 2014/15 reflects the following factors:

	£m
• new capital spending in 2014/15 adding	+81.0
• depreciation in 2014/15 reducing the value by	-55.1
• disposal of properties (mainly transfer of schools becoming academies)	-18.6
• property revaluations (Highway depots, Waste Sites and Country Farms plus annual desktop valuation for all others)	+77.7
• transfer relating to operational property held for sale	-1.5
Total movement in year	+83.5

(f) external debt in relation to capital spending is £319.8m at 31 March 2015 compared with £344.6m at 31 March 2014. The £24.8m reduction reflects

scheduled loan repayments being made to the Public Works Loan Board together with the 2014/15 borrowing requirement being funded internally from cash balances, with no new external loans being taken

- (g) a net £484.1m liability in relation to Pension Fund deficits (mainly the Local Government Pension Scheme) is reflected in the Balance Sheet (£317.5m at 31 March 2014). 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 2015 were £215.2m compared with £208.5m at 31 March 2014. A total of £42.0m 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 £80.2m at 31 March 2015 (£144.8m at 31 March 2014 consists mainly of short term (call accounts) investments (£60.4m which is part of £215.2m reported in (h) above) and funds in school bank accounts £39.8m which belong to individual schools rather than the County Council
- (j) short term creditors at 31 March 2015 were £71.2m (£69.2m at 31 March 2014) and consist of general creditors of £41.1m, creditors with government entities of £19.4m, and income in advance of £10.7m
- (k) short term debtors at 31 March 2015 were £73.9m (£41.5m at 31 March 2014) and consist of general debtors of £31.1m, debtors owed by government entities of £37.2m, payments in advance of £13.5m, less bad debt provision of £7.9m
- (l) loans to Limited Companies totalling £8.8m at 31 March 2015 (£3.7m Yorwaste and £5.1m 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 surplus on the provision of services in the Comprehensive Income and Expenditure statement increasing by £0.3m (from £26.0m to £26.3m) and the

net assets of the County Council decreasing by £0.5m (from £982.2m to £981.7m)

(b) The County Council employed 14,036 full-time equivalent staff at the end of the financial year, 8,285 of which were in schools

(c) The value of the North Yorkshire Pension Fund was £2,401m at 31 March 2015 compared with £2,083m at 31 March 2014 (an increase of £318m)

(d) The £318m increase in the Pension Fund value consisted of:

Item	£m
Contributions income – employees and employers	121.5
Benefits payable	(92.3)
Net transfers out of the fund *	(34.3)
Investment income	21.5
Increase in market value of investments	308.3
Less Investment management and administration expenses	(7.0)
*mainly due to transfer of Probation Service assets to Greater Manchester LGPF in October 2014	
= total increase in value of Pension Fund	317.7

(e) the County Council's various trading units had a total turnover of £54.5m expenditure of £53.6m, resulting in an overall net surplus £0.9m.

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 On completion of the external audit of the 2014/15 accounts a report from the Auditor will be submitted to the meeting of this Committee scheduled for 24 September 2015. 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 24 September 2015.

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 was done on 30 June 2015.

- 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 24 September 2015.
- 8.0 **AUDIT OF ACCOUNTS**
- 8.1 The *Accounts and Audit Regulations* require that the External Auditor formally signs off the County Council's 2014/15 accounts by 30 September 2015. To this end the audit of accounts by Deloitte's has recently started with completion expected during August 2015.
- 8.2 Following completion of the 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 24 September 2015 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 24 September 2015, 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 2014/15 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 24 September 2015 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 on 11 June 2015 with an inspection period between 29 June and 24 July 2015. 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 24 September 2015, 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 2015.
- 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) an audit conclusion notice must be made in the press and on the Council's website stating that the SOFA is available for public inspection (**paragraph 8.6**)
 - (c) the SOFA must be published including 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) must be provided by October 2015 with draft unaudited figures provided in July 2015. 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 all 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 AUDIT and ACCOUNTS REGULATIONS 2015

- 10.1 Paragraphs 7 to 9 above are based on the requirements of the 2011 Accounts and Audit Regulations but new 2015 Regulations have been issued, which although not impacting on the current 2014/15 Final Accounts Process, will impact on 2015/16 and subsequent years.
- 10.2 Prior to these new Regulations, DCLG's consultation proposals to shorten the key statutory deadlines for approving and publishing local authority accounts were discussed at the Audit Committee on 17 July 2014. This was followed by the County Council's draft response to the consultation being circulated to Audit Committee Members on 17 July 2014 and a final response which reflected comments from some Members being submitted to DCLG on 18 July 2014.
- 10.3 DCLG announced the outcome of their consultation proposals early in 2015, which remain basically unchanged from their initial proposals and as indicated in

paragraph 10.1 they have issued new 2015 Accounts and Audit Regulations which come into effect from 1 April 2015 (i.e. the 2015/16 financial year onwards)

10.4 Responses to the consultation were largely not supportive of the proposed timetable shortening on the basis of:

- concern at the compression of the audit timetable citing reduced staffing, tight budgets and a shortage of qualified auditors to do the accounts with a potential increase in fees as a result.
- doubts as to how this measure would increase local accountability
- concerns that it would lead to quality issues as accounts would make greater use of estimates
- only a handful of responses were broadly in favour of the proposal and even then emphasised the need for radical simplification of current audit requirements and other measures to make it achievable

10.5 In spite of the consultation responses indicated above, the Government have still gone ahead with their proposed changes citing:

- the timeliness of the Statement of Accounts aligns with the Government's wish to improve local government transparency and accountability
- it is the Government's view that a more timely closedown process would increase public interest in local authority accounts
- whilst it is acknowledged that such changes involve a substantial effort initially, the Government believes that this change will ultimately reduce the burden of the closure process and enable finance staff to give time to in year financial management
- the changes in processes in year that will be required to achieve early closure will serve to tighten up overall financial controls as issues will need to be dealt with during the year rather than at year end
- early closure sends a positive message about the efficiency of local government and the wider public sector
- by giving 3-4 years notice of these changes the Government is providing authorities and auditors with a reasonable timescale to adjust

10.5 The changes reflected in the new 2015 Accounts and Audit Regulations, some of which need to be implemented in the 2015/16 accounts process are as follows.

(a) Certification of the Accounts by the S151 Officer (currently 30 June) and publication on the authority's website by 30 June for 2015/16 and 2016/17 remains unchanged and are transitory provisions. This deadline is then

shortened by one month to 31 May from 2017/18 to comply with the new public rights of inspection provisions at (d) below.

- (b) The full SOFA, including Annual Governance Statement has to be re-certified by the S151 Officer, approved by Members (this Committee), the external audit opinion to be issued and both published (currently 30 September) by 30 September for 2015/16 and 2016/17, which is unchanged. This deadline is then shortened by two months to 31 July from 2017/18 but
- (c) Where the Audit of Accounts has not been concluded by 31 July (from 2017/18) a notice must be put on the authority's website stating that it has not been able to publish the statement of accounts and the reasons for this and then subsequently publish the accounts as soon as reasonably practical after the receipt of any report from the auditor.
- (d) The public's right of objection and inspection of the accounts and questioning of the auditor from 2015/16 will be through a single 30 working day period which must include the first 10 working days of July for 2015/16 and 2016/17 (transitory provisions) and then the first 10 working days of June from 2017/18 onwards.
- (e) From 2015/16 a narrative statement must be included in the SOFA which must include comments by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources.
- (f) From 2015/16 the SOFA must be available for public access for a period of not less than 5 years.

10.6 Officers are now starting to consider the changes that will have to be made to achieve these new shorter deadlines with the aim of undertaking a trial run in advance of the shortened deadlines becoming mandatory in 2017/18. The changes that must be implemented for 2015/16 (d to f above) are relatively straight forward.

11.0 CHANGE OF EXTERNAL AUDITOR FROM 2015/16

- 11.1 Members will be aware that 2014/15 is the last year that Deloitte will be the County Council's External Auditor and following a period of consultation the Audit Commission confirmed on 15 December 2014 that KPMG have been appointed to audit the accounts of the authority for two years from 2015/16.
- 11.2 The Audit Commission's contracts with audit firms are extendable by three years and the DCLG has indicated that it will make a decision in summer 2015 about whether to extend the contracts from 2017 to 2020.
- 11.3 As the Audit Commission closed at the end of March 2015, a transitional body, Public Sector Audit Appointments Limited (PSAA), was set up by the LGA as an independent company and will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). Arrangements for audited bodies to

appoint their own auditor will be announced by DCLG once the audit contracts have ended.

- 11.4 The Chief Executive and Corporate Director – Strategic Resources have already met KPMG and several officers have established communication channels with them in relation to issues impacting on 2015/16 and subsequent years. KPMG have also recently indicated that they will liaise with Deloitte as their 2014/15 Audit progresses. Members of the Audit Committee are also due to have an informal discussion with KPMG shortly before the Committee meets to consider this and other reports on the agenda.

12.0 OUTTURN REPORTS SUBMITTED TO EXECUTIVE ON 16 JUNE 2015

- 12.1 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.
- 12.2 For information purposes therefore, copies of the relevant outturn reports based on the Council's management accounts as submitted to Executive on 16 June 2015, have been distributed to Members of this Committee as follows:
- (a) Revenue outturn 2014/15
 - (b) Capital expenditure outturn and financing 2014/15

The annual Treasury Management and Prudential Indicators report 2014/15 was sent separately to Members on 10 June 2015. The Revenue and Capital reports are therefore being sent to Members under separate cover.

13.0 ANNUAL GOVERNANCE STATEMENT

- 13.1 The Audit Committee considered the draft Annual Governance Statement (AGS) for 2014/15 at its meeting on 25 June 2015. This was as part of a wider discussion on matters relating to Corporate Governance for the County Council.
- 13.2 The draft SOFA includes the same draft AGS which was considered by the Committee on 25 June. Potential changes to the AGS following the discussion on 25 June will as previously agreed be considered by a Governance sub group with a final version of the AGS being submitted to this Committee on 24 September 2015 when it is asked to formally approve the final SOFA.

14.0 RECOMMENDATION

- 14.1 That Members consider the draft Statement of Final Accounts for 2014/15 in advance of the accounts being audited and resubmitted to the Audit Committee on 24 September 2015 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

1 July 2015

STATEMENT OF FINAL ACCOUNTS**Brief Explanation of Contents****(a) the Explanatory Foreword – pages 1 to 17**

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 18 to 31

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 32

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 36 to 36

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, (currently not included in draft SOFA).

(e) the Comprehensive Income and Expenditure Statement – pages 37 to 38

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 39 to 40

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 41 to 42**

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 43 to 44**

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 45 to 106**

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

(j) **Group Accounts – page 107 to 123**

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 124 to 147**

which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31 March 2015.

(l) **the Annual Governance Statement – pages 148 to 172**

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.

(m) **a glossary of terms – pages 173 to 180**

NORTH YORKSHIRE COUNTY COUNCIL

DRAFT STATEMENT OF ACCOUNTS 2014/15

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Contact us

North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD

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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



EXPLANATORY FOREWORD

INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2015 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code)*: 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 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 conclusion on value for money 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 2015
- (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 2014/15 and a comparison with the actual position are set out below:-

	Final Revised Budget £m	Actual £m	Variation £m
Directorate Net Expenditure			
Children and Young People's Service	77.7	75.9	(1.8)
Business and Environmental Services	81.6	78.7	(2.9)
Health and Adult Services	144.2	141.0	(3.2)
Central Services	54.5	54.2	(0.3)
Corporate Miscellaneous	21.2	15.9	(5.3)
Corporate PIP	20.6	0.0	(20.6)
Release of Earmarked Reserves	0.0	(6.1)	(6.1)
	<u>399.8</u>	<u>359.6</u>	<u>(40.2)</u>
Financed by:			
Revenue Support Grant	77.8	77.8	0.0
Business Rates (Central Government)	41.8	41.8	0.0
Business Rates (District Councils)	18.2	18.0	(0.2)
Precept Income (including arrears)	<u>235.2</u>	<u>235.2</u>	<u>0.0</u>
(Deficit) / Surplus in Year	<u>373.0</u>	<u>372.8</u>	<u>(0.2)</u>
	<u>(26.8)</u>	<u>13.2</u>	<u>40.0</u>
General Working Balance			
Start of Year	78.5	78.5	0.0
(Deficit) / Surplus in Year	<u>(26.8)</u>	<u>13.2</u>	<u>40.0</u>
End of Year	<u>51.7</u>	<u>91.7</u>	<u>40.0</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 37, which conform with CIPFA's 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 Budget Outturn (as reported on page 5)	359.6	(372.8)	(13.2)
Different treatment of some Government Funding	5.4	(5.4)	0.0
Other required accounting entries reflected in the Income and Expenditure Statement (-£12.8m)			
- Capital Accounting	55.8	(72.5)	(16.7)
- Collection Fund Accounting	0.0	(2.5)	(2.5)
- Holiday Pay Accounting	(0.9)	0.0	(0.9)
- Pension Accounting	10.0	0.0	10.0
- Movement in Earmarked Reserves	(2.7)	0.0	(2.7)
Net expenditure / funding and surplus per Comprehensive Income and Expenditure Statement	427.2	(453.2)	(26.0)

3. As indicated in note 2, the “bottom line” revenue savings in 2014/15, compared to the final budget, was £40.0m. This sum does not, however, represent a fair reflection of the underlying and recurring budget position and in order to get below this bottom line it is necessary to consider its components. Thus the £40.0m saving includes:-

- unspent Corporate provisions of £20.6m;
- releasing of earmarked reserves of £6.1m; and
- a shortfall in General Funding of £0.2m.

After removing the impact of these three items, the resulting bottom line saving against the 2014/15 revenue budget was £13.5m of which £2.8m is being carried forward and earmarked for spending in future years and £10.7m is not being carried forward and will therefore increase the unallocated General Working Balance (GWB).

The overall £40.0m saving has been accounted for as follows:

- a net savings of £23.4m is being carried forward to 2015/16 and subsequent years which mainly consists of Corporate Funds totalling £20.6m available to manage one off issues across a number of financial years . The remaining £2.8m relates to funding earmarked for various projects and initiatives that will be completed in future years; and
- a saving of £16.6m which is not being carried forward and, therefore, increases the level of the “Unallocated General Working Balance”. This saving arose from a variety of Service Directorate and Central budget savings but principally the unwinding of some earmarked reserves (£6.1m) and the early achievement of budget savings by Directorates (£4.4m).

4. The County Council’s General Working Balance amounted to £91.7m at 31st March 2015 which as indicated above includes savings of £23.4m which are carried forward to 2015/16 and subsequent years. The effective unallocated working balance is, therefore, £68.3m.

The County Council’s policy for maintaining a minimum level of working balances is currently equivalent to 2% of the net revenue budget supplemented by a buffer of £20.0m (£27.5m at 31st March 2015). The level of £68.3m at 31st March 2015 is, therefore, £40.8m above this minimum level but there are a number of future commitments from the 2015/16 revenue budget and Medium Term Financial Strategy together with subsequently agreed investments that will utilise significant sums from the unallocated General Working Balance.

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 2015 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 37)	926.8
Precepts Paid to Other Authorities	0.6
Interest Payable	15.2
Capital Adjustment Account Movements	14.6
IAS 19 Pension Adjustments *	3.5
Movement in Reserves Adjustment	2.7
Loss on Disposal of Fixed Assets	14.3
Contribution to Reserves	13.2
Corporate Trading Account Deficit	0.2
Accumulated Absences Adjustment	0.9
= Actual Spending financed from Income, Government Grants, Council Tax, Business Rates and other Government funding	992.0

* 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	426.0	43
Premises	47.3	5
Transport (including transport of school children)	37.9	4
Supplies and Services	161.0	16
Agency and Contracted Services etc.	274.6	28
Capital Financing Costs	45.2	4
	992.0	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	3.2	0
Court Services	0.8	0
Cultural and Related Services	13.9	1
Environmental and Regulatory Services	38.6	4
Planning Services	10.5	1
Education and Childrens Services	556.5	61
Highways, Roads and Transport	68.0	7
Adult Social Care	215.5	24
Public Health	15.2	2
Housing Services	0.2	0
Corporate and Democratic Core	3.1	0
Non-Distributed Costs	1.3	0
	<u>926.8</u>	<u>100</u>
Interest Payable	15.2	
Capital Accounting Adjustments	14.6	
IAS 19 Pension Adjustments	3.5	
Loss on Sale of Fixed Asset	14.3	
Other Corporate Adjustments	17.6	
	<u>992.0</u>	

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

	£m	%
Government Specific Grants		
- Dedicated Schools Grant	347.4	35
- Other Specific Grants	86.0	9
Council Tax from District Council Collection Funds	235.2	24
Fees and Charges etc.	105.8	10
Uniform Business Rates proceeds	59.8	6
Government Revenue Support Grant	77.8	8
Capital Grants	72.5	7
Other General Government Funding	5.4	1
Interest and Investment Income	1.8	0
Dividends Received	0.3	0
	<u>992.0</u>	<u>100</u>

10. The income from District Council Collection Funds of £235.2m includes the precept charge of £233.2m for 2014/15, which is equivalent to a basic amount of Council Tax per Band D property of £1,078.52, plus a surplus of £2.0m 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, and various Economic Development grants.

11. The County Council employed 14,036 full time equivalent staff at the end of the financial year and a breakdown across Service Directorates is as follows:-

		No.
Central Services		
Strategic Resources	873	
Business Support Services	693	
Other	<u>357</u>	1,923
Children and Young People's Service		
Schools	8,285	
Other	<u>1,756</u>	10,041
Business and Environmental Services		468
Health and Adult Services		<u>1,604</u>
		<u>14,036</u>

CAPITAL EXPENDITURE

12. In 2014/15 the County Council spent £106.6m 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	98.0	104.4	96.3
- Revenue Expenditure Funded from Capital under Statute / Intangible Assets	8.9	2.2	9.1
	<u>106.9</u>	<u>106.6</u>	<u>105.4</u>
Other expenditure on fixed assets funded directly from the revenue budget	0.4	0.4	1.2
	<u>107.3</u>	<u>107.0</u>	<u>106.6</u>

Actual Capital spending was therefore £105.4m compared with an Original Capital Plan of £106.9m approved in February 2014 and a Revised Capital Plan of £106.6m approved in February 2015.

In addition, £1.2m was spent on Fixed Assets from Directorate revenue budgets, principally on Vehicles and ICT Equipment. The above expenditure was funded as follows:-

	£m	%
Borrowing		
- from external sources	0	0
- from internal sources (cash balances)	5.7	5
Grants from Government Departments	71.8	68
Contributions from External Bodies	2.5	2
Capital Receipts from Sale of Assets etc.	9.0	9
Direct Revenue Funding	<u>16.4</u>	<u>15</u>
	105.4	99
Expenditure on Fixed Assets funded directly from Revenue Budgets	1.2	1
	<u>106.6</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 capital schemes were the Bedale, Aiskew and Leeming Bar Bypass (£10.2m) new / replacement road lighting columns (£2.5m) and the Oracle Implementation Project (£1.6m).
14. Total borrowing for capital purposes at 31st March 2015, was £361.1m which includes both external borrowing and borrowing from internal sources and consists of the following:-

	£m
External Borrowing	
Public Works Loans Board (PWLB)	299.8
Other Institutions	20.0
Total External Borrowing	<u>319.8</u>
Temporary Borrowing from Internal Cash Balances	41.3
	<u>361.1</u>

The Capital Financing Requirement (CFR) at 31st March 2015 was £366.9m which includes the Capital Borrowing Requirement of £361.1m 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 2015 was 78%. This was 6% lower than the 31st March 2014 funding level of 84%. Assets increased in value by 15% over the year reflecting the growth in financial markets as well as outperformance by the Fund's managers. Liabilities increased by 24% as a result of corporate bond yields, which are used to discount the value of future pension payments, falling to historic lows. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

17. The total reported pension liability of the County Council has increased over the year from £317.5m to £484.1m. This increase, (£166.6m), is due to changes to the assumptions used by the Actuary, most notably the discount rate as mentioned above.

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 which means that liabilities will be spread in excess of 50 years.

CHANGES IN ACCOUNTING POLICY

18. There have been no changes in Accounting Policy for the 2014/15 Accounts.

CHANGES TO THE STATEMENT OF ACCOUNTS

19. The changes to the format and presentation of the 2014/15 Statement of Accounts are minor.

MATERIAL CONTINGENT LIABILITIES

20. The County Council has identified one area where a present or past obligation has resulted in the possibility of a future liability being incurred. It relates to:-

- Deprivation of Liberty Safeguards.

The nature and expected financial implications of this event has resulted in the inclusion in the Notes to the Core Financial Statements in Note 40 Material Contingent Liabilities.

GROUP ACCOUNTS

21. The 2014/15 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 four bodies:-

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

Three of these bodies have been consolidated into the financial statements of the County Council and a full set of equivalent "group" financial statements have been produced. The Companies that have been consolidated and have a major impact on the County Council's financial results are in relation to:-

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

The full set of Group Accounts and the financial implications are seen on pages 107 to 123.

THE COUNCIL PLAN

22. The 2020 North Yorkshire council plan is available on the County Council's website and details how we intend to adapt to meet the challenges up until 2020. It sets out the County Council's vision and values and describes a three pronged approach – to provide leadership, enable individuals, families and communities to do the best for themselves, and to ensure the delivery high quality services.

The plan identifies five key priorities:

- opportunities for young people;
- tackling loneliness and social isolation;
- transport links;
- economic opportunity for all parts of the county; and
- broadband connectivity.

It describes how the County Council needs to change over the next few years, details some of our achievements in the last year and sets out our priorities for action for the next year (2015/16). It also details where our funding comes from and what it is spent on.

The plan indicates that the County Council's savings requirement to compensate for significant reductions in the funding provided by central government in recent years, together with managing inflation, tax increases, growth in the demand for our services and other additional spending pressures, is estimated at £166.5m. This is about one third of the County Council's total spending (excluding schools) over the nine year period 2011/12 to 2019/20. A comprehensive savings package and cost reductions totalling £152.3m over this nine year period is being implemented towards the total savings requirement, leaving a residual shortfall of £14.2m by 2019/20, which subject to further refinement, needs to be addressed in future years.

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 2015):-

Performance

The year end (31st March 2015) report details a number of key performance related issues together with an in depth analysis on Public Health, Local Enterprise Partnership, Highway Condition, Workforce Performance and Compliments and Complaints. There is also supplementary in depth analysis on several specific areas within the three Service Directorates.

Revenue Budget 2014/15

A bottom line net saving of £40.0m has been achieved but this includes the unspent corporate Pending Issues Provision (PIP) of £20.6m, the release of earmarked reserves of £6.1m and funding outturn variations of + £0.2m. After removing the impact of these three items (totalling £26.5m) the resulting saving on operational budgets is £13.5m (3.6%). The key elements of this £13.5m operational budget saving is £2.8m to be carried forward and earmarked for spending in future years on a range of projects and initiatives and £10.7m which increases the unallocated GWB and consists of early achievement of Budget / MTFs and 2020 North Yorkshire savings and various other one off windfalls. The proposed overall treatment of the £40m saving is that £23.4m is being carried forward to future years (£20.6m unallocated PIP funding + £2.8m earmarked for future projects and initiatives) with the remaining £16.6m being transferred into the GWB. Total

usable reserves at 31st March 2015 were £207.6m consisting of the GWB of £91.7m (£23.4m earmarked + £68.3m unallocated) and earmarked reserves of £115.9m.

Capital Expenditure and Financing

Gross capital spending of £105.4m was £1.2m below the last Capital Plan update of £106.6m in February 2015 and £1.5m below the original capital plan agreed in February 2014. After accounting for £2.4m additional capital income, however, there was a net capital underspend of £3.6m, of which £1.4m is being carried forward to 2015/16. Financing of the capital plan included £9m capital receipts realised in the year which consisted of £4.3m loan repayments and £4.7m from the sale of land and property. The balancing figure to finance capital spend was £5.7m from internal borrowing which has the impact of running down investments.

Annual Treasury Management

Long Term external debt reduced from £344.6m as at 31st March 2014 to £319.8m at 31st March 2015, through scheduled loan repayments and no new external borrowing being taken. The average interest rate of this debt was 4.44% at 31st March 2015. The total borrowing requirement in the year was £15.8m which was all funded internally by running down cash investments resulting in total internal capital financing being £41.3m at 31st March 2015. The total underlying borrowing need at 31st March 2015 was therefore £361.1m consisting of £319.8m external debt and £41.3m internally financed capital debt. For cash invested in 2014/15, the average rate of interest achieved was 0.65% which outperformed the average 7-day market rate of 0.35% and the average bank rate of 0.5%. The average daily balance loaned out was £260.9m with the balance at 31st March 2015 being £215.2m of which £42.0m belonged to other organisations who are part on the County Council’s investment pool arrangements.

Compliments and Complaints

An annual report on complaints and compliments is provided at the end of each year.

STRATEGIC DOCUMENTS

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

Policy or Plan	Purpose of Policy or Plan
Constitution	Sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also details the County Councils policy framework which includes documents which are approved by the full County Council.
North Yorkshire Community Plan	Sets out the County Councils priorities for how to help make North Yorkshire a thriving county which adapts to a changing world and remains a special place for everyone to live, work and visit.
The Council Plan	The cornerstone of the County Councils policy framework. It provides the basis for all that the County Council does and for the many other plans and strategies that must be produced.

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 the County Councils joint commitment, with colleagues in the NHS, to the recognition and long-term support of carers in North Yorkshire.
Children and Young People's Plan	For all children, young people and their families living in North Yorkshire. The plan sets out the County Councils vision and priorities for 2014-17.
Children and Young People's Emotional and Mental Health Strategy	Sets out how the County Council will work to meet the mental health needs of children in North Yorkshire and to deliver the aims of the Government's Mental Health Strategy (No health without mental health).
Strategy for School Improvement	Strategy and support for partnership working with schools and settings to improve outcomes for all children and young people.
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	Produced by the Health and Wellbeing Board. Explains what health and wellbeing priorities the board has set in order to tackle identified needs. It is not about taking action on everything at once, but about setting 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	Set of documents that the Government requires all local transport authorities to produce. The plan sets out the County Councils plans and strategies for maintaining and improving all aspects of the local transport system over a set period of time, usually five years.
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 2015 Budget / MTFs report are broken down into 2 key areas – corporate risks and more specific service pressures:-

Corporate risks include:-

- delivery of the savings programme for 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 2015/16 to 2019/20 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 2015/16);
- specific grants in terms of key grants such as the Education Services Grant being further eroded or discontinued altogether;
- 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; and
- 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.

Service Specific Issues include:-

- the Care Act introduces a new right of assessment and services for carers from 2015/16 with the introduction of the care cap in April 2016. The full implications of both these have not been fully determined and there are risks in relation to demand management and service delivery;
- the Better Care Fund's primary source of funding is from the 5 CCG's in North Yorkshire and significant pressures within the Health System, if occurring over a sustained period, could result in financial difficulties for one or more CCG's;
- demand level for services for many of the biggest areas of Council spending including Adult Social Care, Children's Social Care, Waste and Highways. The statutory obligation of the Council mean that demand will have to be met in some form;

- the Dedicated Schools Grant (DSG) of which a proportion funds or partially funds, a number of Council services. A continuing trend is to maximise delegation of DSG to schools etc. through the Schools Forum with the resulting risk of reduced funding for Council Services;
- Legal Challenge, the threat of which is likely to be faced more regularly as austerity bites further. Given the statutory nature of most of the Council's services, this impacts across all that the County Council does; and
- contract prices; the economic downturn has suppressed tender prices and the County Council has benefited financially but as confidence in the economy grows and costs rise, tender prices are likely to increase, resulting in a cost pressure to the Council over time.

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

- ineffective information governance arrangements;
- inability, in the context of the changing NHS landscape, to develop effective partnerships with 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 prepare for the implementation of the new Care act;
- failure to adequately develop, plan for and commence implementation of new council ways of working;
- failure to deliver the long term waste service strategy;
- failure to have a robust Safeguarding service in place;
- failure to ensure positive educational outcomes for children and young people together with appropriate support for schools to be good or outstanding;
- failure to develop the North Yorkshire economy and to capitalise on the opportunities for devolution;
- failure to plan, respond and recover effectively to major emergencies in the community; and
- major corporate health and safety failure.

26. Allerton Park

Financial close for the Long Term Waste Services contract with AmeyCespa was achieved on 30th October 2014. Construction of the Allerton Waste Recovery Park commenced in January 2015 and the facility is due to be completed in early 2018. The Council's commitments on the contract are:

	Within 1 year £000	More than 1 year £000
Liability Payments	0	157,522
Finance Payments	0	241,621
Operating Costs	0	343,054
Total	<u>0</u>	<u>742,197</u>

The operational life of the facility is a minimum of 25 years.

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

30th June 2015

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 2014/15 (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-minimis 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 2015.

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 2015 for 2014/15 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 2013/14 Statement of Accounts, the Actuary advised that a rate of 2.2% real (4.6% 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

2014/15, 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 2014/15.

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 was required to participate in the introductory phase (2011/12 – 2013/14) of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.

However, from 2014/15 the County Council no longer qualifies for participation in the CRC Scheme.

As part of the introductory phase, the County Council was required to purchase and surrender allowances retrospectively on the basis of emissions. As emissions were produced a liability and an expense was recognised and the liability discharged when allowances were surrendered.

The final purchase and surrender of allowances was undertaken in 2014/15 relating to 2013/14 emissions.

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').

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 local authority Code.

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 2014/15 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 2015.

Gary Fielding
Corporate Director – Strategic Resources
30th June 2015

Co-signed by,
Richard Flinton
Chief Executive
30th June 2015

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

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2014/15

Year to 31st March 2014				Year to 31st March 2015		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
5,306	(3,404)	1,902	Central Services to the Public	3,210	(1,944)	1,266
877	0	877	Court Services	774	0	774
12,406	(841)	11,565	Cultural and Related Services	13,862	(1,709)	12,153
33,775	(3,184)	30,591	Environmental and Regulatory Services	38,639	(4,362)	34,277
4,542	(2,665)	1,877	Planning Services	10,510	(5,397)	5,113
585,200	(438,347)	146,853	Education and Childrens Services	556,448	(435,481)	120,967
66,780	(12,781)	53,999	Highways, Roads and Transport Services	68,024	(13,841)	54,183
212,552	(55,213)	157,339	Adult Social Care	215,476	(56,192)	159,284
15,037	(19,342)	(4,305)	Public Health	15,170	(19,892)	(4,722)
313	(159)	154	Housing Services	241	(51)	190
4,800	(4)	4,796	Corporate and Democratic Core	3,149	(274)	2,875
1,806	(129)	1,677	Non Distributed Costs	1,264	(120)	1,144
<u>943,394</u>	<u>(536,069)</u>	<u>407,325</u>	Cost of Services	<u>926,767</u>	<u>(539,263)</u>	<u>387,504</u>
			Other Operating Expenditure			
		11,421	Loss on Disposal of Property, Plant and Equipment (note 22)			14,315
		7,005	Impairment of Assets Held for Sale (note 29)			665
		584	Precepts of Local Precepting Authorities (note 7)			585
			Financing and Investment Income and Expenditure			
		15,901	Interest payable and similar charges (note 44b)			15,174
		(2,902)	Interest receivable and similar income (note 44b)			(2,007)
		(16,041)	Investment Properties; revaluation and impairment (note 27)			(2,716)
		147	Deficit of trading activities (note 6)			237
		<u>22,638</u>	Net interest on the net defined pension benefit liability / (asset) (note 11)			<u>13,434</u>
		<u>446,078</u>				<u>427,191</u>

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 2014/15							
Balance at 31st March 2014	(78,491)	(113,147)	0	(6,645)	(198,283)	(836,889)	(1,035,172)
Deficit on Provision of Services (accounting basis)	(26,013)	0	0	0	(26,013)	0	(26,013)
Other Comprehensive Expenditure and Income	0	0	0	0	0	78,992	78,992
Total Comprehensive Expenditure and Income	(26,013)	0	0	0	(26,013)	78,992	52,979
Adjustments between accounting basis and funding basis under regulations	10,062	0	0	(3,987)	6,075	(6,075)	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(15,951)	0	0	(3,987)	(19,938)	72,917	52,979
Transfers (to) / from Earmarked Reserves	2,731	(2,731)	0	0	0	0	0
(Increase) / Decrease in Year	(13,220)	(2,731)	0	(3,987)	(19,938)	72,917	52,979
Balance at 31st March 2015	(91,711)	(115,878)	0	(10,632)	(218,221)	(763,972)	(982,193)

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 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	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)

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 2015

31st March 2014 £000		31st March 2015 £000
1,469,280	Property, Plant and Equipment (note 20)	1,552,763
37,160	Investment Property (note 27)	36,699
9,551	Intangible Assets (note 26)	10,055
3,518	Long Term Investments (note 31)	3,518
16,835	Long Term Debtors (note 32)	14,150
1,536,344	Long Term Assets	1,617,185
93,833	Short Term Investments (note 44d)	155,491
1,630	Inventories (note 33)	1,400
41,503	Short Term Debtors (note 34)	73,872
144,836	Cash and Cash Equivalents (note 30)	80,186
2,582	Assets held for sale (note 29)	2,125
284,384	Current Assets	313,074
(58,439)	Short Term Borrowing (note 44a)	(53,026)
(69,215)	Short Term Creditors (note 35)	(71,224)
11	PFI Liability repayable within 12 months (note 14)	(250)
(7)	Finance Lease repayable within 12 months (note 15)	(7)
(11,440)	Provisions to be used within 12 months (note 36)	(10,986)
(6,925)	Capital Grant Receipts in Advance (note 10)	(3,568)
(146,015)	Current Liabilities	(139,061)
(3)	Long Term Creditors	(40)
(4,703)	PFI Liability repayable in excess of 12 months (note 14)	(4,453)
(1,092)	Finance Lease repayable in excess of 12 months (note 15)	(1,085)
(5,752)	Provisions to be used in excess of 12 months (note 36)	(6,842)
(317,521)	Pensions Liability (note 11)	(484,059)
(304,757)	Long Term Borrowing (note 44a and 44d)	(311,585)
(5,713)	Capital Grant Receipts in Advance (note 10)	(941)
(639,541)	Long Term Liabilities	(809,005)
1,035,172	Net Assets	982,193

BALANCE SHEET AS AT 31ST MARCH 2015 (continued)

31st March 2014 £000		31st March 2015 £000
Usable Reserves		
78,491	General Working Balance (note 37a)	91,711
113,147	Earmarked Reserves (note 37b)	115,878
0	Capital Receipts Reserve (note 37c)	0
6,645	Capital Grant Unapplied Reserve (note 37d)	10,632
198,283	Total Usable Reserves	218,221
Unusable Reserves		
198,531	Revaluation Reserve (note 38a)	270,666
2,087	Collection Fund Adjustment Account (note 38b)	4,574
0	Financial Instruments Adjustment Account (note 38c)	0
(9,598)	Accumulated Absences Account (note 38d)	(8,739)
(317,521)	Pension Reserve (note 38e)	(484,059)
963,390	Capital Adjustment Account (note 38f)	981,530
836,889	Total Unusable Reserves	763,972
1,035,172	Total Reserves	982,193

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 24th September 2015 following completion of the External Audit.

..... Date

Chair of the Audit Committee

(to be signed at the 24th September 2015 Audit Committee Meeting)

CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2015

31st March 2014 £000		31st March 2015 £000
(3,239)	Net Surplus / (Deficit) on the Provision of Services - See Comprehensive Income and Expenditure Statement	26,013
	Adjust net surplus / (deficit) on the provision of services for non cash movements	
54,323	Depreciation / Amortisation (note 37a)	56,303
31,316	Impairment and revaluations charged to the provision of services (note 37a)	14,203
(16,335)	Movement in Creditors (notes 10 and 35)	(6,083)
(3,455)	Movement in Debtors (note 34)	(32,369)
(709)	Movement in Inventories (note 33)	230
(3,735)	Movement in Provisions (note 36)	636
24,615	Pensions Liability (note 11)	9,958
19,531	Carrying Amount of Non-current Assets sold (note 37a)	23,123
64	Other non-cash items charged to the provision of services	0
105,615		66,001
	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	
(58,566)	Grants received for investment purposes (note 10)	(72,499)
(8,548)	Proceeds from the sale of property and other assets (note 24a)	(9,017)
(67,114)		(81,516)
35,262	Net cash flows from Operating Activities	10,498

CASH FLOW STATEMENT (continued)

31st March 2014 £000		31st March 2015 £000
35,262	Net cash flows from Operating Activities	10,498
	Investing Activities	
(70,897)	Purchase of Property, Plant and Equipment and Intangible Assets (note 24a)	(94,820)
0	Purchase of Short Term and Long Term investments	0
8,548	Proceeds from the Sale of Property (and other Assets) (note 24a)	9,017
42,114	Proceeds from Short Term and Long Term Investments	(61,658)
50,546	Other receipts for investing activities	70,894
30,311	Net cash flows from Investing Activities	(76,567)
	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)	4
(10,212)	Repayment of Short and Long Term Borrowing	1,591
(107)	Other payments for Financing Activities	(176)
(10,555)	Net cash flows for Financing Activities	1,419
55,018	Net (Decrease) / Increase in Cash and Cash Equivalents	(64,650)
89,818	Cash and Cash Equivalents at the beginning of the reporting period	144,836
144,836	Cash and Cash Equivalents at the end of the reporting period	80,186
55,018		(64,650)

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

There have been no prior period adjustments.

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

The standards introduced in the 2015/16 Code are:

- IFRS 13 Fair Value Measurement (May 2011);
- Annual Improvements to IFRSs (2011 – 2013 Cycle); and
- IFRIC 21 Levies.

The issues included in the Annual Improvements to IFRSs 2011 – 2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

It is not anticipated that these changes will have an impact on the County Council's Accounting policies or Statement of Accounts.

CIPFA has agreed that the 2016/17 accounts will adopt the requirements of the CIPFA Code of Practice on Transport Infrastructure Assets i.e. measurement on a Depreciated Replacement Cost basis. This will require full retrospective restatement of 2015/16 values where applicable and will have a significant impact on the Statement of Accounts. Work is on-going to put in place processes to ensure that the correct valuation information is available for 2015/16 onwards.

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;
- the County Council, via its external valuer, has conducted an impairment review on land and property assets not being revalued in 2014/15. As a result of this impairment review, it has been concluded no material impairment has occurred;

- three schools transferred to Academy Status in 2014/15. 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 2015/16;
- 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 (NYnet Limited, Veritau Limited and Yorwaste 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 £484m 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 £29.0m;
- a +0.1%pa change in salary inflation would increase the deficit by £29.6m;
- a +0.1%pa pay growth would increase the deficit by £5.8m;
- an additional 1 year increase in life expectancy would increase the deficit by £26.6m.

A negative change would result in the above movements being reversed.

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 2014/15

	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	(4,818)	(20,249)	(16,081)	(55,477)	(14,804)	(111,429)
Government Grants	<u>(387,080)</u>	<u>(12,366)</u>	<u>(4,231)</u>	<u>(20,256)</u>	<u>(14,860)</u>	<u>(438,793)</u>
Total Income	<u>(391,898)</u>	<u>(32,615)</u>	<u>(20,312)</u>	<u>(75,733)</u>	<u>(29,664)</u>	<u>(550,222)</u>
Employee Expenses	279,801	54,462	13,810	48,380	48,917	445,370
Other	<u>112,097</u>	<u>54,061</u>	<u>85,192</u>	<u>168,394</u>	<u>44,686</u>	<u>464,430</u>
Total Expenditure	<u>391,898</u>	<u>108,523</u>	<u>99,002</u>	<u>216,774</u>	<u>93,603</u>	<u>909,800</u>
Net Expenditure	<u>0</u>	<u>75,908</u>	<u>78,690</u>	<u>141,041</u>	<u>63,939</u>	<u>359,578</u>

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement 2014/15

	£000
Cost of Services in Service Analysis	359,578
Add amounts required to comply with Statutory Accounting Requirements	106,416
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(69,697)
Amounts reported below the Net Cost of Service	<u>(8,793)</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	<u>387,504</u>

Reconciliation of Segment Report to Total Income and Expenditure 2014/15

	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	(108,663)	0	9,283	(756)	(100,136)	(213)	(100,349)
Interest and Investment Income	(2,462)	0	0	2,462	0	(2,462)	(2,462)
Income from Council Tax	0	0	0	0	0	(236,672)	(236,672)
Income from Local NDR	0	0	0	0	0	(60,752)	(60,752)
Government Grants	(438,793)	(5,754)	0	5,420	(439,127)	(155,780)	(594,907)
Investment Properties	(304)	0	0	304	0	(3,728)	(3,728)
Total Income	(550,222)	(5,754)	9,283	7,430	(539,263)	(459,607)	(998,870)
Employee Expenses	445,370	33,240	(37,575)	0	441,035	0	441,035
Other service expenses	433,720	0	(26,909)	(9)	406,802	14,896	421,698
Depreciation, Amortisation and Impairment	0	78,930	0	0	78,930	665	79,595
MRP	14,496	0	(14,496)	0	0	0	0
Interest Payments	15,629	0	0	(15,629)	0	15,629	15,629
Precepts and Levies	585	0	0	(585)	0	585	585
Loss on Disposal of Fixed Assets	0	0	0	0	0	14,315	14,315
Total Operating Expenses	909,800	112,170	(78,980)	(16,223)	926,767	46,090	972,857
Surplus on the Provision of Services	359,578	106,416	(69,697)	(8,793)	387,504	(413,517)	(26,013)

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 2014/15 (£359,578k) to the lines for Net Cost of Services (£387,504k) and the surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement (£26,013k).

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 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	13,370	47,705	46,262	441,542
Other	<u>112,649</u>	<u>58,109</u>	<u>79,058</u>	<u>163,342</u>	<u>47,119</u>	<u>460,277</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 2014/15

	£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 2014/15

	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 Non Domestic Rates	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	<u>(339)</u>	<u>0</u>	<u>0</u>	<u>339</u>	<u>0</u>	<u>(6,549)</u>	<u>(6,549)</u>
Total Income	<u>(549,262)</u>	<u>(4,702)</u>	<u>5,173</u>	<u>12,722</u>	<u>(536,069)</u>	<u>(453,268)</u>	<u>(989,337)</u>
Employee Expenses	441,542	38,759	(37,272)	0	443,029	0	443,029
Other service expenses	427,979	0	(15,338)	2,698	415,339	13,817	429,156
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,421</u>	<u>11,421</u>
Total Operating Expenses	<u>901,819</u>	<u>123,785</u>	<u>(67,969)</u>	<u>(14,241)</u>	<u>943,394</u>	<u>49,182</u>	<u>992,576</u>
Deficit on the Provision of Services	<u>352,557</u>	<u>119,083</u>	<u>(62,796)</u>	<u>(1,519)</u>	<u>407,325</u>	<u>(404,086)</u>	<u>3,239</u>

6. Trading Activities

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

Name and Nature	Trading Objective	2014/15			2013/14		
		Turnover £000	Expenditure £000	Surplus/ (Deficit) £000	Turnover £000	Expenditure £000	Surplus/ (Deficit) £000
Broadband							
- Broadband to Schools	Breakeven	2,214	2,214	0	0	0	0
Building Cleaning Services							
- Building Cleaning Services to schools and other NYCC establishments	Breakeven	9,055	9,303	(248)	8,308	8,615	(307)
Catering							
- School and Welfare Catering Services	Breakeven	16,850	17,502	(652)	15,487	15,476	11
Maintenance and Servicing Scheme (MASS)							
- Premises planned general care and maintenance	Breakeven	3,842	3,644	198	3,951	4,230	(279)
Music Service							
- Music tuition in schools	Breakeven	2,326	2,326	0	0	0	0
Outdoor Learning Service							
- Residential and outdoor learning	Breakeven	2,474	2,306	168	0	0	0
Schools ICT Services							
- ICT Services to schools	Breakeven	4,152	4,178	(26)	4,298	4,164	134
Staff Absence Scheme							
- In house insurance scheme for schools to cover the cost of teaching supply	Breakeven	3,919	2,805	1,114	3,721	3,185	536
Consolidation results of all other Trading Units		9,616	9,287	329	8,718	8,839	(121)
Total Results for Trading Units		<u>54,448</u>	<u>53,565</u>	<u>883</u>	<u>44,483</u>	<u>44,509</u>	<u>(26)</u>

During 2014/15, the Council's traded services, including insurance offered to schools, began operating under the brand of North Yorkshire's SmartSolutions. This is an in-house arrangement which reflects a governance and reporting structure whereby such services are held accountable by a Board, chaired by the County Council's Chief Executive.

Although the annual trading objective for several of the trading operations is to achieve a breakeven position, a deficit is shown for 2014/15. This gives rise to the drawdown of accumulated surpluses that have been carried forward in past years and are 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 marginally reducing costs reported in the 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. Cleaning. 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 2015 £000	31st March 2014 £000
Net surplus included within Cost of Services	1,120	121
Net deficit credited to Financing and Investment Income and Expenditure	(237)	(147)
Net surplus / (deficit) on trading operations	<u>883</u>	<u>(26)</u>

7. Precepts of Local Precepting Authorities

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

	2014/15 £000	2013/14 £000
Environment Agency for Flood Defence	332	331
North Eastern Inshore Fisheries and Conservation Authority	<u>253</u>	<u>253</u>
	<u>585</u>	<u>584</u>

In 2014/15 a grant of £55k (£55k in 2013/14) was received from the Department for Environment, Food and Rural Affairs to offset the North Eastern Inshore Sea Fisheries and Conservation Authority levy.

8. Council Tax Income

Council Tax Income totalled £236.7m (£228.5m in 2013/14) consisting of:-

	2014/15 £000	2013/14 £000
Precept Income for year	233,215	225,193
Collection Fund surplus from previous years	1,989	567
Collection Fund Adjustment (note 38b)	<u>1,468</u>	<u>2,756</u>
	<u>236,672</u>	<u>228,516</u>

The precept income from Council Tax is equivalent to a basic amount of £1,078.52 for an average band D property.

9. Non-Domestic Rates

	2014/15 £000	2013/14 £000
Non-Domestic Rating Income for year from Districts	18,715	18,775
Collection Fund deficit from previous years	(771)	0
Business Rates Retention Scheme funding from Government	41,789	40,991
Collection Fund Adjustment (note 38b)	<u>1,019</u>	<u>(1,432)</u>
	<u>60,752</u>	<u>58,334</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

Non-Ringfenced Government Grants	2014/15		2013/14	
	£000	£000	£000	£000
Government Revenue Support Grant		77,861		88,920
Other Government Funding				
- New Homes Bonus	1,790		1,259	
- Business Rates Reliefs	1,826		770	
- Private Finance Initiative	704		704	
- Local Services Support	689		831	
- Returned New Homes Bonus Topslice	206		501	
- Rural Services	205		857	
- Council Tax Freeze	0		2,495	
- Returned Capitalisation Topslice	0		469	
- Localisation of Council Tax Benefits	<u>0</u>	<u>5,420</u>	<u>617</u>	<u>8,503</u>
		<u>83,281</u>		<u>97,423</u>

Capital Grants	2014/15		2013/14	
	£000	£000	£000	£000
Children and Young People's Service				
- Capital Maintenance	9,503		8,339	
- Schools Devolved Capital	3,405		4,765	
- Basic Needs	1,023		2,342	
- Other Capital Grants / Contributions	<u>4,088</u>	18,019	<u>2,775</u>	18,221
Business and Environmental Services				
- Local Transport Plan	36,388		32,091	
- Local Enterprise Partnership	4,763		3,900	
- Local Sustainable Transfer	2,323		2,030	
- Bedale Bypass Section 31	9,292		0	
- Other Capital Grants / Contributions	<u>1,072</u>	53,838	<u>1,217</u>	39,238
Health and Adult Services				
- Capital Grants / Contributions		628		885
Other Corporate Grants / Contributions		<u>14</u>		<u>222</u>
Total		<u>72,499</u>		<u>58,566</u>

Revenue Grants Credited to Services	2014/15		2013/14	
	£000	£000	£000	£000
Children and Young People's Service				
- Dedicated Schools Grant (note 42)	347,436		350,067	
- Education Funding Agency	18,033		19,336	
- Pupil Premium	15,932		12,423	
- Education Services Support	9,477		9,888	
- Universal Infant Free School Meals	4,465		0	
- Learning and Skills Council Funding	3,616		3,844	
- Physical Education & School Sport	2,540		1,938	
- Developing Stronger Families	1,300		1,201	
- No Wrong Door Initiative	1,030		0	
- Youth Justice Board	985		948	
- SEN Reform	718		0	
- Music Service	597		624	
- Adoption Reform	513		1,318	
- SEND Implementation	483		0	
- Adoption Support	331		0	
- Other Grants	<u>333</u>	407,789	<u>1,033</u>	402,620
Business and Environmental Services				
- E Crime	1,153		875	
- Economic Development	937		1,651	
- Natural England	127		134	
- Severe Weather Event	0		2,041	
- Other Grants	<u>1,755</u>	3,972	<u>948</u>	5,649
Health and Adult Services				
- Public Health	19,733		19,021	
- Other Grants	<u>523</u>	20,256	<u>266</u>	19,287
Other Corporate Grants		1,373		2,095
Total		<u>433,390</u>		<u>429,651</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 2015		31st March 2014	
	£000	£000	£000	£000
To be used within 1 year				
Children and Young People's Service				
- Schools Devolved Capital Grant	0		1,583	
- Other	<u>0</u>	0	<u>228</u>	1,811
Business and Environmental Services				
- Growing Places Fund	119		2,714	
- Local Transport Grant	2,073		992	
- Local Sustainable Transfer Fund Grant	1,334		1,248	
- Other	<u>20</u>	3,546	<u>16</u>	4,970
Health and Adult Services				
- Information Technology Grants		0		100
Corporate				
- Other		22		44
Total		<u>3,568</u>		<u>6,925</u>
To be used in excess of 1 year				
Children and Young People's Service				
- Schools Devolved Capital Grant	376		1,346	
- Other	<u>0</u>	376	<u>1,872</u>	3,218
Business and Environmental Services				
- Growing Places Fund		0		2,176
Health and Adult Services				
- Information Technology Grants		0		319
- PSS Capital Grant		565		0
Total		<u>941</u>		<u>5,713</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 pension 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 pension liabilities, and cash has to be generated to meet actual pension 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 and 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 2014/15 were £57k (2013/14 £48k).

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 2014/15:-

	Local Government Pension Scheme		Teachers Pension Scheme		Total	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Comprehensive Income and Expenditure Statement						
Net Cost of Service						
Current Service Cost	33,704	37,899	0	0	33,704	37,899
Past Service Cost	77	35	0	0	77	35
Settlement / Curtailments	(377)	644	0	0	(377)	644
Administration Expenses	695	671	0	0	695	671
Financing and Investment Income and Expenditure						
Net Interest Expense	12,972	22,188	462	450	13,434	22,638
Total post employment Benefits charged to the (Surplus) / Deficit on the Provision of Services	<u>47,071</u>	<u>61,437</u>	<u>462</u>	<u>450</u>	<u>47,533</u>	<u>61,887</u>
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability	155,843	(265,244)	737	(945)	156,580	(266,189)
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	<u>202,914</u>	<u>(203,807)</u>	<u>1,199</u>	<u>(495)</u>	<u>204,113</u>	<u>(204,302)</u>
Movement in Reserves Statement						
Reversal of Net Charge to the (Surplus) / Deficit on Provision of Services	(47,071)	(61,437)	(462)	(450)	(47,533)	(61,887)
Actual amount charged against the General Fund Balance in the Year						
Employers' contributions payable to scheme	36,653	36,336				
Retirement benefits payable to pensioners			922	936		
					<u>37,575</u>	<u>37,272</u>

Therefore, although the overall amounts to be met from Taxation and Non-specific grant income remains unchanged, the costs disclosed for services are £1,618k higher as a result of:-

- (i) the County Council's contributions of £36,653k to the Local Government Pension Scheme being replaced with a current service cost of £33,704k. This £2,949k adjustment equates to a 8.0% 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 (£922k) is removed from the net cost of services as it relates to periods of service prior to 2014/15;
- (iii) a past service cost of £77k, effect on settlements of £759k and curtailments of £382k 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; and
- (iv) administration expenses of £695k.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening balance at 1st April	(1,099.2)	(1,298.6)	(11.2)	(12.6)
Current Service Cost	(33.7)	(37.9)	0.0	0.0
Interest Cost	(49.8)	(54.0)	(0.5)	(0.5)
Contributions by scheme participants	(10.7)	(10.5)	0.0	0.0
Remeasurement liabilities	(244.5)	266.6	(0.7)	1.0
Benefits Paid	42.3	35.8	0.9	0.9
Settlements / Curtailments	0.5	(0.6)	0.0	0.0
Closing Balance at 31st March	<u>(1,395.1)</u>	<u>(1,099.2)</u>	<u>(11.5)</u>	<u>(11.2)</u>

Reconciliation of the fair value of the scheme assets

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening balance at 1st April	792.9	752.2	0.0	0.0
Interest on Plan Assets	36.8	31.8	0.0	0.0
Remeasurement assets	88.7	(1.4)	0.0	0.0
Employer Contributions	36.6	36.3	0.9	0.9
Contributions by scheme participants	10.7	10.5	0.0	0.0
Settlements	(0.2)	0.0	0.0	0.0
Administration Expenses	(0.7)	(0.7)	0.0	0.0
Benefits Paid	(42.3)	(35.8)	(0.9)	(0.9)
Closing Balance at 31st March	<u>922.5</u>	<u>792.9</u>	<u>0.0</u>	<u>0.0</u>

The actual return on the scheme assets in the year was £125.5m (2013/14 £88.6m).

The liabilities show the underlying commitments that the County Council has in the long-run to pay for retirement benefits. The total net liability of £484.1m has a sustained impact on the net worth of the County Council as recorded in the Balance Sheet, resulting in an overall balance of £982.2m.

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 2015 %	31st March 2014 %
Rate of CPI inflation	2.1	2.4
Rate of increase in salaries	3.6	3.9
Rate of increase in pensions	2.1	2.4
Rate for discounting schemes liabilities	3.4	4.6
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	25.4	25.3
- Female future pensioner aged 65 in 20 years' time	28.0	27.8
- Male current Pensioner aged 65	23.1	23.0
- Female current Pensioner aged 65	25.6	25.5

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 £922.5m at 31st March 2015 (£792.9m at 31st March 2014). 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:-

	31st March 2015 %	31st March 2014 %
Equity investments	60.0	67.0
Government Bonds	16.9	12.4
Corporate Bonds / Other Bonds	6.8	7.5
Property	6.5	4.7
Other	8.6	7.9
Cash / Liquidity Assets	1.2	0.5
	<u>100.0</u>	<u>100.0</u>

Surplus / (Deficit) in the Scheme

	2014/15 £m	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m
Present Value of defined benefit obligations	(1,406.6)	(1,110.4)	(1,311.3)	(1,111.5)	(1,016.0)
Fair Value of Scheme Assets	<u>922.5</u>	<u>792.9</u>	<u>752.2</u>	<u>639.1</u>	<u>613.8</u>
Deficit in the Scheme	<u>(484.1)</u>	<u>(317.5)</u>	<u>(559.1)</u>	<u>(472.4)</u>	<u>(402.2)</u>

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2014/15 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2015:-

	2014/15		2013/14		2012/13		2011/12		2010/11	
	£m	%	£m	%	£m	%	£m	%	£m	%
Experience adjustments on scheme assets	88.7	9.6	(1.4)	(0.2)	73.9	9.8	(30.6)	(4.8)	18.0	1.4
Experience adjustments on scheme liabilities	0.0	0.0	107.8	9.8	0.0	0.0	(36.8)	(3.3)	29.7	2.9
	<u>88.7</u>		<u>106.4</u>		<u>73.9</u>		<u>(67.4)</u>		<u>47.7</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 8AD.

The estimated amount of contributions expected to be paid to the Scheme during the 2015/16 financial year is £36.8m.

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 2014/15 the County Council paid £22.4m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents an average 14.1% of teachers' pensionable pay. The figures for 2013/14 were £22.7m 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 2014/15 the County Council incurred the following fees relating to external audit and inspection:-

	2014/15 £000	2013/14 £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	3	2
- other services (Audit Commission)	4	2
- other services (Deloitte)	3	0
	136	130

13. Members Allowances

The total amount of members allowances, (including travel); paid during the year was £967k, (£977k in 2013/14).

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 Barby 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

	2014/15 £000	2013/14 £000
Opening Balance	3,777	3,644
Depreciation	(184)	(170)
Additions	0	0
Revaluations	0	0
Closing Balance	<u>3,593</u>	<u>3,474</u>

Forming part of the above balance are the two voluntary controlled schools which have a carrying net book value of £1,773k, (£1,630k 2014). 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

	2014/15 £000	2013/14 £000
Opening Balance	4,692	4,922
Repayments	11	(230)
Additions	0	0
Closing Balance	<u>4,703</u>	<u>4,692</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>250</u>	<u>425</u>	<u>0</u>	<u>469</u>	<u>1,144</u>
more than 1 year					
within 2 - 5 years	1,123	1,473	111	1,868	4,575
within 6 - 10 years	2,239	1,135	0	2,344	5,718
within 11 - 15 years	1,091	154	111	931	2,287
within 16 - 20 years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>4,453</u>	<u>2,762</u>	<u>222</u>	<u>5,143</u>	<u>12,580</u>
Prior Year 2013/14					
within 1 year	(11)	424	279	452	1,144
more than 1 year	<u>4,703</u>	<u>3,187</u>	<u>222</u>	<u>5,612</u>	<u>13,724</u>
	<u>4,692</u>	<u>3,611</u>	<u>501</u>	<u>6,064</u>	<u>14,868</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 (£117k in 2013/14).

The County Council had commitments at the 31st March 2015 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 2015 £000	31st March 2014 £000
Within 1 year	7	7
Between 2 - 5 years	37	34
Later than 5 years	1,048	1,058
	<u>1,092</u>	<u>1,099</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 £2,777k (£2,875k in 2013/14) of finance costs over the remaining life of the lease that would fall due in the following years:

	Minimum Lease Payments	
	31st March 2015 £000	31st March 2014 £000
Within 1 year	105	105
Between 2 - 5 years	420	420
Later than 5 years	3,344	3,449
	<u>3,869</u>	<u>3,974</u>

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

	31st March 2015 £000	31st March 2014 £000
Property	<u>1,076</u>	<u>1,092</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 £1,466k (£1,482k in 2013/14) in respect of Land and Building leases and £2,390k for Vehicles, Plant and Equipment (£2,123k in 2013/14).

The County Council had commitments at the 31st March 2015 to make payments under operating leases in future financial years, comprising the following elements:-

	31st March 2015 £000	31st March 2014 £000
Within 1 year	3,410	3,328
Between 2 - 5 years	5,734	5,643
Later than 5 years	4,925	5,081
	<u>14,069</u>	<u>14,052</u>

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

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

Rental receipts for Land and Buildings received during the year amount to £1,394k (£1,177k in 2013/14).

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 2014/15.

- the Upper Wensleydale Community Partnership (UWCP) received funding of £63,600 from the County Council in 2014/15 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 2014/15. 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:-

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

The transactions between the County Council and these three companies are eliminated in the Group Accounts financial statements on pages 111 to 115.

There is also a group relationship with Yorkshire Purchasing Organisation (YPO) but, as there is not a significant level of control nor material expenditure, no consolidation adjustments have been undertaken within the Group Account statements on the grounds of it being a simple investment.

NYnet Limited:

The total value of services provided by NYnet Limited in 2014/15 to the County Council was £3,211k (£5,720k in 2013/14), and at 31st March 2015 the trading creditor balance was £2,456k (£54k in 2013/14).

The County Council provided services to NYnet Limited totalling £182k (£188k in 2013/14), of which £17k was outstanding as at 31st March 2015.

The County Council provided a loan facility to NYnet Limited of up to £10m in 2014/15 of which £5,153k was taken up at 31st March 2015. Interest of £145k on this loan was paid to the County Council in 2014/15. The loan balance at 31st March 2014 was £7,930k.

Veritau Limited:

The total value of services provided by Veritau Limited in 2014/15 to the County Council was £639k (£602k in 2013/14), and at 31st March 2015 the trading creditor balance was £7k.

The County Council provided services to Veritau Limited totalling £16k (£14k in 2013/14), and at 31st March 2015, £10k was outstanding.

Yorwaste Limited:

The total value of services, including landfill tax provided by Yorwaste Limited in 2014/15 was £13,163k (£12,722k in 2013/14), and as at 31st March 2015 the trading creditor balance was £1,146k (£1,118k in 2013/14).

The County Council provided services to Yorwaste Limited totalling £86k (£345k in 2013/14) of which £11k (£217k in 2013/14) was outstanding as at 31st March 2015.

The County Council provided a loan to Yorwaste Limited of £3,700k of which interest was received by the County Council of £160k in 2014/15. The loan balance has remained the same since April 2008.

Yorwaste Limited did not pay the County Council a dividend in 2014/15 (£101k in 2013/14).

Yorkshire Purchasing Organisation (YPO):

The County Council made payments to YPO in 2014/15 totalling £7.5m (£18.3m in 2013/14).

An estimated dividend of £594k (£709k in 2013/14) in relation to YPO's 2014 trading activities is reflected in the County Council's 2014/15 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 £13.3m (£12.6m in 2013/14) and made payments totalling £2.7m (£3.1m 2013/14).

The County Council provided the North Yorkshire Pension Fund administrative and support services totalling £1.1m in 2014/15.

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 three distinct areas of pooled funds - the Intermediate Care (Whole Systems) Pooled Fund, Equipment Pooled Fund and the Health and Social Care 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 2014/15 £000	Total 2013/14 £000
Expenditure				
Gross Expenditure	147	669	816	857
(Over) / Underspend 2013/14	(287)	(32)	(319)	(242)
Underspend 2014/15	178	0	178	319
Total Pooled Fund	<u>38</u>	<u>637</u>	<u>675</u>	<u>934</u>
Contribution to Pooled Fund				
Local CCG's	14	368	382	372
NYCC	24	269	293	562
Total Contributions	<u>38</u>	<u>637</u>	<u>675</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	Total
	Hambleton Richmondshire £000	Whitby Ryedale £000	Harrogate Craven £000	Selby £000	2014/15 £000	2013/14 £000
Gross Expenditure	264	455	495	340	1,554	1,295
Underspend 2013/14	0	0	(21)	0	(21)	(38)
Underspend 2014/15	(75)	(43)	(86)	(177)	(381)	21
Total Pooled Fund	<u>189</u>	<u>412</u>	<u>388</u>	<u>163</u>	<u>1,152</u>	<u>1,278</u>
Contribution to Pooled Fund						
Local CCG's	37	93	96	95	321	703
NYCC	<u>152</u>	<u>319</u>	<u>292</u>	<u>68</u>	<u>831</u>	<u>575</u>
Total Contributions	<u>189</u>	<u>412</u>	<u>388</u>	<u>163</u>	<u>1,152</u>	<u>1,278</u>

Health and Social Care Pooled Fund

The Health and Social Care Pooled Fund was established in 2014 with all the CCG's across the county. The aim of the fund is to create closer integration between health and social care to improve outcomes for patients, service users and carers. The County Council is the host for the pooled fund for all areas of the county.

	Total Spend £000
Gross Expenditure	14,137
(Over) / Underspend 2014/15	<u>9,308</u>
Total Pooled Fund	<u>23,445</u>
Contribution to Pooled Fund	
Local CCG's	0
NYCC	<u>23,445</u>
Total Contributions	<u>23,445</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 (£)	2014/15			2013/14		
	Teachers	Other	Total	Teachers	Other	Total
50,000 - 54,999	135	28	163	159	28	187
55,000 - 59,999	106	31	137	109	36	145
60,000 - 64,999	59	4	63	53	7	60
65,000 - 69,999	31	5	36	29	7	36
70,000 - 74,999	14	9	23	12	5	17
75,000 - 79,999	9	1	10	9	7	16
80,000 - 84,999	3	6	9	3	1	4
85,000 - 89,999	2	2	4	5	0	5
90,000 - 94,999	1	0	1	0	0	0
95,000 - 99,999	2	1	3	3	3	6
100,000 - 104,999	3	4	7	1	2	3
105,000 - 109,999	1	0	1	3	0	3
110,000 - 114,999	1	1	2	0	2	2
115,000 - 119,999	0	2	2	1	0	1
120,000 - 124,999	0	0	0	0	0	0
125,000 - 129,999	0	1	1	0	1	1
130,000 - 134,999	0	0	0	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	0	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	1	1	0	1	1
	<u>367</u>	<u>96</u>	<u>463</u>	<u>387</u>	<u>100</u>	<u>487</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 2014/15 or 2013/14.

	2014/15 £	2013/14 £
Chief Executive		
<i>Richard Flinton</i>		
Salary, Fees and Allowances	168,694	168,694
Expense Allowances	0	0
Pension Contributions	24,480	21,080
Total Remuneration including Pension Contributions	<u>193,174</u>	<u>189,774</u>

	2014/15 £	2013/14 £
Corporate Director of Children and Young People's Services		
Salary, Fees and Allowances	129,007	129,007
Expense Allowances	0	0
Pension Contributions	18,720	16,120
Total Remuneration including Pension Contributions	<u>147,727</u>	<u>145,127</u>
Corporate Director of Business and Environmental Services		
Salary, Fees and Allowances	117,825	117,825
Expense Allowances	688	0
Pension Contributions	17,098	14,724
Total Remuneration including Pension Contributions	<u>135,611</u>	<u>132,549</u>
Corporate Director of Health and Adult Services		
<i>The current postholder was appointed on 1st March 2014 which is reflected in the figures for 2013/14</i>		
Salary, Fees and Allowances	117,930	11,156
Expense Allowances	0	0
Pension Contributions	17,114	1,227
Total Remuneration including Pension Contributions	<u>135,044</u>	<u>12,383</u>
Corporate Director (Strategic Resources)		
Salary, Fees and Allowances	114,067	110,410
Expense Allowances	0	0
Pension Contributions	16,553	13,797
Total Remuneration including Pension Contributions	<u>130,620</u>	<u>124,207</u>
Corporate Director (Projects)		
Salary, Fees and Allowances	100,311	99,762
Expense Allowances	55	0
Pension Contributions	14,556	12,466
Total Remuneration including Pension Contributions	<u>114,922</u>	<u>112,228</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	100,046	100,046
Expense Allowances	610	302
Pension Contributions	14,272	14,272
Total Remuneration including Pension Contributions	<u>114,928</u>	<u>114,620</u>
Assistant Chief Executive (Business Support)		
Salary, Fees and Allowances	100,311	99,762
Expense Allowances	958	348
Pension Contributions	14,556	12,466
Total Remuneration including Pension Contributions	<u>115,825</u>	<u>112,576</u>

	2014/15 £	2013/14 £
Assistant Chief Executive (Legal and Democratic Services)		
<i>The current postholder was appointed on 7th April 2014 on an annualised salary of £96,661. The previous postholder left on 31st March 2014 and the comparative information relates to them.</i>		
Salary, Fees and Allowances	95,581	99,762
Expense Allowances	0	0
Pension Contributions	13,902	12,466
Total Remuneration including Pension Contributions	<u>109,483</u>	<u>112,228</u>

Assistant Chief Executive (Customer Services)

This post was created in partnership with Selby District Council from 28th October 2013.

Salary, Fees and Allowances	37,141	15,875
Expense Allowances	0	0
Pension Contributions	4,717	1,810
Total Remuneration including Pension Contributions	<u>41,858</u>	<u>17,685</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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
							£000	£000
0-19,999	131	59	166	62	297	121	1,756	738
20,000-39,999	5	9	28	14	33	23	821	643
40,000-59,999	1	0	3	4	4	4	196	170
60,000-79,999	0	0	1	2	1	2	63	132
	<u>137</u>	<u>68</u>	<u>198</u>	<u>82</u>	<u>335</u>	<u>150</u>	<u>2,836</u>	<u>1,683</u>

20. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2014/15.

	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 2014	972,908	97,025	629,547	18,895	5,559	1,723,934
Additions	11,473	5,918	59,175	0	4,464	81,030
Disposals	(17,668)	0	(8,022)	(928)	0	(26,618)
Transferred to Assets Held for Sale	3,075	0	0	(1,124)	(3,489)	(1,538)
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	79,501	0	0	1,948	0	81,449
Recognised in Provision of Services	(31,995)	0	0	(711)	0	(32,706)
As at 31st March 2015	<u>1,017,294</u>	<u>102,943</u>	<u>680,700</u>	<u>18,080</u>	<u>6,534</u>	<u>1,825,551</u>
Depreciation and Impairments						
As at 1st April 2014	(28,700)	(81,211)	(144,147)	(596)	0	(254,654)
Charge for the Year	(29,342)	(7,796)	(17,367)	(552)	0	(55,057)
Disposals	0	0	8,022	0	0	8,022
Transferred to Assets Held for Sale	0	0	0	19	0	19
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	410	0	0	19	0	429
Recognised in Provision of Services	27,908	0	0	545	0	28,453
As at 31st March 2015	<u>(29,724)</u>	<u>(89,007)</u>	<u>(153,492)</u>	<u>(565)</u>	<u>0</u>	<u>(272,788)</u>
Balance Sheet Net Amount as at 31st March 2015	<u>987,570</u>	<u>13,936</u>	<u>527,208</u>	<u>17,515</u>	<u>6,534</u>	<u>1,552,763</u>
Balance Sheet Net Amount as at 31st March 2014	<u>944,208</u>	<u>15,814</u>	<u>485,400</u>	<u>18,299</u>	<u>5,559</u>	<u>1,469,280</u>

Comparative Movements in 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	9,674	3,872	39,890	53	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	972,908	97,025	629,547	18,895	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	944,208	15,814	485,400	18,299	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

Property reclassified as Assets Held for Sale was transferred from Property, Plant and Equipment at a net value of £22k (£10k in 2013/14).

During 2014/15 the County Council recognised impairment losses of £17.0m 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.

	2014/15 £000	2013/14 £000
Impairment losses recognised within the (Surplus) / Deficit on Provision of Services	4,917	32,155
Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	12,040	15,066
	<u>16,957</u>	<u>47,221</u>

21. Valuation of Non-Current Assets

The County Council carries out a rolling programme that ensures that all Non-Current Assets are 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.

Highways, Waste and Agriculture properties were revalued in 2014/15 in accordance with the five year rolling programme. Furthermore, those properties not considered as part of the rolling programme in 2014/15 were subject to a desktop review by Bruton Knowles. The 2014/15 review resulted in a revaluation of all Land and Buildings considered as part of the rolling programme and hence valuation figures prior to 2014/15 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	8,721	13,936	527,208	0	549,865
Valued at current value in :-					
2014/15	1,041,722	0	0	0	1,041,722
2013/14	0	0	0	0	0
2012/13	0	0	0	0	0
2011/12	0	0	0	0	0
2010/11	0	0	0	0	0
Total Tangible Fixed Assets	<u>1,050,443</u>	<u>13,936</u>	<u>527,208</u>	<u>0</u>	<u>1,591,587</u>

22. Disposal of Property, Plant and Equipment

Roseberry Primary, Richard Taylor Primary and Aireville School gained Academy status during 2014/15. As a consequence the Land and Building assets of £17.7m pertaining to these schools has 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 Statement.

This exceptional £17.7m loss is purely notional and does not impact on the County Council's General Working Balance or Council Tax levy.

Other disposals in the year resulted in a net profit of £3.4m.

23. Major Areas of Capital Spending

Major areas of capital spending, over £0.5m during 2014/15 were:-

	Actual £000
Children and Young People's Service	
Capital Maintenance	4,824
Portable Classroom Replacement	4,444
Major Capital Projects in Schools	4,224
Suitability for Purpose Schemes	4,124
Basic Need Schemes	3,933
Self Help School Schemes	3,064
Devolved Capital Funding to Schools	2,722
Structural works	1,121
Woodfield School Development	900
School building replacements	744
Primary School refurbishment	711
Universal Free School Meals	585
School Reorganisations	502
Business and Environmental Services	
Structural Maintenance of Roads	38,950
Bedale, Aiskew, Leeming Bar Bypass	10,177
Regional Growth Fund	3,856
Integrated Transport Block Provision	2,842
Growing Places Fund (Generation of Local Economic Activity)	2,700
New and Replacement Road Lighting Columns	2,525
Local Sustainable Transport Fund - Highways Infrastructure	2,486
Structural Maintenance on Bridges	1,665
Regional Funding Allocation	525
Central Services	
Purchase of Vehicles, Plant and Equipment	755
Oracle Implementation Project	1,628
Desktop Refresh Programme	855
	<hr/> 100,862
All spending in areas below £0.5m	5,746
Total Capital Spending in 2014/15	<hr/> <hr/> 106,608

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 2014/15 expenditure of this type was £9,089k (£6,392k in 2013/14).

Committed Capital Expenditure

The County Council has an approved Capital Plan for 2015/16 of £117.8m. Of this £95.7m is committed expenditure as at 1st April 2015. It should be noted, however, that this figure includes a significant element (£65m) relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2015.

The remaining £30.7m consisted of the following:-

	Actual £000
Children and Young People's Service	
Basic Need Schemes	4,225
Modernisation Programme	2,200
Portable Classroom Unit Replacements	605
Suitability Schemes	558
Universal Free School Meals	450
Other Schemes	1,307
Business and Environmental Services	
Bedale Aiskew Leeming Bar Major Scheme	15,857
Waste Procurement Project	3,892
New and Replacement Road Lighting Columns	1,000
Other Schemes	195
Health and Adult Services	
Adult Social Care IT Infrastructure - Provision for Initiatives	77
Central Services	
Super Fast Broadband Scheme	300
Other Schemes	67
	<hr/> <u>30,733</u>

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

	2014/15 £000	2013/14 £000
Capital Investment		
Property, Plant and Equipment and Loans	95,769	77,288
Investment Properties	0	3
Intangible Assets	1,750	810
Revenue Expenditure Funded from Capital under Statute	9,089	6,392
	<u>106,608</u>	<u>84,493</u>
Sources of Finance		
Capital receipts	9,017	8,548
Government grants and other contributions	74,266	63,430
Direct Revenue Contributions	17,626	10,165
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	5,699	2,350
	<u>106,608</u>	<u>84,493</u>

The difference between the £106.6m capital investment above and the £81.0m additions in note 20 relates to expenditure of £1.8m on Intangible Fixed Assets, £9.1m on Revenue Expenditure Funded from Capital Under Statute, £12.0m of capital expenditure which resulted in no value being added to the County Council's asset base and £2.7m in relation to loans and grants under the LEP Growing Places Fund.

(b) Capital Financing Requirement (CFR)

	2014/15		2013/14	
	£000	£000	£000	£000
Opening Capital Financing requirement		375,701		388,710
Movement in year				
Increase in underlying need to borrow		5,699		2,350
MRP				
- capital spending funded by borrowing	(14,500)		(15,123)	
- PFI contracts	11		(230)	
- Finance leases	(7)	(14,496)	(6)	(15,359)
Assets acquired under PFI contracts		0		0
Assets acquired under Finance leases		0		0
Closing Capital Financing Requirement		<u>366,904</u>		<u>375,701</u>
Decrease in Capital Financing Requirement		<u>8,797</u>		<u>13,009</u>
Closing CFR consists of				
Capital spending funded by borrowing		361,109		369,910
PFI contracts		4,703		4,692
Finance leases		1,092		1,099
CFR at 31st March		<u>366,904</u>		<u>375,701</u>

25. Carbon Reduction Scheme Allowances

From 2014/15 the County Council is 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; and
- ICT schemes providing infrastructure services and on-going benefit to the County Council.

Details of Intangible Assets in 2014/15 are as follows:-

	31st March 2015 £000	Charge to Revenue 2014/15 £000	Capitalised 2014/15 £000	31st March 2014 £000
Health and Adult Services				
- Extra Care and Older Peoples Resources	5,793	(329)	0	6,122
- Valuing People - Day Centre Provision	698	(49)	0	747
- Mental Health Supported Expenditure	76	(19)	0	95
- Improving the Home Care Environment	570	(33)	0	603
Children and Young People's Service				
ICT Software	583	(219)	211	591
Central Services				
Microsoft Project	850	(287)	0	1,137
Oracle Project	1,453	(300)	1,528	225
NY Data Observatory	32	(10)	11	31
	<u>10,055</u>	<u>(1,246)</u>	<u>1,750</u>	<u>9,551</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 2015/16 of £117.8m of which £0.6m relates to Intangible Assets.

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

	2014/15 £000	2013/14 £000
Balance at start of year		
Gross carrying amount	18,716	17,906
Accumulated amortisation	<u>(9,165)</u>	<u>(8,210)</u>
	9,551	9,696
Additions	1,750	810
Amortisation	<u>(1,246)</u>	<u>(955)</u>
Balance at end of year	<u>10,055</u>	<u>9,551</u>
Comprising		
Gross carrying amount	20,466	18,716
Accumulated amortisation	<u>(10,411)</u>	<u>(9,165)</u>
	<u>10,055</u>	<u>9,551</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.

	2014/15 £000	2013/14 £000
Balance at start of year	37,160	27,027
Additions (subsequent expenditure)	0	3
Disposals	(3,215)	(5,772)
Net gain from revaluations	<u>2,754</u>	<u>15,902</u>
Balance at end of year	<u>36,699</u>	<u>37,160</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 expenditure have been accounted for within the Financing and Investment Income section of the Comprehensive Income and Expenditure Statement, under Investment properties:-

	2014/15 £000	2013/14 £000
Rental Income from Investment Property	(304)	(339)
Direct operating expenses	551	638
Profit on disposal	(209)	(438)
Net gain from revaluation	<u>(2,754)</u>	<u>(15,902)</u>
Total transactions relating to Investment Property	<u>(2,716)</u>	<u>(16,041)</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 is reviewed annually.

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.

	2014/15 £000	2013/14 £000
Balance at start of year	2,582	462
Reclassification as held of sale	1,520	10,017
Net (loss) from revaluations	(665)	(7,005)
Disposals	<u>(1,312)</u>	<u>(892)</u>
Balance at end of year	<u>2,125</u>	<u>2,582</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:-

	31st March 2015 £000	31st March 2014 £000
Bank current accounts and cash held by the County Council	19,774	29,492
Short term / call deposits	<u>60,412</u>	<u>115,344</u>
Total Cash and Cash Equivalents	<u>80,186</u>	<u>144,836</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 %	£000	Dividends £000
Yorwaste Limited	77.73	3,518	0
NYnet Limited	100.00	0	0
Veritau Limited	50.00	0	0

These companies' Profit and Loss Accounts are not included as part of the Comprehensive Income and Expenditure Statement shown on page 37. However, any dividend income received is included as part of the County Council's income for 2014/15. Similarly, these companies' Assets and Liabilities are not included in the County Council's Balance Sheet on pages 41 to 42. The County Council has determined, however, that it has a group relationship with these three companies and they have therefore been incorporated into its Group Accounts on pages 107 to 123.

Brief details of these Companies are as follows:-

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

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

	NYnet Limited		Veritau Limited *		Yorwaste Limited	
	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000
Net Assets / (Liabilities)	(8,970)	(9,648)	327	634	11,848	12,234
Loans from NYCC	5,153	7,930	0	0	3,700	3,700
Dividend Payable	0	0	0	0	0	101
Profit / (Loss) for the year :-						
Before Tax and Dividends	671	(727)	20	(89)	(283)	366
After Tax and Dividend	671	(716)	16	(71)	(387)	55

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

The County Council had no cash investments for greater than one year as at 31st March 2015 which fall into the category of long term investments.

* Note: only 50% of this value is shown in the Group Accounts.

32. Long Term Debtors

	31st March 2015 £000	31st March 2014 £000
North Yorkshire Police Force Long Term Debt	0	235
Car Loans	6	14
Economic Development Loans	0	2
Loans to Subsidiary Companies	8,853	11,630
Loans to Growing Places Schemes	5,089	3,900
Long Term Payments in Advance	202	1,055
	<u>14,150</u>	<u>16,836</u>
Less: Bad Debts Provision	0	(1)
	<u>14,150</u>	<u>16,835</u>

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

33. Inventories

	Highways Materials £000	Catering £000	Other £000	Total £000
At as 1st April 2014				
Opening Balance	1,121	465	44	1,630
Purchases in year	852	5,905	176	6,933
Stock utilised in year	(1,072)	(5,896)	(191)	(7,159)
Written off	0	0	(4)	(4)
As at 31st March 2015	<u>901</u>	<u>474</u>	<u>25</u>	<u>1,400</u>
At as 1st April 2013				
Opening Balance	373	454	94	921
Purchases in year	1,558	5,157	207	6,922
Stock utilised in year	(810)	(5,146)	(257)	(6,213)
Written off	0	0	0	0
As at 31st March 2014	<u>1,121</u>	<u>465</u>	<u>44</u>	<u>1,630</u>

34. Short Term Debtors

	31st March 2015		31st March 2014	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	12,215		9,747	
Other Local Authorities	12,319		6,957	
NHS Bodies	<u>12,625</u>	37,159	<u>805</u>	17,509
General Debtors (including Public Corporations and Trading Funds)		31,093		28,576
Payments in Advance		<u>13,499</u>		<u>2,582</u>
		81,751		48,667
Less: Bad Debts Provision		<u>(7,879)</u>		<u>(7,164)</u>
Total Short Term Debtors		<u>73,872</u>		<u>41,503</u>

Included within the £31.1m for General Debtors and £37.2m for Government Entities is £12.7m, (£11.5m General and £1.2m Government), in respect of debtor invoices which were raised and issued before 31st March 2015, but for which no payment has been received from a debtor. The remaining £55.6m relates to debtor accruals for which no invoice had been raised by the County Council as at 31st March 2015.

35. Short Term Creditors

	31st March 2015		31st March 2014	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	14,142		11,775	
Other Local Authorities	3,333		4,129	
NHS Bodies	<u>1,938</u>	19,413	<u>3,636</u>	19,540
General Creditors (including Public Corporations and Trading Funds)		41,158		40,459
Income in Advance		<u>10,653</u>		<u>9,216</u>
Total Short Term Creditors		<u>71,224</u>		<u>69,215</u>

36. Provisions

	Balance as at 31st March 2014 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2015 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,598	8,739	(9,598)	0	8,739	8,739		8,739
County Care Scheduling System	81	0	0	0	81	81	0	81
Ordinary Residence	264	0	0	(264)	0	0	0	0
Staffing Settlement Costs	0	120	0	0	120	120	0	120
Highways Advance Payments	2,383	617	(477)	0	2,523	0	2,523	2,523
Allerton Park	0	840	0	0	840	0	840	840
Waste Management	36	0	(36)	0	0	0	0	0
Insurance - Claims	3,963	411	0	0	4,374	1,040	3,334	4,374
Insurance - Liability	202	0	(7)	0	195	50	145	195
Restructure Costs	128	1,113	(285)	0	956	956	0	956
Carbon Reduction Commitment	537	0	(486)	(51)	0	0	0	0
	<u>17,192</u>	<u>11,840</u>	<u>(10,889)</u>	<u>(315)</u>	<u>17,828</u>	<u>10,986</u>	<u>6,842</u>	<u>17,828</u>

Comparative Movements in 2013/14

	Balance as at 31st March 2013	Provision made during year	Provision used during year	Provision written down during year	Balance as at 31st March 2014	To be used within 1 year	To be used in excess of 1 year	Total
Accumulated Absences	10,088	9,598	(10,088)	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>11,575</u>	<u>(14,814)</u>	<u>(496)</u>	<u>17,192</u>	<u>11,440</u>	<u>5,752</u>	<u>17,192</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.

Staffing Settlement Costs

A provision has been established to fund expected settlement costs around specific shared mental health staff in the Scarborough area, these need to be finally agreed with the NHS organisations who co-fund the posts.

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.

Allerton Park

The Section 106 Agreement for Allerton Waste Recovery Park included a requirement for a Landscape and Cultural Heritage Fund. This is to be used by the County Council towards reducing the visual and landscape impacts of the Development and the delivery of enhancement and strengthening of the local landscape character, biodiversity and/or features of cultural heritage.

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 being 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 was required to participate in the nation-wide Carbon Reduction Commitment Initiative up to 31st March 2014. A provision has been set up for the purchase of Carbon CRC Trading Allowances relating to 2013/14. These allowances were purchased during 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

	2014/15 £000	2013/14 £000
General Working Balance at Start of Period	(78,491)	(56,602)
Comprehensive Income and Expenditure charged to the General Balance	(26,013)	3,239
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	(1,246)	(955)
Charges for depreciation and impairment of non current assets	(55,057)	(53,368)
Revaluation losses on Property, Plant and Equipment	(4,917)	(32,155)
Impairment from Non Enhancing Capital Expenditure	(12,040)	(15,066)
Movements in the value of Investment Properties	2,754	15,905
Capital Grants and Contributions	78,253	63,268
Revenue Expenditure Funded from Capital under Statute	(9,089)	(6,392)
Carrying Value of non current assets written off on disposal	(23,123)	(19,531)
Pension Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(47,533)	(61,887)
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	2,487	1,324
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	859	490
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	14,496	15,359
Capital Expenditure charged against the General Working Balance	17,626	10,165
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	9,017	8,548
Pension Reserve		
Employer pension contributions payable in the year	37,575	37,272
Total of adjustments between accounting basis and funding basis under regulations	10,062	(37,023)
Transfers from Earmarked Reserves	2,731	11,895
General Working Balance at Period End	(91,711)	(78,491)

(b) Earmarked Reserves

	Balance 31st March 2015 £000	Movement in Year 2014/15 £000	Balance 31st March 2014 £000	Movement in Year 2013/14 £000	Balance 31st March 2013 £000
Earmarked for Schools					
Local Management of Schools	30,890	(52)	30,942	4,651	26,291
Energy Funds	0	(327)	327	132	195
Schools Block / DSG	13,367	2,386	10,981	212	10,769
Total Earmarked for Schools	44,257	2,007	42,250	4,995	37,255
Retained for Specific Initiatives					
Children and Young People's Service					
- Redundancy Costs in Schools	149	(906)	1,055	(2,029)	3,084
- Special Educational Needs	182	(832)	1,014	(346)	1,360
- Education for looked after children	87	0	87	0	87
- Learning Difficulties & Disabilities	63	(68)	131	(264)	395
- Adult Learning	0	(135)	135	(664)	799
- Service Transformation	179	(400)	579	(1,014)	1,593
- Transport	288	0	288	(212)	500
- Earmarked Projects	52	(181)	233	(269)	502
- Special Projects	565	(490)	1,055	1,055	0
- 2-year Old Funding	257	0	257	0	257
- Music Service	54	(362)	416	(14)	430
Business and Environmental Services					
- Winter Maintenance	0	0	0	(2,142)	2,142
- Local Development Framework	300	(34)	334	(99)	433
- Skewkirk Bridge	417	(121)	538	0	538
- Swing Bridges	0	(1,000)	1,000	59	941
- Proceeds of Crime Act	230	(22)	252	105	147
- Mowthorpe Bridge	313	(71)	384	(16)	400
- Highways Advance payments	1,255	358	897	(12)	909
- Flood Risk Management	1,517	917	600	78	522
- Bedale, Aiskew and Leeming Bar Bypass	475	(148)	623	623	0
- Leeming Depot Capital Scheme	0	(234)	234	234	0
- Catterick HWRC Capital Scheme	435	0	435	435	0
- Waste - Langbaugh Responsive Maintenance	0	(230)	230	230	0
- Household Waste Recycling Centre Maintenance	0	(75)	75	75	0
- Definitive Maps - TUPE costs	0	(40)	40	40	0
- Street Lighting	0	(260)	260	260	0
- Symology Project	79	9	70	70	0
- Allerton Park - Section 106	246	246	0	0	0
- Cycling Tours	394	394	0	0	0
- Waste and Countryside Services	100	100	0	0	0

Earmarked Reserves (Cont.)

	Balance 31st March 2015 £000	Movement in Year 2014/15 £000	Balance 31st March 2014 £000	Movement in Year 2013/14 £000	Balance 31st March 2013 £000
Retained for Specific Initiatives (Cont)					
Health and Adult Services					
- Supporting People Initiative	2,551	170	2,381	814	1,567
- Health & Social Care Transfer Monies	9,308	9,308	0	0	0
Central Services					
- County Council Elections	0	(13)	13	(700)	713
- SDT / Directorate Refresh	0	(2,835)	2,835	92	2,743
- T&C Strategy and Infrastructure	4,710	1,175	3,535	972	2,563
- T&C Projects	724	724	0	0	0
- Contractors	0	(12)	12	(312)	324
- Dilapidations / Farms Comp Claims	0	0	0	(386)	386
- Corporate Property Rental	0	0	0	(102)	102
- 2020 Property Projects	890	50	840	840	0
- Policy, Partnerships & Performance	558	(13)	571	571	0
- Legal Services	0	(100)	100	100	0
- Democratic Services	0	(60)	60	60	0
- Business Support Services	223	70	153	153	0
- HR Recruitment and Young People	168	24	144	144	0
- Document Management Centre	62	(82)	144	(19)	163
- Libraries - New Ways of Working	166	166	0	0	0
- Improvements to the Financial System	95	(328)	423	423	0
- NY 2020 Programme Support	801	801	0	0	0
- Procurement Initiative and Risk Management	46	(22)	68	68	0
Corporate					
- Insurance (note 39)	6,671	(267)	6,938	17	6,921
- Pickering Beck	0	(300)	300	0	300
- Pension Fund Deficit Contribution	551	551	0	(765)	765
- Superfast Broadband	0	(3,100)	3,100	3,100	0
- Redundancy	4,623	3,911	712	(595)	1,307
	<u>39,784</u>	<u>6,233</u>	<u>33,551</u>	<u>658</u>	<u>32,893</u>
Reserves of Trading and Service Units					
SmartSolutions					
Trading Reserves	2,750	(453)	3,203	(434)	3,637
Insurances	2,090	1,033	1,057	(521)	1,578
	<u>4,840</u>	<u>580</u>	<u>4,260</u>	<u>(955)</u>	<u>5,215</u>

Earmarked Reserves (Cont.)

	Balance 31st March 2015 £000	Movement in Year 2014/15 £000	Balance 31st March 2014 £000	Movement in Year 2013/14 £000	Balance 31st March 2013 £000
Revenue Grants and Contributions Reserves					
Children and Young People's Service					
- Miscellaneous Grants	6,756	3,259	3,497	1,739	1,758
Business and Environmental Services					
- Economic Development Grants	503	162	341	(70)	411
- Severe Weather Damage Fund	0	(2,041)	2,041	2,041	0
- Growing Places	485	16	469	(94)	563
- Community Transport Grant	1,042	210	832	0	832
- Civil Parking Enforcement	4,758	797	3,961	847	3,114
- Harrogate Traffic Modelling Project	350	350	0	0	0
- Section 106 - Selby District Council	188	188	0	0	0
- Total Transport Grant	120	120	0	0	0
- Trading Standards	256	256	0	0	0
- Other	434	10	424	80	344
Health and Adult Services					
- LDDF	0	0	0	(232)	232
- Social Care Reform	0	(1,508)	1,508	0	1,508
- Health Funding Reserve	816	(12,388)	13,204	(587)	13,791
- Public Health	9,422	4,713	4,709	4,630	79
Corporate					
- Policy, Partnerships, Performance	492	296	196	176	20
- Promoting Democracy	0	0	0	(214)	214
- LAA Performance Reward Grant	1,375	(529)	1,904	(1,119)	3,023
	<u>26,997</u>	<u>(6,089)</u>	<u>33,086</u>	<u>7,197</u>	<u>25,889</u>
Total Earmarked Reserves	<u>115,878</u>	<u>2,731</u>	<u>113,147</u>	<u>11,895</u>	<u>101,252</u>

(c) Capital Receipts Reserve

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

	31st March 2015 £000	31st March 2014 £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	9,017	8,548
Use of the Capital Receipts Reserve to finance new expenditure	<u>(9,017)</u>	<u>(8,548)</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.

	2014/15 £000	2013/14 £000
Opening Balance	6,645	6,807
Adjustments between accounting basis and funding basis under regulation		
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	78,253	63,268
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	(74,266)	(63,430)
Closing Balance	<u>10,632</u>	<u>6,645</u>

38. Unusable Reserves

(a) Revaluation Reserve

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

	2014/15 £000	2013/14 £000
Opening Balance	198,531	149,014
Asset Revaluation within Other Comprehensive Income and Expenditure Statement including Addition of assets	81,877	58,480
Adjustment between current value depreciation and historic cost depreciation	(4,981)	(3,661)
Write out of revaluation on disposal; Property, Plant and Equipment	<u>(4,761)</u>	<u>(5,302)</u>
Closing Balance	<u>270,666</u>	<u>198,531</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. 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 2015 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 2015;
- Provision for bad debts of Debtors in relation to Council Tax and Non- Domestic Rates arrears as at 31st March 2015;
- Income in advance from Council Tax and Non-Domestic Rates payers who have paid their bills early as at 31st March 2015; 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 2014/15.

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 2014/15, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2014/15. 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 2013/14 and 2014/15 and can be calculated as follows:-

	31st March 2015 £000	31st March 2014 £000
Council Tax		
Debtors	10,152	9,562
Provision for Doubtful Debts	(4,809)	(4,465)
Creditors for Pre-payments and Over-payments	(4,615)	(4,337)
Net Debtors to the Billing Authority	4,259	2,759
Net Creditors to the Billing Authority	<u>0</u>	<u>0</u>
	<u>4,987</u>	<u>3,519</u>
Non-Domestic Rates		
Debtors	489	603
Provision for Doubtful Debts	(294)	(306)
Provision for Appeals	(1,049)	(821)
Creditors for Pre-payments and Over-payments	(542)	(675)
Net Creditors to the Billing Authority	<u>983</u>	<u>(233)</u>
	<u>(413)</u>	<u>(1,432)</u>
Collection Fund surplus	<u>4,574</u>	<u>2,087</u>
Movement in Year (notes 8 and 9)		
Council Tax	1,468	2,756
Non-Domestic Rates	<u>1,019</u>	<u>(1,432)</u>
	<u>2,487</u>	<u>1,324</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 expenditure 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 2014/15. 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.

	2014/15 £000	2013/14 £000
Balance Brought Forward	(9,598)	(10,088)
Movement in Year	<u>859</u>	<u>490</u>
Closing Balance	<u>(8,739)</u>	<u>(9,598)</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.

	2014/15 £000	2013/14 £000
Opening Balance	(317,521)	(559,095)
Remeasurements of the Net Defined Benefit Liability (Actuarial gains / (losses) on pension assets/liabilities)	(156,580)	266,189
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(47,533)	(61,887)
Employers pension contributions payable in year	<u>37,575</u>	<u>37,272</u>
Closing Balance	<u>(484,059)</u>	<u>(317,521)</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.

	2014/15 £000	2013/14 £000
Opening Balance	963,390	968,489
Adjustments between accounting basis and funding basis under regulations		
Amortisation of Intangible Assets	(1,246)	(955)
Charges for depreciation and impairment of non current assets	(55,057)	(53,368)
Revaluation losses on Property, Plant and Equipment	(4,917)	(32,155)
Impairment from Non Enhancing Capital Expenditure	(12,040)	(15,066)
Movements in the value of Investment Properties	2,754	15,905
Capital Grants and Contributions	74,266	63,430
Revenue Expenditure Funded from Capital under Statute	(9,089)	(6,392)
Carrying Value of non current assets written off on disposal	(23,123)	(19,531)
Statutory Provision for the financing of capital investment	14,496	15,359
Capital Expenditure charged against the General Working Balance	17,626	10,165
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	9,017	8,548
Re-payment of long term loans	(4,289)	(2)
Other Reserve Movements		
Adjustment between current value depreciation and historic cost depreciation	4,981	3,661
Write out of revaluation on disposal; Property, Plant and Equipment	4,761	5,302
Closing Balance	<u>981,530</u>	<u>963,390</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 claims in excess of £0.25m (£0.1m in 2013/14);
- individual motor claims in excess of £0.1m (£0.1m in 2013/14);
- individual material damage claims in excess of £0.1m (£0.1m in 2013/14);
- liability claims aggregating over £3.0m (£2.5m in 2013/14);
- motor claims aggregating over £0.31m (£0.2m in 2013/14); and
- material damage claims aggregating over £0.5m (£0.5m in 2013/14).

40. Contingent Liabilities

The County Council has identified one area where a present or past obligation has resulted in the possibility of a future liability being incurred.

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.

Deprivation of Liberty Safeguards

A recent court Judgment 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. With regard to those living in supported living accommodation and deprived of their liberty, this can only be authorised by the Court of Protection. A scoping exercise has revealed that there are approximately 200 people presently deprived of their liberty in such settings and so requiring court applications.

The Judgment 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.

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 2014/15 is to be authorised for issue by 30th June 2015 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 24th September 2015.

There have not been any significant events after the balance sheet date that would require disclosure.

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 2014/15 are detailed below:-

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2014/15 before Academy recoupment			382,281
Academy figure recouped for 2014/15			(34,845)
Total DSG after Academy recoupment for 2014/15			<u>347,436</u>
Brought forward from 2013/14			10,981
Carry-forward to 2015/16 agreed in advance	<u>0</u>	<u>0</u>	<u>10,981</u>
Agreed initial budgeted distribution in 2014/15	45,446	301,990	347,436
In year adjustments	<u>0</u>	<u>0</u>	<u>0</u>
Final budgeted distribution for 2014/15	<u>45,446</u>	<u>301,990</u>	<u>347,436</u>
Less Actual central expenditure	(44,671)	0	(44,671)
Less Actual ISB deployed to schools	0	(300,380)	(300,380)
Underspend contributed to reserve	775	1,610	2,385
End of Year Adjustment	<u>1,610</u>	<u>(1,610)</u>	<u>0</u>
Net Carry-forward to 2015/16	<u>2,385</u>	<u>0</u>	<u>13,366</u>

In 2014/15, £347.4m has been credited against the Education and Childrens Services in the Comprehensive Income and Expenditure Statement.

The net underspend in 2014/15 of £2,385k against the central expenditure limit has been paid into an earmarked reserve. Following consultation with Schools Forum, the cumulative carried forward DSG, totalling £13,366k overall will be used exclusively in support of the Schools Budget in 2015/16 and subsequent years.

43. Trust Funds

The County Council acted as sole trustee for eight trust funds during 2014/15, 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 2014/15 £000	Expenditure 2014/15 £000	Assets as at 31st March 2015 £000
Sir John Horsfall To assist by means of a grant, pupils who have attended primary or voluntary schools in the South Craven Area	0	0	13
Haywra Crescent Educational Trust Fund To be used for the promotion 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	1	1	59
Wrea Head Ellis Fund To be used for the advancement of education	5	1	833
Burniston Educational Foundation Promoting education of persons under 25 who are or have parents resident in Burniston	1	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
	<u>17</u>	<u>12</u>	<u>1,242</u>

The assets of the trust funds at 31st March 2014 were £1,241k. 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 99 (the external bodies listed as having temporary loans with the County Council) and the loans from them represent working balances which are invested with the County Council.

(a) Categories of Financial Instruments

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

	Long Term		Short Term	
	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000
Investments				
Loans and Receivables	3,518	3,518	155,491	93,833
Loans to Limited Companies	8,853	11,630	0	0
Loans to Growing Places Schemes	5,089	3,900	0	0
Loans to North Yorkshire Police Force	0	235	0	0
Other Debtors	208	1,070	64,143	41,503
Borrowings				
PWLB Loans	(296,585)	(299,757)	(5,900)	(27,762)
Market LOBO Loans	(15,000)	(5,000)	(5,046)	(15,045)
Temporary Loans from External Bodies				
- North Yorkshire Pension Fund	0	0	(12,049)	(4,890)
- Selby District Council	0	0	(15,342)	0
- North Yorkshire Fire and Rescue Authority	0	0	(7,997)	(7,121)
- North York Moors National Park	0	0	(1,430)	(1,347)
- Yorkshire Dales National Park	0	0	(2,001)	(2,187)
- Peak District National Park	0	0	(3,096)	0
- National Parks England	0	0	(165)	(87)
	<u>(311,585)</u>	<u>(304,757)</u>	<u>(53,026)</u>	<u>(58,439)</u>
Other Liabilities				
PFI and Finance Leases	<u>(5,538)</u>	<u>(5,795)</u>	<u>(257)</u>	<u>4</u>
Creditors	<u>(40)</u>	<u>(3)</u>	<u>(71,223)</u>	<u>(69,215)</u>

(b) Income, Expense, Gains and Losses

	Financial Liabilities measured at amortised cost		Financial Assets Loans and receivables	
	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000
Interest expense	15,174	15,901	337	307
Impairment of Assets held for Sale	665	7,005	0	0
	<u>15,839</u>	<u>22,906</u>	<u>337</u>	<u>307</u>
Interest and similar Income	0	0	(2,020)	(2,394)
Dividends Received	0	0	(324)	(815)
	<u>0</u>	<u>0</u>	<u>(2,344)</u>	<u>(3,209)</u>
Net (gain) / loss for the year	<u>15,839</u>	<u>22,906</u>	<u>(2,007)</u>	<u>(2,902)</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; 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 2015		31st March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Maturity Loans	284,662	343,851	304,962	314,143
PWLB Annuity Loans	17,823	20,708	22,557	26,118
Market LOBO Loans	<u>20,046</u>	<u>21,161</u>	<u>20,045</u>	<u>18,153</u>
Financial Liabilities	<u>322,531</u>	<u>385,720</u>	<u>347,564</u>	<u>358,414</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 2015		31st March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans less than 1 year	155,491	155,664	93,833	94,135
Money Market Loans more than 1 year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Financial Liabilities	<u>155,491</u>	<u>155,664</u>	<u>93,833</u>	<u>94,135</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 2015 in the above tables do not match the financial instruments balances at 44(a) because the "temporary loans to other bodies" have been omitted.

In addition the financial assets representing the shareholding in Yorwaste Limited (£3,518k) and NYnet Limited (£0k) 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
£85m	– UK "Nationalised" Banks / UK Banks with UK Central Government Involvement
£20m - £75m	- Selected UK "Clearing Banks" and other UK based Banks and Building Societies
£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 2015 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2015, based on experience of default assessed by the credit rating agencies and experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2015 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2015 %
Deposits for less than 1 year:-			
Other Local Authorities	17,541	0.0	0.0
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	85,399	0.0	0.0
Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1	10,005	0.0	0.0
Institutions with Fitch Rating Long Term AA- and Short Term F1+	5,008	0.0	0.0
Institutions with Fitch Rating Long Term A and Short Term F1	37,538	0.0	0.0
	<u>155,491</u>		
Debtors	<u>81,752</u>		

No breaches of the credit rating criteria occurred during 2014/15 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 2015	Amount at 31st March 2015 £000
UK	AA+	150,483
Sweden	AAA	5,008
		<u>155,491</u>

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2015, which are included within the £81.8m Short Term Debtors, can be analysed by past-due and age status as follows:-

	31st March 2015 £m
Less than 1 month	7.3
1 to 3 months	1.7
3 to 6 months	1.5
6 months to 1 year	1.9
More than 1 year	0.3
	<u>12.7</u>

It is considered that £5.4m of the £12.7m 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 2015 £000	31st March 2014 £000
Less than one year		
Public Works Loan Board	(5,900)	(27,762)
Market LOBO Loans	(5,046)	(15,045)
Temporary Loans from External Bodies		
- North Yorkshire Pension Fund	(12,049)	(4,890)
- Selby District Council	(15,342)	0
- North Yorkshire Fire and Rescue Authority	(7,997)	(7,121)
- North York Moors National Park	(1,430)	(1,347)
- Yorkshire Dales National Park	(2,001)	(2,187)
- Peak District National Park	(3,096)	0
- National Parks England	(165)	(87)
	<u>(53,026)</u>	<u>(58,439)</u>
Greater than one year		
Public Works Loan Board	(296,585)	(299,757)
Market LOBO Loans	(15,000)	(5,000)
	<u>(311,585)</u>	<u>(304,757)</u>
Analysis of loans by Maturity		
Between one and two years	(7,610)	(8,172)
Between two and five years	(60,879)	(31,506)
Between five and ten years	(54,596)	(76,579)
Between ten and fifteen years	(17,500)	(10,000)
Between fifteen and twenty five years	(17,200)	(24,700)
Between twenty five and forty years	(131,300)	(126,300)
More than forty years	(22,500)	(27,500)
	<u>(311,585)</u>	<u>(304,757)</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	2,311
Increase in government grant receivable for financing costs	0
Impact on Comprehensive Income and Expenditure Account	<u>2,311</u>
Decrease in fair value of fixed rate investment assets	<u>629</u>
Decrease in fair value of fixed rate borrowing liabilities	<u>44,499</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 2014/15, it has a group relationship with four bodies (including their subsidiaries where appropriate):-

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

(a) 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 Limited.

A working capital loan facility is being provided by the County Council with the sum taken up at 31st March 2015 being £5.2m. This loan is included in the County Council's Balance Sheet as a Long Term Debtor.

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

(b) 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 2014/15 Group Statement of Final Accounts.

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

Veritau Limited holds 50% of the share capital of a subsidiary company, Veritau North Yorkshire Limited (VNY). The total share capital of VNY at 31st March 2015 was £21,160. The remaining 50% of the shares are owned jointly by four district councils in North Yorkshire. VNY has a board of directors comprising an officer from each district council and two directors appointed by Veritau Limited. The company provides internal audit and related services to the four district councils and a number of other clients.

(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 audited financial results were an invoiced turnover of £12.1m resulting in an operating surplus for 2014 of £8.9k. A member's cash dividend was agreed for the year 2014 totalling £5.8m. The County Council received £674k in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £23.9m with a general fund working balance in 2014 of £29.5m.

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) 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 County Council has provided a loan facility to Yorwaste Limited for £3.7m. This loan is included in the County Councils Balance Sheet as a Long Term Debtor.

Yorwaste Limited has not paid the County Council a dividend in 2014/15 (previous dividend £101k in 2013/14).

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

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 policies.

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 decreased by £1,145k. This relates to:-

- the incorporation of Yorwaste Limited's operating profit of £328k;
- the incorporation of NYnet Limited's consolidated operating profit of £819k;
- Veritau Limited's pre-tax trading loss of £2k less a minority interest adjustment of £161k.

The surplus on the Provision of Services of the County Council increases by £292k from £26,013k to become the Group surplus position of £26,305k as a result of:-

- consolidation impact on Group Comprehensive Income and Expenditure Statement listed above of a £1,145k operating profit;
- net interest paid and received by the three companies of £747k, and
- net taxation adjustments of £104k relating to Yorwaste Limited and £2k relating to Veritau Limited.

The Individual Group Companies Income and Expenditure Statements together with consolidated adjustments are identified within note 9 to the Group Accounts.

(b) Group Balance Sheet

The consolidation of the County Council's Group Balance Sheet increases the Group Assets by £26.0m. The Liabilities of the Group increase by £26.5m as a result of consolidation. The decrease in net assets of £0.5m represents Yorwaste Limited's Shareholder funds of £11.8m, NYnet Limited's cumulative Profit and Loss deficit of £9.0m, Veritau Limited's cumulative Profit and Loss surplus of £0.2m and a consolidation adjustment of minus £3.5m.

The Individual Group Companies Balance Sheets together with consolidated adjustments are identified within note 9 to the Group Accounts.

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 2014			Year to 31st March 2015			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
5,306	(3,404)	1,902	Central Services to the Public	3,210	(1,944)	1,266
877	0	877	Court Services	774	0	774
12,406	(841)	11,565	Cultural and Related Services	13,862	(1,709)	12,153
63,684	(34,055)	29,629	Environmental and Regulatory Services	68,952	(35,003)	33,949
25,472	(20,733)	4,739	Planning Services	18,494	(14,201)	4,293
585,261	(438,382)	146,879	Education and Childrens Services	556,507	(435,538)	120,969
66,780	(12,781)	53,999	Highways, Roads and Transport Services	68,024	(13,841)	54,183
212,552	(55,213)	157,339	Adult Social Care	215,476	(56,192)	159,284
15,037	(19,342)	(4,305)	Public Health	15,170	(19,892)	(4,722)
313	(159)	154	Housing Services	241	(51)	190
4,824	(18)	4,806	Corporate and Democratic Core	3,172	(296)	2,876
1,806	(129)	1,677	Non Distributed Costs	1,264	(120)	1,144
<u>994,318</u>	<u>(585,057)</u>	<u>409,261</u>	Cost of Services	<u>965,146</u>	<u>(578,787)</u>	<u>386,359</u>
			Other Operating Expenditure			
		11,421	Loss on Disposal of Property, Plant and Equipment			14,315
		7,005	Impairment of Assets Held for Sale			665
		584	Precepts of Local Precepting Authorities			585
		0	Exceptional Items			0
			Financing and Investment Income and Expenditure			
		16,353	Interest payable and similar charges			15,366
		(2,532)	Interest receivable and similar income			(1,452)
		(16,041)	Investment Properties; revaluation and impairment			(2,716)
		147	(Surplus) / Deficit of trading activities			237
		<u>22,638</u>	Net interest on the defined pension benefit liability (asset)			<u>13,434</u>
		448,836				426,793
		<u>(442,839)</u>	Taxation and Non-Specific Grant Income			<u>(453,204)</u>
		<u>5,997</u>	(Surplus) / Deficit on Provision of Services			<u>(26,411)</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 2014/15						
Balance at 31st March 2014	(198,283)	(836,889)	(1,035,172)	3,340	(2,725)	(1,034,557)
(Surplus) / Deficit on Provision of Services (accounting basis)	(26,013)	0	(26,013)	(378)	86	(26,305)
Other Comprehensive Expenditure and Income	0	78,992	78,992	153	0	79,145
Total Comprehensive Expenditure and Income	(26,013)	78,992	52,979	(225)	86	52,840
Adjustments between accounting Group Accounts and Authority Accounts	0	0	0	0	0	0
Net (Increase) / Decrease before Transfers	(26,013)	78,992	52,979	(225)	86	52,840
Adjustments between accounting basis and funding basis under regulations	6,075	(6,075)	0	0	0	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(19,938)	72,917	52,979	(225)	86	52,840
Balance at 31st March 2015	(218,221)	(763,972)	(982,193)	3,115	(2,639)	(981,717)
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	3,062	(13)	6,288
Other Comprehensive Expenditure and Income	0	(324,667)	(324,667)	(438)	0	(325,105)
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)

GROUP BALANCE SHEET AS AT 31ST MARCH 2015

31st March 2014 £000		31st March 2015 £000
1,489,171	Property, Plant and Equipment (note 10)	1,570,705
37,160	Investment Property	36,699
10,264	Intangible Assets	10,167
5	Long Term Investments	5
5,205	Long Term Debtors	5,297
0	Deferred Tax Asset	0
1,541,805	Long Term Assets	1,622,873
94,147	Short Term Investments	155,805
1,876	Inventories	1,646
58,163	Short Term Debtors (note 12)	84,681
152,106	Cash and Cash Equivalents (note 11)	88,860
2,582	Assets held for sale	2,125
161	Current Tax Assets	260
309,035	Current Assets	333,377
(58,439)	Short Term Borrowing	(53,026)
(93,814)	Short Term Creditors (note 13)	(88,270)
11	PFI Liability repayable within 12 months	(250)
(7)	Finance Lease repayable within 12 months	(7)
(11,440)	Provisions to be used within 12 months	(10,986)
(6,925)	Capital Grant Receipts in Advance	(3,568)
0	Current Tax Liabilities	0
(170,614)	Current Liabilities	(156,107)
(3)	Long Term Creditors	(40)
(4,703)	PFI Liability repayable in excess of 12 months	(4,453)
(1,092)	Finance Lease repayable in excess of 12 months	(1,085)
(13,416)	Provisions to be used in excess of 12 months	(15,322)
(317,278)	Pensions Liability	(484,000)
(303,464)	Long Term Borrowing	(312,585)
(5,713)	Capital Grant Receipts in Advance	(941)
(645,669)	Long Term Liabilities	(818,426)
1,034,557	Net Assets	981,717
198,283	Usable Reserves	218,221
836,889	Unusable Reserves	763,972
(615)	Reserves - Group Entities	(476)
1,034,557	Total Reserves	981,717

GROUP CASH FLOW STATEMENT

31st March 2014 £000		31st March 2015 £000
(6,288)	Net Surplus / (Deficit) on the Provision of Services	26,305
	Adjust Net Surplus / (Deficit) on the Provision of Services for non cash movements	
59,065	Depreciation / Amortisation	60,755
31,262	Impairment and revaluations charged to the provision of services	14,203
(13,168)	Movement in Creditors	(5,653)
(5,441)	Movement in Debtors	(32,147)
(938)	Movement in Inventories	230
(3,735)	Movement in Provisions	636
24,658	Pensions Liability	9,999
19,531	Carrying Amount of Non-current Assets sold	23,123
3,435	Other non-cash items charged to the provision of services	(2,127)
114,669		69,019
	Adjust for items included in the Net Surplus / (Deficit) on the Provision of Services that are investing and financing activities	
(58,566)	Grants received for investment purposes	(72,499)
(8,548)	Proceeds from the sale of property and other assets	(9,017)
(67,114)		(81,516)
(29)	Equity Dividends Paid	0
(149)	Taxation	(157)
41,089	Net cash flows from Operating Activities	13,651
	Investing Activities	
(75,421)	Purchase of Property, Plant and Equipment and Intangible Assets	(96,877)
0	Purchase of Short Term and Long Term investments	0
0	Other payments for investing activities	0
8,734	Proceeds from the Sale of Property (and other Assets)	9,594
43,010	Proceeds from Short Term and Long Term Investments	(61,658)
50,546	Other receipts for investing activities	70,894
26,869	Net cash flows from Investing Activities	(78,047)
	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	4
(10,761)	Repayment of Short and Long Term Borrowing	1,322
(107)	Other payments for Financing Activities	(176)
(11,104)	Net cash flows for Financing Activities	1,150
56,854	Net Increase / (decrease) in Cash and Cash Equivalents	(63,246)
95,252	Cash and Cash Equivalents at the beginning of the reporting period	152,106
152,106	Cash and Cash Equivalents at the end of the reporting period	88,860
56,854		(63,246)

NOTES TO THE GROUP STATEMENTS

1. The total assets and liabilities of Yorwaste Limited have been incorporated into the Group position.
2. 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.
3. 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 £1,631k – totalling £2,638k.
4. 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.
5. 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.
6. The total assets and liabilities of NYnet Limited have been fully incorporated into the Group Accounts.
7. 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.
8. Receipts and payments between Yorwaste Limited, NYnet Limited, Veritau Limited and the County Council are cancelled out on consolidation.

9. 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 2015

	NYCC £000	NYnet Limited £000	Veritau Limited £000	Yorwaste Limited £000	Consolidation Adjustments £000	Group £000
Cost of Service	387,504	(819)	2	(328)	0	386,359
Other Operating Expenditure						
Loss on Disposal of Property, Plant and Equipment	14,315	0	0	0	0	14,315
Impairment of Assets Held for Sale	665	0	0	0	0	665
Precepts of Local Precepting Authorities	585	0	0	0	0	585
Exceptional Items	0	0	0	0	0	0
Financing and Investment Income and Expenditure						
Interest payable and similar charges	15,174	27	0	452	(287)	15,366
Interest receivable and similar income	(1,683)	121	(12)	159	287	(1,128)
Dividend Income	(324)	0	0	0	0	(324)
Investment Properties; revaluation and impairment	(2,716)	0	0	0	0	(2,716)
Deficit of trading activities	237	0	0	0	0	237
Net interest on the defined benefit liability (asset)	13,434	0	0	0	0	13,434
	24,122	148	(12)	611	0	24,869
Taxation and Non-Specific Grant Income	(453,204)	0	0	0	0	(453,204)
(Surplus) / Deficit on Provision of Services	(26,013)	(671)	(10)	283	0	(26,411)
Tax Expenses	0	0	2	104	0	106
Interim Dividend	0	0	0	0	0	0
Group (Surplus) / Deficit	(26,013)	(671)	(8)	387	0	(26,305)
(Surplus) / Deficit on Revaluation of Fixed Assets	(77,588)	0	0	0	0	(77,588)
Actuarial losses on Pension Assets/Liabilities	156,580	0	161	0	0	156,741
Other Comprehensive Income and Expenditure	78,992	0	161	0	0	79,153
Total Comprehensive Income and Expenditure	52,979	(671)	153	387	0	52,848

Balance Sheet as at 31st March 2015

	NYCC £000	NYnet Limited £000	Veritau Limited £000	Yorwaste Limited £000	Consolidation Adjustments £000	Group £000
Property, Plant and Equipment	1,552,763	2,633	0	15,309	0	1,570,705
Investment Property	36,699	0	0	0	0	36,699
Intangible Assets	10,055	0	0	112	0	10,167
Long Term Investments	3,518	0	5	0	(3,518)	5
Long Term Debtors	14,150	0	0	0	(8,853)	5,297
Long Term Assets	1,617,185	2,633	5	15,421	(12,371)	1,622,873
Short Term Investments	155,491	0	0	314	0	155,805
Inventories	1,400	246	0	0	0	1,646
Short Term Debtors	73,872	3,632	33	10,383	(3,239)	84,681
Cash and Cash Equivalents	80,186	1	175	8,498	0	88,860
Assets held for sale	2,125	0	0	0	0	2,125
Current Tax Assets	0	0	0	260	0	260
Current Assets	313,074	3,879	208	19,455	(3,239)	333,377
Short Term Borrowing	(53,026)	0	0	0	0	(53,026)
Short Term Creditors	(71,224)	(10,329)	(108)	(9,848)	3,239	(88,270)
PFI Liability repayable within 12 months	(250)	0	0	0	0	(250)
Finance Lease repayable within 12 months	(7)	0	0	0	0	(7)
Provisions to be used with within 12 months	(10,986)	0	0	0	0	(10,986)
Capital Grant Receipts in Advance	(3,568)	0	0	0	0	(3,568)
Current Liabilities	(139,061)	(10,329)	(108)	(9,848)	3,239	(156,107)
Long Term Creditors	(40)	0	0	0	0	(40)
PFI Liability repayable in excess of 12 months	(4,453)	0	0	0	0	(4,453)
Finance Lease repayable in excess of 12 months	(1,085)	0	0	0	0	(1,085)
Provisions to be used in excess of 12 months	(6,842)	0	0	(8,480)	0	(15,322)
Pensions Liability	(484,059)	0	59	0	0	(484,000)
Long Term Borrowing	(311,585)	(5,153)	0	(4,700)	8,853	(312,585)
Capital Grant Receipts in Advance	(941)	0	0	0	0	(941)
Long Term Liabilities	(809,005)	(5,153)	59	(13,180)	8,853	(818,426)
Net Assets	982,193	(8,970)	164	11,848	(3,518)	981,717
Usable Reserves	218,221	0	0	0	0	218,221
Unusable Reserves	763,972	0	0	0	0	763,972
Reserves - Group Entities	0	(8,970)	164	11,848	(3,518)	(476)
Total Reserves	982,193	(8,970)	164	11,848	(3,518)	981,717

10. 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 2014	1,006,954	120,384	629,547	32,939	1,789,824
Effect Re-Profiling	0	0	0	1,471	1,471
Additions	15,937	7,644	59,175	331	83,087
Disposals	(18,596)	(1,830)	(8,022)	0	(28,448)
Assets Scrapped	0	0	0	0	0
Transferred to Assets Held for Sale	(1,538)	0	0	0	(1,538)
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	81,449	0	0	0	81,449
Recognised in Provision of Services	(32,706)	0	0	0	(32,706)
As at 31st March 2015	<u>1,051,500</u>	<u>126,198</u>	<u>680,700</u>	<u>34,741</u>	<u>1,893,139</u>
Depreciation and Impairments					
As at 1st April 2014	(36,023)	(94,823)	(144,147)	(25,660)	(300,653)
Charge for the year	(30,279)	(10,469)	(17,367)	(1,371)	(59,486)
Disposals	0	1,254	8,022	0	9,276
Assets Scrapped	0	0	0	0	0
Transferred to Assets Held for Sale	19	0	0	0	19
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	429	0	0	0	429
Recognised in Provision of Services	28,453	0	0	0	28,453
Yorwaste Asset Impairment	0	(472)	0	0	(472)
As at 31st March 2015	<u>(37,401)</u>	<u>(104,510)</u>	<u>(153,492)</u>	<u>(27,031)</u>	<u>(322,434)</u>
Balance Sheet Net Amount at 31st March 2015	<u>1,014,099</u>	<u>21,688</u>	<u>527,208</u>	<u>7,710</u>	<u>1,570,705</u>

Movement in Property, Plant and Equipment (cont.)

Comparative Movements in 2013/14

	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)
Reclassification	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
Reclassifications	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

11. Cash and Cash Equivalents

	31st March 2015 £000	31st March 2014 £000
Bank current accounts and cash held by the County Council	19,774	29,492
Short term / call deposits, inc. Cash Balances held by Group Entities	<u>69,086</u>	<u>122,614</u>
Total Cash and Cash Equivalents	<u>88,860</u>	<u>152,106</u>

12. Short Term Debtors

	31st March 2015		31st March 2014	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	12,521		15,728	
Other Local Authorities	13,734		7,522	
NHS Bodies	<u>12,625</u>	38,880	<u>805</u>	24,055
General Debtors (including Public Corporations and Trading Funds)		38,000		37,010
Payments in Advance		<u>15,680</u>		<u>4,262</u>
		92,560		65,327
Less: Bad Debts Provision		<u>(7,879)</u>		<u>(7,164)</u>
Total Short Term Debtors		<u>84,681</u>		<u>58,163</u>

13. Short Term Creditors

	31st March 2015		31st March 2014	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	19,174		17,229	
Other Local Authorities	192		2,950	
NHS Bodies	<u>1,938</u>	21,304	<u>3,636</u>	23,815
General Creditors (including Public Corporations and Trading Funds)		56,206		60,655
Income in Advance		<u>10,760</u>		<u>9,344</u>
Total Short Term Creditors		<u>88,270</u>		<u>93,814</u>

14. Provisions

	Balance as at 31st March 2014 £000	Provision made during year £000	Provision used during year £000	Provision written down during year £000	Balance as at 31st March 2015 £000	To be used within 1 year £000	To be used in excess of 1 year £000	Total £000
Accumulated Absences	9,598	8,739	(9,598)	0	8,739	8,739	0	8,739
County Care Scheduling System	81	0	0	0	81	81	0	81
Ordinary Residency	264	0	0	(264)	0	0	0	0
Staffing Settlement Costs	0	120	0	0	120	120	0	120
Highways Advance Payments	2,383	617	(477)	0	2,523	0	2,523	2,523
Allerton Park	0	840	0	0	840	0	840	840
Waste Management	36	0	(36)	0	0	0	0	0
Insurance - Claims	3,963	411	0	0	4,374	1,040	3,334	4,374
Insurance - Liability	202	0	(7)	0	195	50	145	195
Restructure Costs	128	1,113	(285)	0	956	956	0	956
Carbon Reduction Commitment	537	0	(486)	(51)	0	0	0	0
	<u>17,192</u>	<u>11,840</u>	<u>(10,889)</u>	<u>(315)</u>	<u>17,828</u>	<u>10,986</u>	<u>6,842</u>	<u>17,828</u>
Yorwaste Limited - Restoration	4,015	(64)	(453)	0	3,498	0	3,498	3,498
Yorwaste Limited - Aftercare	3,649	1,534	(201)	0	4,982	0	4,982	4,982
	<u>24,856</u>	<u>13,310</u>	<u>(11,543)</u>	<u>(315)</u>	<u>26,308</u>	<u>10,986</u>	<u>15,322</u>	<u>26,308</u>

Provisions (cont.)

Comparative movements in 2013/14

	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	9,598	(10,088)	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>11,575</u>	<u>(14,814)</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 Deferred Tax	9	0	(9)	0	0	0	0	0
	<u>28,901</u>	<u>13,069</u>	<u>(16,618)</u>	<u>(496)</u>	<u>24,856</u>	<u>11,440</u>	<u>13,416</u>	<u>24,856</u>

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2015

2013/14		2014/15	
£000		£000	£000
CONTRIBUTIONS AND BENEFITS			
Contributions			
54,426	Employers - Normal	57,910	
26,498	- Special	35,822	
4,052	- Early Retirement Costs Recharged	2,444	
24,125	Employees - Normal	25,075	
303	- Additional Voluntary	248	
109,404	Total Contributions Receivable (note 7)		121,499
11,339	Transfers in (note 8)		6,663
<u>Less</u>			
Benefits			
(66,505)	Pensions	(69,996)	
(19,945)	Commutation and Lump Sum Retirement Benefits	(20,491)	
(1,329)	Lump Sums Death Benefits	(1,874)	
(87,779)	Total Benefits Payable (note 9)		(92,361)
Leavers			
(8)	Refunds to Members Leaving Service	(138)	
0	Payments for Members Joining State Scheme	0	
(4,106)	Transfers Out	(40,840)	
(4,114)	Total Payments on Account of Leavers (note 10)		(40,978)
(2,185)	Administration Expenses (note 11)		(2,114)
26,665	Net additions from dealings with Members		(7,291)
RETURNS ON INVESTMENTS			
22,895	Investment income (note 12)		21,943
(397)	Taxation (note 13)		(390)
(5,439)	Investment Expenses (note 14)		(4,943)
198,759	Change in market value of investments (note 15)		308,342
215,818	Net returns on investments		324,952
242,483	Net increase in the Fund during the year		317,661
1,840,733	Opening Net Assets of the Fund		2,083,216
2,083,216	Closing Net Assets of the Fund		2,400,877

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2014 £000		31st March 2015 £000
	INVESTMENT ASSETS (note 15 and 16)	
71,424	Fixed Interest Securities	161,287
742,593	Equities	701,918
1,141,317	Pooled Investments	1,335,586
98,592	Pooled Property Investments	150,011
258	Private Equity	82
<u>2,054,184</u>		<u>2,348,884</u>
12,185	Cash Deposits	27,437
14,966	Investment Debtors	5,327
<u>2,081,335</u>	TOTAL INVESTMENT ASSETS	<u>2,381,648</u>
	INVESTMENT LIABILITIES (note 15 and 16)	
(23)	Derivate Contracts - Forward Currency Contracts	0
(11,785)	Investment Creditors	(1,123)
<u>(11,808)</u>	TOTAL INVESTMENT LIABILITIES	<u>(1,123)</u>
<u>2,069,527</u>	NET INVESTMENT ASSETS	<u>2,380,525</u>
	CURRENT ASSETS	
9,233	Contributions due from employers	9,841
802	Other Non-Investment Debtors	242
4,888	Cash	12,049
<u>14,923</u>	TOTAL CURRENT ASSETS	<u>22,132</u>
	CURRENT LIABILITIES	
(1,234)	Non-Investment Creditors	(1,780)
<u>(1,234)</u>	TOTAL CURRENT LIABILITIES	<u>(1,780)</u>
<u>2,083,216</u>	TOTAL NET ASSETS (note 16)	<u>2,400,877</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 2015

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 2014/15 and the statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

(a) General

The Scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:-

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory 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 area. Teachers, police officers and fire fighters are not included as they come 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 2015 there were 107 contributing employer organisations within NYPF including the County Council itself, as detailed below:

62 Scheduled Bodies

City of York Council	Skipton Academy
Craven District Council	Skipton Girls High School
Hambleton District Council	South Craven School
Harrogate Borough Council	St Aidan's Church of England High School
North Yorkshire County Council	Stokesley School Academy
Richmondshire District Council	The Woodlands Academy
Ryedale District Council	Thomas Hinderwell Primary Academy
Scarborough Borough Council	Ainsty 2008 Internal Drainage Board
Selby District Council	Easingwold Town Council
North Yorkshire Police & Crime Commissioner	Filey Town Council
Chief Constable-North Yorkshire Police Force	Foss Internal Drainage Board
North Yorkshire Fire & Rescue Authority	Fulford Parish Council
North York Moors National Park	Glusburn Parish Council
Yorkshire Dales National Park	Great Ayton Parish Council
Askham Bryan College	Haxby Town Council
Craven College	Hunmanby Parish Council
Scarborough Sixth Form College	KnaresboroughTown Council
Selby College	Malton Town Council
York College	Northallerton Town Council
Archbishop Holgate's School	Norton on Derwent Town Council
Great Smeaton Academy Primary School	Northallerton / Romanby Burial Board
The Grove Academy	Pickering Town Council
Harrogate Grammar School	Riccall Parish Council
Harrogate High School	Richmond Town Council
Haxby Road Primary Academy	Ripon City Council
Manor Church of England Academy	Selby Town Council
Norton College	Skipton Town Council
Outwood Academy	Sutton in Craven Parish Council
Robert Wilkinson Academy	Tadcaster Town Council
Roseberry Academy	Thornton Internal Drainage Board
Rossett School	Whitby Town Council

45 Admission Bodies

Be Independent	Northern Care
Betterclean Services	NYBEP
Bulloughs Cleaning Ltd	OCS Group UL Ltd
Catering Academy Ltd	Premier Support Services
Chartwells Compass	Ringway
Churchill Security	Richmondshire Leisure
Community Leisure	Sewell Facilities Management
Consultant Services Group	Sheffield International Venues
Craven Housing	Sanctuary Housing Association
Dewent Facilities Management	Springfield Home Care
Dolce Ltd	Streamline Taxis
Elite	Superclean
Enterprise	University of Hull
Explore York Libraries and Archives	Veritau Ltd
Grosvenor Facilities Management	Veritau North Yorkshire Ltd
Human Support Group	Welcome to Yorkshire

Admission Bodies (Cont)

Housing and Care 21	Wigan Leisure & Culture Trust
ISS Mediclean Ltd	York Archaeological Trust
Interserve	York Museums & Gallery Trust
Jacobs UK Ltd	Yorkshire Coast Homes
Joseph Rowntree Trust	Yorkshire Housing Ltd
Lifeways Community Care Ltd	York St John University
Mellors	

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

	31st March 2015 No.	31st March 2014 No.
Employees in the Fund		
NYCC	21,931	18,960
Other employers	<u>13,125</u>	<u>12,541</u>
Total	<u>35,056</u>	<u>31,501</u>
Pensioners		
NYCC	9,961	9,463
Other employers	<u>8,483</u>	<u>8,205</u>
Total	<u>18,444</u>	<u>17,668</u>
Deferred Pensioners		
NYCC	18,829	18,204
Other employers	<u>11,762</u>	<u>11,286</u>
Total	<u>30,591</u>	<u>29,490</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 Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2015. 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

Prior to 1 April 2014 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.

From 1 April 2014 the scheme became a career average scheme whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually 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 on the Fund's website.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its year end position as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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.

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.

Employer deficit funding contributions are accounted for in the period in which they are payable under the schedule of contributions set by the Actuary or on receipt if earlier than the due date.

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 and Oversight and Governance Costs

All administrative expenses, oversight and governance costs are accounted for on an accruals basis. All associated staff costs are charged to the Fund. Management, accommodation and other overheads borne by NYCC 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.

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;
- the value of assets held within limited partnerships are based on periodic valuations provided by those controlling the partnership.

(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.

Derivative contract assets are valued at bid prices and liabilities at offer prices. Changes in the value of derivative contracts are included as a change in market value.

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 and includes amounts held by the Fund's external managers.

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 changes 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 the Code, 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 2015 was £82k (31 March 2014, £258k).

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 require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the for revenue and expenses during the year. Estimates are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from those based on these assumptions and estimates.

The item in the Net Assets Statement as at 31 March 2015 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 £63m, a 0.1% increase in inflation would increase liabilities by £58m, and an increase in life expectancy of one year would increase liabilities by £72m.

6. Events After the End of the Reporting Period

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved. They can be either those that provide evidence of conditions that existed at the end of the reporting period or those that are indicative of conditions arising after the end of the reporting period.

7. Contributions Receivable

	2014/15 £000	2013/14 £000
Contributions Receivable		
North Yorkshire County Council	49,247	47,466
Other Scheduled Bodies	64,983	55,557
Admitted Bodies	<u>7,269</u>	<u>6,381</u>
	<u>121,499</u>	<u>109,404</u>

8. Transfers In from Other Pension Funds

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

9. Benefits Payable

	2014/15 £000	2013/14 £000
Contributions Payable		
North Yorkshire County Council	39,268	37,126
Other Scheduled Bodies	45,887	46,008
Admitted Bodies	<u>7,174</u>	<u>4,645</u>
	<u>92,329</u>	<u>87,779</u>

10. Payments To and On Account of Leavers

A group transfer totalling £33,829k was paid to Greater Manchester Pension Fund in October 2014. The transfer related to North Yorkshire Probation Service staff following the consolidation of national probation service pension provision.

11. Management Expenses

	2014/15 £000	2013/14 £000
Administrative Costs	1,519	1,458
Investment Management Costs	4,943	5,439
Oversight and Governance Costs	<u>595</u>	<u>727</u>
	<u>7,057</u>	<u>7,624</u>

Investment Management Costs includes £1,177k (2013/14: £2,275k) in respect of performance related fees payable to the Fund's investment managers and £725k in respect of transaction costs (2013/14: £871k).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of acquisitions and in the proceeds from the sales of investments (see Note 15a).

12. Investment Income

	2014/15 £000	2013/14 £000
Fixed Interest and Index Linked Securities	2,094	1,928
Dividends from Equities	18,186	19,485
Pooled Property Investments	1,066	1,067
Pooled Investments - Other Managed Funds	0	0
Interest on Cash Deposits	50	22
Other	547	393
	<u>21,943</u>	<u>22,895</u>

13. Taxes on Income

	2014/15 £000	2013/14 £000
Withholding Tax on Dividends	<u>390</u>	<u>397</u>

14. Investment Expenses [splits IMC's in section 11]

	2014/15 £000	2013/14 £000
Management Fees	4,838	5,304
Custody Fees	105	135
	<u>4,943</u>	<u>5,439</u>

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

15. Investments

(a) Reconciliation of Movements in Investments and Derivatives

	Value at 31st March 2015 £000	Change in market value at 31st March 2015 £000	Sale proceeds & derivate receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2014 £000
Fixed Interest	161,287	36,090	(482,958)	536,731	71,424
Equities	701,918	48,328	(434,593)	345,590	742,593
Pooled Funds	1,335,586	204,266	(30,997)	21,000	1,141,317
Pooled Property	150,011	19,724	0	31,695	98,592
Private Equity	82	(66)	(110)	0	258
Derivative Contracts	0	0	23	0	(23)
Total Invested	<u>2,348,884</u>	<u>308,342</u>	<u>(948,635)</u>	<u>935,016</u>	<u>2,054,161</u>
Cash Deposits	27,437	15,252			12,185
Net Investment Debtors	4,204	1,023			3,181
Net Investment Assets	<u>2,380,525</u>	<u>324,617</u>			<u>2,069,527</u>

	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	(3,128)	(264,627)	267,174	72,005
Equities	742,593	98,555	(442,929)	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 Equitiy	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	194,141	(1,496,394)	1,538,034	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>198,759</u>			<u>1,829,128</u>

Transaction costs incurred during the year amounted to £752k (2013/14 £871k). In addition to these costs, indirect costs are incurred through the bid-offer spread on investment purchases and sales.

(b) Analysis of Investments (excluding derivative contracts)

	2014/15 £000	2013/14 £000
Fixed Interest Securities		
UK Public Sector Quoted	<u>161,287</u>	<u>71,424</u>
Equities		
UK Quoted	347,559	408,273
Overseas Quoted	<u>354,359</u>	<u>334,320</u>
	<u>701,918</u>	<u>742,593</u>
Pooled Investments		
UK Equity	51,806	51,942
UK Property	150,011	98,592
UK Fixed Income	210,996	186,419
Overseas Equity	700,624	570,674
Overseas Fixed Income	<u>172,333</u>	<u>168,030</u>
	<u>1,285,770</u>	<u>1,075,657</u>
Diversified Growth Funds - UK	<u>199,827</u>	<u>164,252</u>
Private Equity - UK	<u>82</u>	<u>258</u>
Total Investments (excl Derivatives)	<u>2,348,884</u>	<u>2,054,184</u>

Objectives and Policies for Holding Forward Foreign Currency Derivatives

	31st March 2015		31st March 2014	
	£000	%	£000	%
Investment Manager				
Baile Gifford & Co. - Global Alpha	412,227	17.2	345,185	16.6
Baile Gifford & Co. - LTGG	273,839	11.4	214,838	10.3
Fidelity International	430,200	17.9	402,771	19.3
Standard Life Investments - Equities	357,560	14.9	416,766	20.0
Standard Life Investments - DGF	91,376	3.8	82,993	4.0
ECM Asset Management	130,081	5.4	125,783	6.0
Amundi Asset Management	253,248	10.6	228,667	11.0
RC Brown Investment Management	0	0.0	0	0.0
Hermes Property Unit Trust	29,574	1.2	25,799	1.2
Legal & General	54,398	2.3	27,984	1.3
Threadneedle	66,628	2.8	45,279	2.2
M&G Investments	172,862	7.2	71,922	3.5
Newton Investments	108,451	4.5	81,259	3.9
Currency Hedging	(1)	0.0	23	0.0
Yorks and Humber Equity Fund	82	0.0	258	0.0
Internally Managed (cash and net debtors)	20,352	0.8	13,689	0.7
	<u>2,400,877</u>	<u>100.0</u>	<u>2,083,216</u>	<u>100.0</u>

(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 2014			31st March 2015			
Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000	Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000	
Assets						
71,424	0	0	Fixed Interest Securities	161,287	0	0
742,593	0	0	Equities	701,918	0	0
977,065	0	0	Pooled Investments	1,135,759	0	0
98,592	0	0	Pooled Property Investments	150,011	0	0
164,252	0	0	Diversified Growth Funds	199,827	0	0
258	0	0	Private Equity	82	0	0
0	0	0	Derivative Contracts	0	0	0
0	17,073	0	Cash	0	39,486	0
14,966	0	0	Investment Debtors	5,327	0	0
0	10,035	0	Non Investment Debtors	0	10,083	0
<u>2,069,150</u>	<u>27,108</u>	<u>0</u>		<u>2,354,211</u>	<u>49,569</u>	<u>0</u>
Liabilities						
23	0	0	Derivate Contracts	0	0	0
11,785	0	0	Investment Creditors	1,123	0	0
0	0	1,234	Non Investment Creditors	0	0	1,780
<u>11,808</u>	<u>0</u>	<u>1,234</u>		<u>1,123</u>	<u>0</u>	<u>1,780</u>
<u>2,057,342</u>	<u>27,108</u>	<u>(1,234)</u>		<u>2,353,088</u>	<u>49,569</u>	<u>(1,780)</u>

(b) Net Gains and Losses on Financial Instruments

	2014/15	2013/14
	£000	£000
Fair Value through Profit and Loss	308,342	194,141
Loans and Receivables	<u>16,275</u>	<u>4,318</u>
	<u>324,617</u>	<u>198,459</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 2014			31st March 2015	
Cost	Fair Value		Cost	Fair Value
£000	£000		£000	£000
Assets				
1,518,466	2,069,150	Fair Value through Profit and Loss	1,580,052	2,354,211
<u>27,048</u>	<u>27,048</u>	Loans and Receivables	<u>49,569</u>	<u>49,569</u>
<u>1,545,514</u>	<u>2,096,198</u>		<u>1,629,621</u>	<u>2,403,780</u>
Liabilities				
11,808	11,808	Fair Value through Profit and Loss	1,123	1,123
<u>1,234</u>	<u>1,234</u>	Liabilities at Amortised Cost	<u>1,780</u>	<u>1,780</u>
<u>13,042</u>	<u>13,042</u>		<u>2,903</u>	<u>2,903</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 2015	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Assets				
Fair Value through Profit and Loss	2,354,129	0	82	2,354,211
Loans and Receivables	49,569	0	0	49,569
	<u>2,403,698</u>	<u>0</u>	<u>82</u>	<u>2,403,780</u>
Liabilities				
Fair Value through Profit and Loss	1,123	0	0	1,123
Liabilities at Amortised Cost	1,780	0	0	1,780
	<u>2,903</u>	<u>0</u>	<u>0</u>	<u>2,903</u>
	<u>2,400,795</u>	<u>0</u>	<u>82</u>	<u>2,400,877</u>

Value at 31st March 2014	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Assets				
Fair Value through Profit and Loss	2,068,892	0	258	2,069,150
Loans and Receivables	27,108	0	0	27,108
	<u>2,096,000</u>	<u>0</u>	<u>258</u>	<u>2,096,258</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>2,082,981</u>	<u>(23)</u>	<u>258</u>	<u>2,083,216</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 2014/15 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 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	27,437	0.0	27,437	27,437
UK Bonds	161,287	6.4	171,609	150,965
UK Equities	347,559	10.3	383,358	311,760
Overseas Equities	354,359	9.0	386,251	322,467
UK Pooled Equity	51,806	10.3	57,142	46,470
Overseas Pooled Equity	700,624	9.0	763,680	637,568
UK Pooled Bonds	210,996	6.4	224,500	197,492
Overseas Pooled Bonds	172,333	6.4	183,362	161,304
Pooled Property Investments	150,011	2.1	153,161	146,861
Diversified Growth Funds	199,827	4.2	208,220	191,434
Private Equity	82	4.0	85	79
Derivatives	0	0.0	0	0
Non Investment Debtors / Creditors	8,302	0.0	8,302	8,302
Total Assets	<u>2,384,623</u>		<u>2,567,108</u>	<u>2,202,138</u>

Asset Type	Value as at 31st March £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	12.3	458,491	358,055
Overseas Equities	334,320	11.2	371,764	296,876
UK Pooled Equity	51,942	12.3	58,331	45,553
Overseas Pooled Equity	570,674	11.2	634,589	506,759
UK Pooled Bonds	186,419	5.5	196,672	176,166
Overseas Pooled Bonds	168,031	5.5	177,273	158,789
Pooled Property Investments	98,592	2.7	101,254	95,930
Diversified Growth Funds	164,251	4.9	172,299	156,203
Private Equity	258	12.3	290	226
Derivatives	(23)	0.0	(23)	(23)
Non Investment Debtors / Creditors	8,801	0.0	8,801	8,801
Total Assets	<u>2,075,147</u>		<u>2,267,278</u>	<u>1,883,016</u>

Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2014/15 £000	2013/14 £000
Cash and Cash Equivalents	27,437	12,185
Fixed Interest Securities	<u>161,287</u>	<u>71,424</u>
	<u>188,724</u>	<u>83,609</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. Advice suggests that it is reasonable to expect a change in the long term average rate of approximately 1%. For illustrative purposes if it were to change by +/- 100 bps the values in the table above would change by £836k and for 2012/13 asset values, £804k.

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 +/-6.1%. 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 6.1% 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 2015 £000	Value on 6.1% Increase £000	Value on 6.1% Decrease £000
Overseas Equities	1,054,983	1,119,337	1,054,983
Overseas Bonds	<u>172,333</u>	<u>182,845</u>	<u>172,333</u>
Total Assets	<u>1,227,316</u>	<u>1,302,182</u>	<u>1,227,316</u>

Asset Type	Value as at 31st March 2014 £000	Value on 5.2% Increase £000	Value on 5.2% Decrease £000
Overseas Equities	904,994	952,054	857,934
Overseas Bonds	<u>168,031</u>	<u>176,769</u>	<u>159,293</u>
Total Assets	<u>1,073,025</u>	<u>1,128,822</u>	<u>1,017,228</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 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. The banks and institutions 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 2015 was £12m (31 March 2014, £4.9m) and was held with the following institutions:-

	Credit Rating	31st March 2015 £000	31st March 2014 £000
Call Accounts			
Barclays	A / F1	3,119	1,336
Bank of Scotland	A / F1	0	117
Santander UK	A / F1	249	305
Svenska Handelsbanken	AA-/F1+	0	938
Fixed Term Deposit Notice Accounts			
Bank of Scotland	A / F1	4,759	1,641
Barclays	A / F1	280	0
Leeds BS	A- / F1	560	0
Nationwide	A / F1	1,820	293
Natwest	A / F1	0	258
Svenska Handelsbanken	AA-/F1+	280	0
Lancashire County Council	-	280	0
Leicester FRA	-	84	0
London Borough of Enfield	-	280	0
Salford City Council	-	336	0
		<u>12,047</u>	<u>4,888</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 £82k, which represented less than 0.1% of total Fund assets (31 March 2014, £258k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2015 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 2014/15 the common rate (determined at the 2013 Valuation) is 13.8% of pensionable pay.

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	4.10%	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 2015 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

	2014/15 £000	2013/14 £000
Debtors		
Investment Debtors		
Investment Transactions	1,499	11,405
Accrued Dividends	2,542	2,359
Withholding Taxes Recoverable	1,286	1,202
	<u>5,327</u>	<u>14,966</u>
Other Debtors		
Contributions due from Scheduled (Government) Bodies	9,361	8,769
Contributions due from Admitted Bodies	480	449
Pensions Rechargeable	11	13
Interest on Deposits	0	2
Other	231	802
	<u>10,083</u>	<u>10,035</u>
	<u>15,410</u>	<u>25,001</u>

21. Current Liabilities

	2014/15 £000	2013/14 £000
Creditors		
Investment Creditors	1,123	11,808
Sundry Other Creditors	<u>1,780</u>	<u>1,234</u>
	<u>2,903</u>	<u>13,042</u>

All creditors are non government entities and individuals.

22. Additional Voluntary Contributions (AVCs)

	2014/15 £000	2013/14 £000
Prudential	<u>21,180</u>	<u>21,320</u>

AVC contributions of £2,261k were paid directly to Prudential during the year (£2,390k in 2013/14).

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 £1,136k (£1,078k in 2013/14) 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 £49.2m to the Fund in 2014/15 (£47.5m in 2013/14). All monies owing to and due from the Fund were paid in the year.

Part of the Fund's cash holdings are invested with banks and other institutions by the treasury management operations of NYCC, through a service level agreement. During the year to 31 March 2015 the Fund had an average investment balance of £6m (£1.8m during 2013/14) receiving interest of £39k (£16k paid in 2013/14) on these funds.

Governance

As at 31 March 2015 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.

Key Management Personnel

The Code exempts local authorities from the key management personnel disclosure requirements of IAS 24. This exemption applies in equal measure to the accounts of the Fund. The disclosures required by The Accounts and Audit (England) Regulations can be found in the main accounts of NYCC.

24. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2013/14).

25. Contingent Assets

Four 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 2013/14).



North Yorkshire
County Council

Draft

Annual Governance Statement

2014/15

Updated September 2015

Contents

Section

- 1. Scope of Responsibility
- 2. The Purpose of the Governance Framework
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- 5. Review of Effectiveness
- 6. Activities of the Audit Committee
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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 2014 and adopted by the County Council in November 2014. 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.
- 1.4 This Statement explains how the County Council has complied with its Local Code and also meets the requirements of Regulation 6(1) of the Accounts and Audit Regulations 2015 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 2015 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts on 24 September 2015.

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 agreed in February 2015 sets out the Council's vision, values and objectives to 2020 together with priorities for action for 2015/16. 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 covers the period up to and including 2019/20 and was approved by the County Council on 18 February 2015. It should be noted that it is based upon estimates on funding as no firm information is available at this stage. In addition the budget for 2015/16 was approved which included the savings requirement for that year as part of the 2020 North Yorkshire Programme.
- **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 2015 review was reported to full County Council on 20 May 2015

(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 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
 - Alternative Delivery Models and Commercial Focus – examining different ways of delivering services and reviewing opportunities to become more commercial, generating additional income
 - Property Rationalisation – looking to use less buildings where staff and customers use buildings in more modern ways
 - 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 2014/15 and are due to be reviewed again during 2017/18. 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 addressed and progress to rectify those weaknesses is monitored by the Corporate Risk Management Group as well as Internal Audit.
- a progress report on risk management is made to the Audit Committee on a 6 monthly basis. 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** reflects the best practice guidance contained in the CIPFA Code of Practice on managing the risks of fraud and corruption. The Strategy is also 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 2015

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 2014/15 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 2015, 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 Charter which is 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 has been maintained since this date with re-certification completed in 2013, and further review audits by BSI (British Standards Institute) carried out 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 has been completely rewritten and adopted in May 2015. The Policy takes account of recent HSE guidance relating to the management of health and safety and sets out the key responsibilities of staff. To coincide with the introduction of the new Policy, work is on-going to identify the key risks that the Council faces in order to develop and implement suitable controls. Action plans are also being developed to ensure that health and safety risks are appropriately managed across the County Council.
- 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 2014/15, the Audit Plan included audits on a number of corporate themes, 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 2014/15 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 2014/15 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, Business 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 2013/14
- ➔ 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:-

- ➔ approved minor changes to the Internal Audit Charter
- ➔ reviewed the outcome of 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 2014/15.

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 2014/15. **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 2013/14 Annual Governance Statement. Some of these issues were not fully resolved in 2014/15, but some of these “incomplete” issues have reappeared in the Statements of Assurance for 2014/15 prepared by Corporate Directors. Therefore, the items including the table below represent the list of key issues requiring attention in 2015/16.

TO BE COMPLETED

Ref	Issue requiring improvement	Action taken to date / planned 2015/16
A1		
A2		

8.0 SUMMARY

- 8.1 The governance framework operating during 2014/15 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 This also includes the level of conformance with the Code of Managing the Risks of Fraud. Having considered all the principles, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.
- 8.3 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 2015/16. 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 Carl Les
Leader of the County Council

Richard Flinton
Chief Executive

Date:

Date:

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)
(Monitoring Officer)

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

Date:

Date:

- 9.2 I confirm that the Audit Committee (meeting on the 24 September 2015) was satisfied, on the basis of the information available to it, that this Annual Governance Statement for 2014/15 has been prepared and approved after due and careful enquiry.

Cllr Mike Jordan
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 2015.

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 2015 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.

HWRC

Household Waste Recycling Centre

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 2013/14 relating to services to be delivered in 2014/15.

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.

LDDF

Learning Difficulties Development Fund.

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

The Pending Issues Provision (PIP) was set up in 2008/09 as part of the budget and medium term financial strategy process to underpin a financial strategy that would ensure sufficient recurring funds are available in future years to meet the predicted year on year costs of the Waste Strategy.

The provision was funded by increasing the annual Council Tax charge in the three year period 2008/09 to 2010/11 by more than was strictly needed to pay for the annual cost of the County Council's services in those year's.

In addition to providing the longer term funding required for the Waste Strategy, the funding paid into the PIP but not yet drawn down by the Waste Strategy is available for non- recurring items of urgent expenditure and investment in services.

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 2014/15 that relates to goods and services not received until 2015/16.

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.

SEN

Special educational needs.

SEND

Special educational needs and disability.

SDT

Standard Desktop.

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.

T&C

Technology and Change.

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.

North Yorkshire County Council**Audit Committee****16 July 2015****Annual Report on Partnership Governance 2014/15****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 2014/15.

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 7 July 2015.
- 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 a year 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 2015. 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 2014/15

- 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 The following partnerships have been included in the appendix this year for the first time:

- North Yorkshire Community Safety Partnership (replaced York and North Yorkshire Safer Communities Forum)
- Local Delivery Groups (replaced Community Safety Partnerships at district level)
- York and North Yorkshire Prevent Strategic Board
- North Yorkshire Older Peoples Forum Plus.
- Regional Employers Organisation (as this will continue to exist after LGYH has been dissolved)
- York, North Yorkshire and East Riding LEP Area European Structural and Investment Funds Committee
- Joint Commissioning of Speech, Language and Communication Needs (for children)
- Health Protection Assurance Group

- 3.4 The following partnerships, which were included in the appendix last year, have been removed this year:

- York and North Yorkshire Safer Communities Forum
- District-based Community Safety Partnerships
- (Social Care) Market Development Board

- 3.5 No partnerships are identified as having a high overall risk rating.
- 3.6 The risk rating for the 95 Alive Partnership was reduced from high in 2013/14 to a medium risk in 2014/15. This was because:
- The remaining Performance Reward Grant funding that was carried forward into 2014/15 was used by the end of 2014/15. The Police and Crime Commissioner (PCC) for North Yorkshire authorised £100k to fund road safety work during 2014/15, most of which is being used for the purchase of new data logging equipment to assess traffic speeds where local residents and communities have raised concerns through the Speed Management Protocol. The PCC has confirmed that £100k funding for road safety programmes will also be made available through the 95 Alive Partnership in 2015/16. This funding comes from the surplus accrued from Speed Awareness Courses under the North Yorkshire Police scheme.
 - An agreement has also been reached between Public Health North Yorkshire and the NYCC Road Safety & Travel Awareness team for the team to deliver road safety education, training and information programmes and other road safety and active travel interventions on a jointly funded basis by Public Health and NYCC Highways. Regional collaboration between authorities and partnerships is being expanded to obtain regional outputs and shared development and procurement costs for strategic casualty reduction delivery.
- 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 2014/15, priorities for 2015/16, 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. **Appendix 2** includes additional explanatory information in relation to partnership activity in the CYPS directorate.
- 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 medium to high 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 The 2012/13 annual report summarised an internal audit undertaken by Veritau in early 2013 to provide assurance that there are sound governance arrangements in place for partnerships. 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.

All the elements of the action plan agreed following the internal audit have been completed satisfactorily.

4. 9 Veritau undertook internal audits in 2014/15 on the Y&NYER Local Enterprise Partnership and North Yorkshire Local Transport Partnership. These were given a 'substantial' and 'high assurance' rating respectively. An internal audit was also undertaken on Superfast North Yorkshire and Veritau were satisfied with the controls in place.
4. 10 This is the fifth annual report presented to both the Executive and the Audit Committee. However, over the last two years in particular there have been few issues to report about partnership governance issues. This has been due in part to:
- a reduction in partnerships in some areas;
 - a proportionate specific risk assessment being undertaken for all partnerships, as part of the NYCC general risk assessment to determine the specific risks that should be monitored and mitigated against for the partnership; and
 - a programme of governance reviews and audits being in place for medium to high risk partnerships.

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 2015 (Appendix 1).

Gary Fielding
Corporate Director - Strategic Resources

2 June 2015

Presenter of report:
Neil Irving, Assistant Director (Policy and Partnerships)

Author of report:
Jonathan Spencer, Corporate Development Officer
Tel: (01609) 780780
Email: jonathan.spencer@northyorks.gov.uk

Appendices:

- Appendix 1 - Partnerships that were within the scope of this report as at 31 March 2015
- Appendix 2 - CYPS Partnership Activity

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 2014/15	Issues and priorities 2015/16	Have there been any governance failures in 2014/15? 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
																		1	2	3	4	5		
Strategic sub-regional and regional partnerships																		1	2	3	4	5		
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.	No	Leaders of all local authorities and national park authorities. Written terms of reference.	www.nypartnership.org.uk/index.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.	Cllr John Weighell - member	No	Richard Flinton	n/a	L	M	L	L	M	L	n/a
NYC 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 NYSPP Executive.	Monitoring of Community Plan priorities progress; monitoring Performance Reward Grant funding and expenditure; set up Directors of Development group to look at spatial planning and sub-regional devolution; sign up to countywide initiatives such as Public Services Network, Open Data site, Alcohol Strategy; co-ordinated responses to Tour de France, mobile infrastructure project, draft volunteering strategy, liaison on Stronger Communities, dementia strategy, emergency planning issues, funding for tourism in NY and York, Prevent.	Sub-regional devolution: co-ordinated response to new government policies; continued monitoring of Community Plan priorities	No	Chief executives of local authorities and key local public sector partners. Written terms of reference.	www.nypartnership.org.uk/index.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	No	Neil Irving	Debbie Bassett	L	M	H	L	M	M	11 May 2015 - suitable terms of reference are in place and updated as necessary. Version checked was last revised in April 2014.
North Yorkshire 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.	1. New incident command and control procedure developed and embedded (Response to Major and Critical Incidents) 2. New information sharing procedure to provide early warning of incidents 3. Gold level symposium for partner agency chief and senior officers 4. Silver and Bronze level training 5. Ongoing risk assessment against Community Risk Register 6. Ongoing emergency resilience in the community	1. Gold, silver and bronze level training 2. NYLRF Strategic Priorities- reviews of the following: Mass Fatalities process and premises Mass Casualty Clearance including advance casualty clearance stations Pandemic framework Mass Treatment Plan 3. Coastal Inundation (regional) 4. Other as indicated by Community Risk Register and Strategic Group direction.	No	Multi-agency partnership to carry out statutory duties as defined by the Civil Contingencies Act plus additional legislation. Written governance document.	www.lgyh.gov.uk/T%20Library/Other%20Research/Governance/	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	No	Neil Irving	Debbie Bassett	L	M	L	M	H	M	14 June 2012 - No concerns noted.
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)	A decision has now been taken by the member councils to dissolve the organisation. Moves will be taken to achieve this during the course of the next year and to look at how the employer's function of the organisation can be retained and hosted by one of the member councils. There are some complex issues to be determined in relation to employees, pension liabilities, assets and reserves and these matters will be dealt with over the coming months when it is anticipated that an official end date will be announced.	All activity accountable to LGYH Council; supported by Y&H Chief Executives' Group. LGYH Council has rotational Chair for 2-year periods, plus four Vice Chairs (one per sub-region). Written constitution.	No	All activity governed by individual and collective views of participating local authorities via the reps attending.	www.lgyh.gov.uk/T%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.	Cllr John Weighell - member	The LGYH is part of West Yorkshire Pension Fund, and when LGYH is disbanded, their actuary would need to advise on any pension fund value, and if a deficit were applicable, West Yorkshire Pension Fund would need to collect the monies due. It might be that NYCC is asked to contribute.	Richard Flinton	Debbie Bassett	L	M	L	L	L	L	n/a
Regional Employers Organisation	CS	4	Member-led partnership of all local authorities across Yorkshire and Humber - enabling councils, fire and rescue authorities, issues of common interest, share information and intelligence and provide a stronger collective voice on national issues in the areas of employee relations and pay and terms and conditions.	New governance arrangements established from April 2015 following dissolution of LGYH	The Regional Employers Committee has been retained as part of the Employers Organisation providing an ongoing opportunity for the input of regional views into national pay bargaining and related issues.	All activity governed by individual and collective views of participating local authorities via the reps attending.	No	All activity governed by individual and collective views of participating local authorities via the reps attending.	http://www.nypartnership.org.uk/index.aspx?articleid=16828	EO's core income from its membership's affiliation fees. Total expenditure is greater, but covered from external income.	EO is an independent body, established utilising the legal personality of an Employers' Association.	£6k subscription.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Carl Les - member	The 2 EO staff are part of West Yorkshire Pension Fund, and if EO disbanded, their actuary would need to advise on any pension fund value, and if a deficit were applicable, West Yorkshire Pension Fund would need to collect the monies due. It might be that NYCC is asked to contribute.	Justine Brooksbank	n/a	L	M	L	L	L	L	n/a
North Yorkshire Community Safety Partnership	CS	1	The purpose of the CSP is to bring together the responsible authorities, supported by other relevant organisations, to fulfil their statutory responsibilities to work together under the Crime and Disorder Act 1998 (as amended) .	Not applicable - formally constituted in October 2014	1. Formal merger from 6 CSPs to form 1 Countywide CSP for NY. 2. Successful OPCC funding bids for countywide projects	Priority areas: Domestic Abuse, Road Safety, Anti-Social behaviour, Substance Misuse, Serious and Organised Crime	No	Senior rep (officer) of each key local community safety partners (responsible authorities) and 'relevant organisations'. A written constitution has been approved. NYCC provides the secretariat to the partnership	http://www.nypartnership.org.uk/index.aspx?articleid=16828	No budget.	NYCC	No budget.	Corporate & Partnerships Overview and Scrutiny Committee in its role as statutory crime and disorder committee	None	No	Neil Irving	n/a	L	L	L	L	M	L	n/a

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 2014/15	Issues and priorities 2015/16	Have there been any governance failures in 2014/15? 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) 1 Probability of governance failure 2 NYCC financial 3 NYCC financial 4 NYCC services 5 NYCC reputation	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				
York and North Yorkshire Prevent Strategic Board	CS	2	To provide leadership across the Prevent (counter-terrorism) agenda	2014. Replaced Prevent Implementation Board	2014/15 achievements Coordination, planning & delivery of 5 'Making the Link' multi agency day seminars across NY November/Dec 2015 (800 partners accessed this) Data & Intelligence contribution from NYCC directorates into the Counter Terrorism Local Profile (CTLP) Representation and engagement of the Prevent Strategic Board NYCC Prevent Group formed to engage with the Prevent agenda WRAP 3 trainers (3) Raised awareness and profile of Prevent at SM level across directorates Increased engagement with Adult and Children's Safeguarding Board, Children's & Adults social Care and Education	2015/16 priorities Ensure the Prevent duties are adhered through continuous NY CC engagement via: a) NYCC Prevent Group b) Service contribution to the CTLP c) Develop Action plan to reduce risk d) representation and engagement of the Prevent Strategic Board e) Train staff to recognise radicalisation and extremism (integrate WRAP 3 & other training resources in to appropriate training plan) f) Embed Channel into the safeguarding referral process g) Maintain records and reports to show compliance	No	Officers of key partners		No budget.	City of York Council	No budget.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	No	Neil Irving	n/a	L	L	L	M	M	L	n/a
North Yorkshire Older Peoples Forum Plus	CS	4	Quarterly meeting of the North Yorkshire Forum for Older People with NYCC, district councils and the NHS	Autumn 2014	Developed as a user-owned consultation mechanism enabling statutory agencies to consult with representatives of older people. Has contributed to the consultation on the future for NYCC's libraries, discussions around the Better Care Fund and integrated working, and developing Stronger Communities	Quarterly programme of meetings with agenda jointly agreed by the Forum and statutory agencies.	No	Representatives of North Yorkshire Forum for Older People, NYCC, district councils and the NHS		No budget	North Yorkshire Forum for Older People	No budget.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	No	Neil Irving	n/a	L	L	L	L	L	L	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.	Phase 1 of the BT project will complete by end of March 2015. Phase 2 extension has been awarded to BT and will be delivered by the end of 2016. Take-up of the BT network is on target for +30%. Wireless schemes continue to be supported and growth in both area coverage and take-up is being seen. Business Support programme (ERDF) is exceeding targets and due to wind up delivery in Summer 2015.	Contract management of Phase 2 will be a key priority as will the preparatory work on a strategy for Phase 3 et seq	No	Formally constituted SFNY Advisory Board with Chairman (Cllr Carl Les) plus 5 Cllrs plus reps from NYnet, BDUK and LEP. NYnet chairman attends as observer. Board supported by SFNY Engagement Group comprising 'broadband champions' from district council plus LEP, Chamber of Commerce, FSB, NFU. Written governance documents.		Phase 1 Project cost of £30m offset by BDUK/ERDF grants. Phase 2 Project cost of £8m (£5m BDUK/ERDF/£3m NYCC). Project Management undertaken on behalf of NYCC by NYnet - costs/grants are recorded in a separate company (NYnet 100), net cost for Phase 1/2 is £1.6m to be funded by NYCC.	NYCC for both BDUK and ERDF. NYnet is the 'managing agent' for NYCC	£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 November 2014.	Cllr Carl Les (Chair) and ex-Cllr John Watson (observer in capacity as NYnet Chairman).	Preparing a Strategy for Phase 3 et seq that will, within £ available, extend access to 100% of premises by 2017.	Ian Marr	Gary Fielding	L	M	H	M	H	M	2 May 2014. Procurement processes, BT contract and grant agreements managed by NYnet. All processes undertaken with extensive consultation & with legal support and believed to be very robust. Appropriate governance arrangements in place.
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.	Facilitation of Duty to Cooperate discussions in respect of key Local Plan documents (including City of York, Scarborough, Harrogate and ERYC).	Continued facilitation of Duty to Cooperate requirements at member level; possible need to review role, purpose and reporting arrangements within context of sub-regional devolution agenda.	No (although has met infrequently)	One Cllr from each local authority. Written terms of reference.	www3.northyorks.gov.uk/r3cabinet_10/govnyireports_2/0120928_05seccom mendatio05recom mendatio.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.	Cllr Gareth Dadd - member; deputy is Cllr Chris Metcalfe	No	David Bowne / Carl Bunnage	Debbie Bassett	L	L	L	L	L	L	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.	Review of role, broadening of membership and cross-lecture remit, and establishment of greater alignment with the YNYER LEP in order to contribute more effectively to the growth agenda across all tenures; input into preparation of LEP Strategic Economic Plan contributing towards the securing of Local Growth Fund monies for housing Strategic Development Sites; on-going delivery of affordable housing including through Rural Housing Enablers programme; commencement of work on new Housing Strategy.	Adoption / implementation of new Housing Strategy; further contribution to growth agenda across all tenures; on-going delivery of affordable housing; further alignment and collaboration with HCA and YNYER LEP.	No	One Cllr from local authority and reps of key partners. Written terms of reference	www.northyorks.gov.uk/r3cabinet_10/govnyireports_2/0120928_05seccom mendatio05recom mendatio.pdf	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 upfront as a contribution to the three year RHE programme).	Hambleton District Council, including employer of partnership staff.	£6.5k contribution towards Rural Housing Enablers Programme. Contribution towards Housing Strategy Manager post 2015/16 to be confirmed.	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	No	Carl Bunnage (BES) / Avril Hunter (HAS)	Debbie Bassett	L	M	L	M	L	L	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	£122.5m Local Growth deal Secured £3.8m Business Growth Grants Fully Invested £9.4m Growing Places fund fully invested, this includes receiving and reinvesting the first £1m return *£110.4m secured currently negotiating a further £12.1m.	Implementation of the £110m Local Growth Deal Implementation of the EU110m 2015-2021 EU Structural Investment Fund (ESIF) Programme At a policy level - addressing the devolution agenda and working with Local Authorities on local governance / combined authority options.	No	Main LEP Board - Business led partnership (9 business reps, 6 local authority reps). Written governance document. Skills & Infrastructure Programme Boards below LEP Board.	www.businessinspiredgrowth.com/about-the-lep/	NYCC £243k. City of York £40.5k. East Riding £60.75k. 7x Districts £20.25k. Total £486k. BIS Funding £500k. Investment Funds including: Growing Places Fund (£9.4m) (to be used as a revolving fund), RGF £4m (to be completed by March 2015).	NYCC	The Council's Economic & Partnership Unit has a NYCC budget of £480k and staff in the unit provide support to the LEP. CE243k 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	No	James Farrar	John Barrigan	L	H	H	L	H	M	November 2014 - Veritau audit completed. 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.

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 2014/15	Issues and priorities 2015/16	Have there been any governance failures in 2014/15? 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 undertakings - date and any action needed as a result
																		1 Probability of governance failure	2 NYCC objectives	3 NYCC financial	4 NYCC services	5 NYCC reputation		
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	c.£500m Local Growth Deal secured.	The key issue for NYCC is appraising whether to join the West Yorkshire Combined Authority.	No	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	No	James Farrar / Carl Bunnage	Debbie Bassett	M	M	L	L	M	M	2 May 2014. NYCC is not accountable body for the LEP and essentially devotes the time of Members and Officers to the partnership working. Appropriate governance is in place. Need to monitor the impact of the West Yorkshire Combined Authority
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.	No	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	£37,428 contribution to LCR (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	No	David Bowe / Carl Bunnage	Debbie Bassett	L	L	L	L	M	L	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.	In addition West Yorkshire Combined Authority have secured a devolution deal with government.	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.	No	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	No	Carl Bunnage	Debbie Bassett	L	L	L	L	L	L	n/a

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																		1 Probability of governance failure	2 NYCC objectives	3 NYCC financial	4 NYCC services	5 NYCC reputation		
Local strategic and community safety partnerships																								
Craven Local Delivery Team	CS	2, 3	To bring together the operational managers of the responsible authorities, supported by the relevant organisations, to coordinate and ensure the delivery of the North Yorkshire Community Safety Partnership Plan in the district, in particular to: a. Protect their local communities from crime and disorder, and help people feel safer; b. Deal with local issues like antisocial behaviour, drug or alcohol misuse, reoffending and crime prevention; and c. Assess local crime and disorder priorities and consult partners and the local community about how to deal with them.	Created Autumn 2014	1) Set-up of a BCRP (business crime reduction partnership) (2) Worked collaboratively to highlight to partners the risks of Child Sexual Exploitation in their district, raising awareness and working towards prevention. (3) Various road safety events focused on keeping motor cyclists and pedal cyclists safe on our roads. (4) Facilitated the district's first Domestic Abuse Forum in Craven (5) Country Watch has continued to expand in Craven. The initiative strengthens the links between rural businesses, farms and communities.	ASB/Vulnerable Communities/ Developing Stronger Families. Child sexual exploitation. Prevent agenda. Road safety. Business crime	No.	Senior reps (members and officers) of key local community safety partners. Written governance document.		Craven District Council provides £10k to the partnership. Other income is from the PCC to be spent on projects/project delivery	Craven District Council	No budget.	No formal reporting requirement to Craven Area Committee - issues taken will be by exception only.	Cllr Andy Solloway	No	Neil Irving	n/a	L	L	L	L	M	L	n/a
Hambleton Local Delivery Team	CS	2, 3	To bring together the operational managers of the responsible authorities, supported by the relevant organisations, to coordinate and ensure the delivery of the North Yorkshire Community Safety Partnership Plan in the district, in particular to: a. Protect their local communities from crime and disorder, and help people feel safer; b. Deal with local issues like antisocial behaviour, drug or alcohol misuse, reoffending and crime prevention; and c. Assess local crime and disorder priorities and consult partners and the local community about how to deal with them.	First meeting held 23 Oct 2014. Terms of reference and governance arrangements arranged at this meeting.	Delivered a range of awareness, advice and training activities around domestic abuse /Produced a countywide briefing paper for victims of abuse on changes to legal aid/Took the countywide lead on creating an understanding of the new Anti-Social Behaviour, Crime and Policing Act including running awareness sessions, producing guidance document and the partnership website.	Key priorities: Anti-Social Behaviour Domestic Abuse Road Safety Community Engagement, Offender Management & Safeguarding Vulnerable Individuals and Troubled Families	No	Senior reps (members and officers) of key local community safety partners. Written governance document.		Hambleton District Council covers incidental costs and partnership support. In addition it has provided a one-off allocation of £20k to the partnership. Other income is from the PCC to be spent on projects/project delivery	Hambleton District Council	No budget.	One report per year to be taken to Hambleton Area Committee.	Cllr Heather Moorhouse	No	Neil Irving	n/a	L	L	L	L	M	L	n/a
Harrogate and District Local Delivery Team	CS	2,3	To bring together the operational managers of the responsible authorities, supported by the relevant organisations, to coordinate and ensure the delivery of the North Yorkshire Community Safety Partnership Plan in the district, in particular to: a. Protect their local communities from crime and disorder, and help people feel safer; b. Deal with local issues like antisocial behaviour, drug or alcohol misuse, reoffending and crime prevention; and c. Assess local crime and disorder priorities and consult partners and the local community about how to deal with them.	N/A - first meeting held 27 Jan 2014. Terms of reference and governance arrangements will be reviewed at least every 2 years.	Delivered - community events, cycle security events, crime prevention videos, newsletters, launched Twitter account, continued use of night marshalls, road safety campaigns, domestic abuse initiatives, alcohol and substance misuse work.	Road safety, domestic abuse (co-ordinator appointed), anti social behaviour, cycle security, community engagement.	No	Senior reps (officers) of key local public sector partners. Written terms of reference.		Harrogate Borough Council covers incidental costs and partnership support (£10k). Also 1.75 FTE. Other income is from the PCC to be spent on projects/project delivery.	Harrogate Borough Council	No budget.	No formal reporting requirement to Harrogate Area Committee - issues taken will be by exception only.	Cllr Cliff Trotter	No	Neil Irving	n/a	L	L	L	L	M	L	n/a
Harrogate District Public Services Leadership Board	CS	2, 3	To support a 'One Public Service' vision and facilitate local agencies coming together seamlessly to deliver more cohesive joined up working and unified local services.	NA	Establishing board and new governance, developing plan on a page and supporting work plan, successful application to the systems leadership - local vision programme, getting through to the 2nd phase of the DCLG Delivering Differently in neighbourhoods programme (ultimately not successful).	To deliver against the outcomes in the work plan and action areas - the main ones being the Systems Leadership Local Vision programme, making the Harrogate District Dementia Friendly, developing the joint commissioning framework and testing it by delivering a single point of access pilot.	No	Officers of local agencies. Written governance document.		No budget as such. HBC provide administration costs.	Harrogate Borough Council	No budget.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	No	Neil Irving	n/a	L	L	L	L	M	L	n/a
Richmondshire Local Delivery Team	CS	2,3	To bring together the operational managers of the responsible authorities, supported by the relevant organisations, to coordinate and ensure the delivery of the North Yorkshire Community Safety Partnership Plan in the district, in particular to: a. Protect their local communities from crime and disorder, and help people feel safer; b. Deal with local issues like antisocial behaviour, drug or alcohol misuse, reoffending and crime prevention; and c. Assess local crime and disorder priorities and consult partners and the local community about how to deal with them.	First meeting held 23 Oct 2014. Terms of reference and governance arrangements arranged at this meeting.	Delivered a range of awareness, advice and training activities around domestic abuse /Produced a countywide briefing paper for victims of abuse on changes to legal aid/Took the countywide lead on creating an understanding of the new Anti-Social Behaviour, Crime and Policing Act including running awareness sessions, producing guidance document and the partnership website.	Key priorities: <input type="checkbox"/> Anti-Social Behaviour <input type="checkbox"/> Domestic Abuse <input type="checkbox"/> Road Safety <input type="checkbox"/> Community Engagement, Offender Management & Safeguarding Vulnerable Individuals and Troubled Families	No	Senior reps (members and officers) of key local community safety partners. Written governance document.		Richmondshire District Council covers incidental costs and partnership support. Other income is from the PCC to be spent on projects/project delivery	Richmondshire District Council	No budget.	One report per year to be taken to Richmondshire Area Committee.	Cllr Michael Heseltine	No	Neil Irving	n/a	L	L	L	L	M	L	n/a

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 2014/15	Issues and priorities 2015/16	Have there been any governance failures in 2014/15? 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) 1 Probability of governance failure 2 NYCC objectives 3 NYCC financial 4 NYCC services 5 NYCC reputation	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
Ryedale Local Delivery Team	CS	2,3	To bring together the operational managers of the responsible authorities, supported by the relevant organisations, to coordinate and ensure the delivery of the North Yorkshire Community Safety Partnership Plan in the district, in particular to: a. Protect their local communities from crime and disorder, and help people feel safer; b. Deal with local issues like antisocial behaviour, drug or alcohol misuse, reoffending and crime prevention; and c. Assess local crime and disorder priorities and consult partners and the local community about how to deal with them.	2010 - amalgamated with Safer Ryedale Board, so community safety partnership and local strategic partnership. Proposal to combine the six CSPs for NY being developed and considered.	Delivery of awareness raising days to Ryedale Secondary Schools in Anti Bullying Week. Delivery of the Safer Ryedale Action Plan. Setting up and continued support of 3 x Pubwatch Meetings. Ryedale Multi Agency Tasking Meetings held monthly	Domestic Violence. Safer Roads. Crime, Alcohol & Substance Harm, Child Sexual Exploitation & Vulnerable People	No	Senior reps (members and officers) of key local partners. Written governance document.		Ryedale District Council covers incidental costs and partnership support. Other income is from the PCC to be spent on projects/project delivery	Ryedale District Council	No budget.	Ryedale Area Committee - now once a year, and ad hoc if requested. By agreement, scrutiny of CSP matters is carried out through district council scrutiny arrangements	Cllr Val Arnold	No	Neil Irving	n/a	L L L L M	L	n/a
North Yorkshire Coast Community Partnership	CS	2,3	• To set the overall strategic vision for the Borough of Scarborough • To co-ordinate the actions of the public, private, voluntary and community sectors to implement the Community Strategy and avoid duplication. • To work with and support the local authority and other statutory bodies in improving public services to meet the communities' needs and aspirations, including constructive challenge of partners where required. • To work together on key national, regional and local issues.	July 2012 - Constitution reviewed and amended.	Development of new ways of working in partnership in areas of high need and demand. Successfully applied to be part of the government's Local Alcohol Action Area programme. Action plan in place and being implemented. Successfully applied to be part of the government's "Our Place Programme", including funding of £12k to support community and partnership working, focused on Castle/Northbay. Delivery of multi agency training to raise awareness of loan sharks and delivery of awareness raising activity. Refresh of the Financial Inclusion Plan for the Borough.	Development of multi-agency problem solving model and expanding co-located team, including additional police staff. Completion of LAAA programme and ongoing work to deliver the Night Time Economy Strategy. Completion of Our Place programme and implementation of Operational Plan. Development of joint responses to the most challenging individuals (including Changing Lives programme). Substance Misuse Harm Reduction, including implementation of NPS strategy. Developing new opportunities for shared public sector assets and services. Supporting locality working. Digital inclusion and development of well being/community hubs.	No	Senior reps (members and officers) of key local partners. Written governance document.		Supported and managed by the Borough Council. Some additional external funding for specific activity.	Scarborough Borough Council	No budget.	Yorkshire Coast and Moors County Area Committee - normally twice a year	Cllr Janet Jefferson - member.	No	Neil Irving	n/a	L L L L M	L	n/a
Local Public Service Executive (Scarborough district) (includes Local Delivery Team function)	CS	2,3	Stimulate further integration, co-ordination and co-operation between local, public sector organisations building on the success of current close working achieved through the LSP and the Community Safety Partnership	Covers community safety since abolition of to CSP in 2012. Membership and terms of reference reviewed in 2012.	Development of a multi-agency prevention and enforcement team for Castle/Northbay. Successfully applied to be part of the government's Local Alcohol Action Area programme. Action plan in place and being implemented. Development of new partnership strategy for NPS.	• Development of the multi-agency problem solving model and expanding the co-located team, including additional police staff. • Completion of LAAA programme (and ongoing work to deliver the Night Time Economy Strategy) • Development of joint responses to the most challenging individuals (including Changing Lives programme) • Substance Misuse Harm Reduction, including implementation of NPS strategy. • Supporting locality working.	No	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	No budget.	Yorkshire Coast and Moors County Area Committee in respect of community safety issues - normally twice a year.	None	No	Neil Irving	n/a	L L L L M	L	n/a
Selby District Local Delivery Team	CS	1, 3	To bring together the operational managers of the responsible authorities, supported by the relevant organisations, to coordinate and ensure the delivery of the North Yorkshire Community Safety Partnership Plan in the district, in particular to: a. Protect their local communities from crime and disorder, and help people feel safer; b. Deal with local issues like antisocial behaviour, drug or alcohol misuse, reoffending and crime prevention; and c. Assess local crime and disorder priorities and consult partners and the local community about how to deal with them.	First meeting held 2 Feb 2015. Terms of reference and governance arrangements arranged at this meeting.	Development of Volunteer border patrol. Purchase of additional ANPR camera to combat cross border crime. Initiatives in relation to Night Time Economy and ASB. Cases managed through Multi-Agency Problem Solving Groups. Management of Night Time Economy through Pub watch etc. Road safety events. Various initiatives undertaken in relation to domestic abuse. Selby Against Retail Crime (SARC) scheme. Various campaigns including: Personal safety; Legal Highs / NPS; Cyber crime & Internet safety; Domestic abuse.	• Vulnerable people • Quality of life / ASB • Rural / Cross border crime • Burglary • Reducing the harm caused by drugs and alcohol • Road safety	No	Senior reps (members and officers) of key local community safety partners. Written governance document.		Projected spending for 2014/15 = £62,729.80 PCC funding.	Selby District Council	No budget.	One report per year to be taken to Selby Area Committee.	Cllr Steve Shaw-Wright	No	Neil Irving	n/a	L L L L M	L	n/a
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 2014/15 providing advice and 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. Review number of meetings held annually.	No	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 Heselstine, Cllr David Jeffels - members	No	Iain Burgess	Dot Barker	L L L L L	L	n/a
E Crime Project	BES	2, 3	NYCC & City of York Council to deliver the national E-Crime sub project 1 in order to undertake E-Crime enforcement and to also co-ordinate national enforcement activity.	Review undertaken during 2014. No further action required.	Delivery of year 3 of the national E-Crime project.	To ensure implementation and delivery of year 4 of the national E-Crime project within the submitted grant funding expenditure forecast.	No	Back to Back agreement in place between NYCC & CYC.		Projected outturn for 2014/15 for sub project 1 = £724K 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 2014/15 for sub project 1 = £724k.	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	Andy Robson	John Barrigan	L L H L H	M	29 June 2012 - No concerns noted.	

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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	Completion of Issues and Options stage of consultation. Updating of evidence base for the Plan. Identification, and progress with resolution if issues now required to be addressed under the statutory Duty to Cooperate	Preferred Options consultation stage and Preparation of Pre-submission draft Plan.	No	Officer steering group. NYCC informal member input via the MWDF member working group and new Joint Member Working Group. Executive member/Executive sign-off at key project stages		estimated at circa £90k.	No official Accountable Body - joint responsibility, although NYCC would typically take lead role	IBC - Indicative up to £50k	Informal reporting to MWDF member working group and new Joint 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)	No	Rob Smith	John Barrigan	L M L M M	L	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.	Ryedale District Council is now managing the Partnership following NYCC's withdrawal of sole funding for the Waste Partnership Manager role. Some successes for Joint Working at District Level, including vehicle procurements. Joint working has started on recycles contract procurements for 6 partners. 3 partners have used the Partnership Composting Framework contract to establish composting contracts.	Completion of the recycles procurement. Consideration of possible benefits of using Yorwaste to deliver services using Teckal exemption from procurement. Review of business plan.	No	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 is £64.5K Made up of £36K districts / CYC contributions + £28.5K NYCC.	NYCC	£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	Tony Norris	Dot Barker	L M L L H	M	14 June 2012 - Ultimate governance through LGNY. Effective financial control. No concerns.	
95 Alive Road Safety Partnership	BES	2, 3	The Partnership seeks 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 revised Governance framework was approved by the 95 Alive Steering Group in November 2014. The strategy is reviewed on an annual basis.	Revision and amalgamation of the City of York and NYCC Speed Management Processes into a single 95 Alive Partnership Speed Management Protocol to provide a consistent framework for the objective assessment and response to speed concerns raised by members of the communities of York and North Yorkshire.	To provide a positive lead to further develop regional coordination and delivery of strategic road safety education, information and enforcement issues.	No	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 contribution for service delivery etc. Police & Crime Commissioner has confirmed £100k from surplus speed awareness course fees will be made available in 2015/16 for road safety programmes through 95 Alive partnership.	NYCC	NYCC fund officer time The NYCC Road Safety & Travel Awareness Budget and the Public Health budgets are closely allied to Partnership aims and delivery, to a total of £350k for staffing, resources and programme delivery.	Annual report to each Area Committee and to TEE Overview & Scrutiny Committee. In addition, reports to BES Executive Members on an ad hoc basis.	No	Allan McVeigh	Dianne Nielsen	M M M M M	M	October 2014 - Signed revised memorandum of understanding to govern partnership. No concerns.	
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	Assisted in discussions with timber owners, hauliers, other landowners and YDNP that helped facilitate an alternative, better, route for timber extraction at CAM / Greenfield woodland.	Update of information on the approved routes map. Work with other highway authorities to seek additional funding from Government to address timber transport and highway maintenance issues.	No	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. Also some potential contribution circa £500 per year towards national timber routes map.	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	Victoria Hutchinson/Andrew Bainbridge	Dianne Nielsen	L L M L L	L	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	Providing a forum for liaison between the local community, quarry operators and hauliers.	Continue to provide a forum for liaison between the local community, quarry operators and hauliers.	No	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	Victoria Hutchinson/Andrew Bainbridge	Dianne Nielsen	L L M L L	L	n/a	
Forest of Bowland AONB JAC	BES	1,3	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.	16/10/2014 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. Management Plan 2014-19 approved and published.	Challenge of on-going delivery of Management Plan with year on year 5% reduced Defra core funding. NYCC funding same as last f.yr. Large £ reduction proposed for 16-17.	No	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	Graham Megson	Dot Barker	L L L L L	L	n/a	

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Nidderdale AONB JAC	BES	1,3	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.	18/09/2014 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. Management Plan for 2014-19 approved.	Challenge of on-going delivery of Management Plan with year on year 5% reduced Defra core funding. NYCC funding reduced by 5% from last f/yr. Large £ reduction proposed for 16-17.	No	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	No	Graham Megson	Dot Barker	L L L L L	L	n/a
Howardian Hills AONB JAC	BES	1,3	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.	14/11/2014 Joint Advisory Committee mtg. Partnership funding agreed for 2014-15. Annual work plan agreed for 2014/15.	On-going delivery of the five-year AONB Management Plan. Delivery of school twinning project with Hull and York. Management Plan for 2014-19 agreed and published.	Challenge of on-going delivery of Management Plan with year on year 5% reduced Defra core funding. NYCC funding same as last f/yr. Large £ reduction proposed for 16-17.	No	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	£35k	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	No	Graham Megson	Dot Barker	L L L L L	L	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.	Public consultation held on the LNP strategy in January 2014 - March 2014. Shadow Board formalised and adopted LNP strategy in July 2014. Strategy published on LNP webpage. John Lawton is now the LNPs patron. Board met 4 times in 2014. Continued to make links with Public Health and the Local Enterprise partnership.	Issue of practical delivery when there is no central funding for LNPs - partners have to work together to target limited resources to best effect. Improved links to health and well being team. NYCC agreed to be Secretariat for the Partnership until March 2015. Discussions are on-going to understand who will take over the role from April 2015.	No	Senior officers of key local partners. Governance document in development through 2015.		No partnership spend or income in 2014-15. 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.	None	No	Kerry Green/lan Fielding	Dot Barker	L L L L L	L	n/a	
North Eastern Inshore Fisheries and Conservation Authority (NEIFCA)	BES	1,2,3	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.	No	Reps from the 11 coastal Local Authorities, 14 members appointed by Marine Management Organisation and 1 member appointed by each of Marine Management Organisation, Environment Agency and Natural England.	www.ne-fca.gov.uk/about-us/our-members	£875k. Other funding from the other coastal Local Authorities.	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 (2014-15) 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
Welcome to Yorkshire (W2Y)	BES	2	NYCC contribute to W2Y as part of support for tourism in the region.	September 2011.	The County Council worked closely with Welcome to Yorkshire to make the Tour de France a successful event. A report on the impact of the event has been published and indicates the successes in terms of spectators, economic impact and general support for the event and future similar events.	The County Council is working with Welcome to Yorkshire to deliver the Tour de Yorkshire, which will take place from 1 to 3 May 2015.	No	Public / private partnership. Written governance document.	industry.yorkshire.co.uk/documents/industry/about/WTYMandAofAssociation041209new.pdf	Annual turnover 2013/14 for commercial activities was £3.7m. Other operating income totalled £473k, mainly from Local Authorities.	W2Y	£84k	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	None	Future finding contributions / arrangements.		John Barrigan	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.
North Yorkshire - Cleveland Coastal Forum	BES	3	To promote Heritage Coast for economy, tourism, natural beauty, etc.	Annual Exec meeting on 25/3/2014. 5 year coastal forum strategy to be renewed. NYCC budget contribution reduced from £7,600 to £6,000.	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 NYCC will reduce funding to £1,500 for 2015-16. NYMNP re-structure & savings plan - Project Officer post lost in 2014. Aim is for project to continue but without a dedicated officer.	No	Member representation from NYCC, North York Moors NPA, Redcar & Cleveland BC, Scarborough BC. Written terms of reference agreed in 2005 and not updated since.		£37k	North York Moors NPA	£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	NY2020 savings, NYCC to reduce funding to £1.5k	Graham Megson	Dot Barker	L L L L L	L	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.	The partnership played a critical role in coordinating and reviewing the North Yorkshire sub-regional programme submission, which was incorporated into the Regional Flood and Coastal Committee submission to the DEFRA six-year funding programme. The partnership has also played an important part in helping to shape regional and national policy, through a series of consultation exercises.	The partnership has a critical role in supporting the delivery of our six year programme commitments, and in the monitoring of progress. The partnership will play an important role in monitoring the implementation of new sustainable drainage guidance via the planning process.	No	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	No	Mark Young	Dianne Neilsen	L M L L M	L	n/a

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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.	Legal bodies established: 1. Association of Rail North Partner Authorities; 2. Rail North Ltd. NYCC has joined both and appointed a director to the RNL board.	Issue the ITT for Northern and Transpennine Franchise (end Feb); Complete and sign Partnership Agreement with DfT (March); Move to the formal governance arrangements (march / April).	No	Leaders from all 30 North of England LA's and the 5 northern ITA's/CA's.		TBC	Accountability ultimately rests with DfT	£1,152	No routine report to NYCC elected member body, any issues arising feeding in to County Council processes in the usual way.	Cllr Chris Metcalfe - member on the Association and Director on the board of Rail North Ltd	No	David Bowe / John Laking	John Barrigan	L	L	L	L	L	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	Programme invested.	Managing underspend by projects.	No	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.	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	John Barrigan	M	L	L	L	L	L	n/a
York, North Yorkshire and East Riding LEP Area European Structural and Investment Funds Committee	BES	1, 2, 3	The local ESIF Committee is responsible for the strategic oversight of local investments of both the Structural (ERDF and ESF) and EAFRD Growth Programme Funds and their operational delivery in line with the Operational Programme and the strategic alignment to the LEPs Strategic Economic Plan and ESIF Implementation Plan.	Mar-15	ESIF formally constituted and Board recruited. Programme due to start 2015/16.	Priority is to launch the ESIF programme, commit funding and ensure the projects deliver to profile against the LEP Strategic Economic Plan Key risks are: 1. Delays in the National programme delaying the launch locally. 2. Slow national governance processes delaying implementation.	No	Membership is representative of various sectors including: LEP LAs HE/FE Key Sectors Vol/Com LEADER/Local Groups Equalities & Diversity Managing Authorities.			DCLG	£0	No routine report to NYCC elected member body, although any issues requiring decisions or reports will be fed in through normal processes.	Cllr Carl Les	No	James Farrar	John Barrigan	L	L	L	L	L	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.	Provided advice and transport to the YNY&ER Local Economic Partnerships Strategic Economic Plan resulting in securing (provisional) allocation of £24m for highway maintenance and c£20m for other transport related schemes.	Due to the evolving role of the Local Enterprise Partnership the Partnership isn't likely to meet in the near future as there is no business for it to consider. Partnership to remain in case it is needed to provide further advice to the LEP.	No	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	£9.6m 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	David Bowe / Tom Bryant	Debbie Bassett	L	M	H	L	M	M	2 May 2014 - Audit complete - concluded high assurance.
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.			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 children and young people spending. Most of the funding is 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.	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 go to CYP O&S Committee bi-annually	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.
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.	Ofsted Inspection May 2014. The NYSCB and an action plan was identified. The NYSCB also has an improvement plan in place	Judged 'Good' by Ofsted. Proactive re CSE with excellent multiagency arrangements, including funding from PCC to provide support for victims in Skipton area. Development of Child Death Overview Process to be more proactive regarding suicide prevention. Robust quality assurance process, auditing multi-agency responses to safeguarding. E-safety campaign. Training and development programme. Established joint Children's Safeguarding Strategy Groups with Children's Trust Board to focus on local issues.	Strategic theme One: Drive the local strategy to ensure the safety and wellbeing of Children and Young People involved in or at risk of sexual exploitation and who are subject to multiple vulnerabilities Strategic theme Two: Ensure that partner agencies promote early help, recognise, and respond to neglect of children and young people Strategic theme Three: Work with partners to develop and implement effective mechanisms for collecting and evaluating feedback from children, young people and their families and ensure that this is used to influence service development	No	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.	N	Dallas Frank	Robbie Shand	L	M	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.
North Yorkshire Education Partnership (formerly known as North Yorkshire Schools Forum and now incorporates a wider remit to include school improvement and school reorganisation).	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	The North Yorkshire Education Partnership will incorporate the statutory duties fulfilled by the Schools Forum and oversee the development of sector-led school improvement across the County.	N	Comprises reps of headteachers & governors from secondary, primary & nursery schools (including academies and PRS), staff associations (UNISON & teacher unions), early years & childcare providers, Church of England & Roman Catholic dioceses. Written constitution.	cyps.northyorks.gov.uk/index.aspx?articleid=13901	£100k	NYCC	£100k (DSG)	Reports to Executive Members, Overview and Scrutiny Committee	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.

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Joint Commissioning of Speech, Language and Communication Needs	CYPS	2,3	The Children and Families Act requires local authorities and clinical commissioning groups to develop joint commissioning arrangements for the services required by children with Special Educational Needs and Disabilities (SEND), including those provided for children with and without Education, Health and Care Plans.	Partnership formed in Q2 2014/15 Not yet reviewed	Partnership agreement has been agreed between PCU, Airedale, Wharfedale and Craven CCG, City of York Council & NYCC. Partnership has commissioned a community interest company, Better Communication to lead the work. A steering group has been convened to include all the funding partner agencies, but also to ensure that the wide ranging impact of this project (e.g. on Preventative services) is considered. This includes representatives from NYPACT, CANDI (the City of York parents' forum), and the Flying High Group.	The major issues and priorities 2015-16 will be the analysis of data gathered in 2014-2015, and subsequent analysis. This will then lead to several neighbourhood studies, which will further examine areas of specific need/good practice to draw out recommendations for the future. A full report detailing recommendations for future joint commissioning priorities will be presented in Jan 2016. CCGs and the two LAs will then need to agree their shared priorities based on these recommendations. Lessons learned from the process will then be taken on to other areas of SEND in 2016-2017.	N	Membership comprises representation from the Partnership Commissioning Group, Airedale, Wharfedale & Craven CCG, City of York Council and North Yorkshire County Council.		£68,000	NYCC	£21,000	Reports to Executive Members and Children's Trust Board	None	N	Carol-Ann Howe	Anton Hodge	L	L	L	L	L	L	
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				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	11 May 2015 - appropriate governance measures appear to be in place and under review as required.
HAS																								
Health Protection Assurance Group	HAS	The Group is North Yorkshire vehicle to oversee a Statutory function. It is not in statute to have such a group.	Oversees the health protection plans and arrangements and provides assurance to NYCC and the Health and Well being Board	January 2015	Group established with agreed Terms of Reference. Inaugural report to the Health and Well being Board in mid 2014. Adopted regional Health Protection Framework	Capacity of NHS England Health Emergency Planning function. Commissioning of community infection control. Mechanisms to gain assurance about Environmental Protection across North Yorkshire,	No	Director of Public Health (Chair), NYCC Public Health Consultants, Public Health England, Chief Environmental Health Officer rep. CCG rep. NYCC Head of Emergency Planning, NHS England Health Emergency Planning Officer, Director for infection Control and Prevention from NHS provider trusts.		Existing partner agency resources	NYCC	None	Cllr McKenzie - Executive Member for Public Health.	N/A	New partnership. Biggest concern is reduced capacity in NHS England Health Emergency Planning. The group is addressing the lack in the system of cross collaboration across the individual agencies and capacity within each individual organisations to respond. Also, testing of plans.	Lincoln Sargeant Director of Public Health	N/A	L	L	L	M	M	L	Low to medium.
North Yorkshire Learning Disabilities Partnership Board NY Physical and Sensory Impairment Partnership Board North Yorkshire Carers Forum Mental health involvement forums (North Yorkshire Forum for Older People)	HAS	2, 4	These are important partnerships, in view of the role of visible public engagement on services and stronger user voice/influence	The Boards regularly review the work they undertake; Board development is ongoing. LD Partnership Board reviewed Terms of Reference approved at December Board.	PSI: examples of activity include contribution to NYCC consultations; OSC transport review; local access reviews eg Selby Leisure Centre, Ripon City Plan. Carers Forum involved in designing 'impact of caring' assessment; NYFOP set up new partnership forum; LD Partnership Board - undertaken Safeguarding awareness training for c70 self advocates. Self advocates have undertaken audits of two hospitals and Hambleton Leisure and recommendations made for changes to practice. Developed	Continue to actively contribute to NYCC and other partners, particularly Health, service developments, strategies and consultations. Improve involvement methods to include more people. LD Partnership Board - implementation of Safe Places project for all vulnerable people.	No	Self Advocates, Community members, service users and carers, NYCC officers, other statutory agency reps. Written governance documents.	www.nypartnerships.org.uk	£170,000 from HAS budget.	NYCC	£170,000	Reports to Cllr Clare Wood as HAS Executive Member.	None	N/A	Mike Webster	David Firth	L	L	M	L	M	L	n/a
Supporting People Partnership	HAS	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. Review planned in 2015.	implementing review to the charging policy. Carrying out recommissioning exercises for domestic abuse services, Supported Lodgings for young people, Gypsies and travellers.	Review and re-commissioning of Young Peoples Pathway, homeless prevention services and offender services. Governance review.	No	NYCC, District and Borough Councils, Probation Providers Representatives.		£10m	NYCC	c£10m	Reports to Cllr Don Makenzie as Executive Member for Public Health and Supporting People.	None	N/A	Avril Hunter	Sandra Strickland	L	L	H	M	M	M	Need to revise governance documents Legal Services are working with the Lead Officer to achieve this.
Drug and Alcohol Partnership Group	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.	Review agreed February 2015. Review of membership. Terms of Reference.	Production of alcohol strategy and implementation plan. Commissioning and implementation of the Adult Substance Misuse service (NY Horizons).	Monitoring the implementation of the alcohol strategy. On-going development and performance monitoring of the Adult Substance Misuse Service.	No	Chair: Director of Public Health. Members: NYCC, Police, Prisons, DISC, New Horizons, Partnership Commissioning Unit, Community Pharmacy, Yorkshire Ambulance Service, District councils, National Probation Service, Office of Police and Crime Commissioner, Public Health England. Sub group of Health and Well Being Board.	www.nypartnerships.org.uk/smpb	No funding of it own. Provides strategic direction for drug and alcohol commissioning priorities.	NYCC	c£5m Public Health	Reporting is via HASLT to HAS Exec as required. Reports to the Health and Well Being board.	None	No	Lincoln Sergeant	Lisa Gallon	L	M	H	M	M	M	February 2014 - New terms of reference agreed.

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 2014/15	Issues and priorities 2015/16	Have there been any governance failures in 2014/15? 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) 1 Probability of governance failure 2 NYCC objectives 3 NYCC financial 4 NYCC services 5 NYCC reputation	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
Safeguarding Adults Board	HAS	2 but will become statutory from April 1st 2015 (Care Act 2014)	To provide strategic leadership for Adult Safeguarding arrangements and to quality assure partner agencies safeguarding practice.	New Terms of Reference adopted in September 2014. The Strategic Board was streamlined and strengthened to become Care Act ready.	Reviewing strategic plan in preparation for Care Act implementation. Engagement event with user led groups and Healthwatch is now a key member of the Strategic Board to contribute to the community voice. Revised governance arrangements agreed in order for the Board to be able to meet Care Act requirements. Performance and Quality Assurance Framework developed. Additional senior leadership with HAS through AD Quality and Engagement and Head of Safeguarding and Voice.	Meting the Care Act core duties; publishing a strategic plan developed with local community involvement and Healthwatch ensuring it is evidence based; publishing an Annual Report; conduct Safeguarding Adults Reviews in line with Act. Adopting Care Act compliant multi-agency policies and procedures including information sharing protocols.	No	Strategic Board NYCC, Police, CCGs, District Councils, ICG, Health Trusts, Healthwatch, NHS England, Director of Public Health, Operational Board - statutory partners plus District Councils, Probation, ICG, NYFF, Fire & Rescue, Health Trusts NHS England, LCSB. Written governance document.	www.nypartnerships.org.uk/index.aspx?articleid=17008	c£400k. NYCC including contribution from the other statutory partners.	NYCC	c £400,000. This includes Safeguarding team, support to the Board and multi-agency training .	6 monthly to Care and Independence OSC. Regular reporting to Health and Well being Board being developed	Cllr Clare Wood - in attendance	Ensuring compliance with Care Act. Securing effective engagement with GPs	Mike Webster	Nick Morgan	L H M H	M	2 May 2014 - Appropriate governance arrangements in place. These appear to be kept under regular review and revised in 2012/13 to reflect NHS changes and to work with new health partners. A performance framework has been devised. No action is required at this time.
Health and Well Being Board, Delivery Board, Commissioners Forum, Providers Forum.	HAS	2, 3	To oversee the development and implementation of the priorities agreed and set out within the Health and Well being Strategy. To improve the health and care outcomes for the people and communities of North Yorkshire. .	Governance review completed and agreed Nov 2014. The North Yorkshire Delivery Board and the Commissioner forum and Provider Forum have been set up to assist the delivery of HWB priorities.	Agreed development of new Health and Well Being strategy. Signed off Pharmaceutical Needs Assessment. Autism strategy developed and agreed for consultation. Successful sign off of Better Care Fund. Signed off Alcohol Strategy. Provided strategic assurance of Winterbourne reform. Section 75 agreements all signed for 2014/15	Further Integration of health and social care. Publication of revised Joint HWB Strategy. Development of Workforce Strategy and tobacco. Agreeing a performance dashboard for Better Care Fund. Mental Health Strategy, Tobacco Control Strategy to be developed.	No	NYCC, Clinical Commissioning Groups, representative from district councils, NHS providers, Voluntary and Community Sector. NHS England.	Website being updated to reflect governance changes and to add Terms of Reference.	No funding of its own but it has oversight of £45m BCF and strategic direction for investment against HWB priorities.	Accountability rests with individual organisations for delivery of HWB plans.	Officer time only	Health and Well Being Board Elected Members.	Cllr Clare Wood - Chair, Cllr Tony Hall - member, Cllr Don McKenzie - member Cllr Blackie - member	. The complexity of accountability resting with individual member organisations and the fact that there can be competing interests.	Wendy Balmain	Paul Cresswell	L M L L H	M	11 May 2015 - the partnership does not hold its own budget, so there is low risk on financial implications. Governance appears to be secure though a full review of the arrangements is to be undertaken to ensure there is no cause for concern.

CYPS Partnership Activity

The Children's Trust is the primary strategic partnership which oversees the delivery of the priorities set out in "Young & Yorkshire", the three-year strategic plan for children's services across the County. However, delivery of the aims and objectives of the plan cannot be achieved by the Board of the Children's Trust alone. To this end there are a number of sub-groups and time-limited task and finish groups which bring together a number of agencies (including parents and the voluntary sector) to work in partnership to bring about change and improve outcomes for children and young people across the County. Similarly, the North Yorkshire Safeguarding Children Board has a number of sub-groups and time-limited task and finish groups which ensure delivery against Board business plan priorities.

Examples of this activity include:

- Children's Safeguarding & Strategy Groups – locality led groups affiliated to both the Children's Trust Board and the North Yorkshire Safeguarding Board, charged with local delivery of the priorities of both strategic Boards
- SEND Steering Group – a multi-agency group, which includes parental representation, that continues to oversee the implementation of reforms to the SEND agenda as set out in the Children and Families Act
- Emotional and Mental Health Strategy Implementation Group – this group brings together key stakeholders from the Children and Young People's Service, Public Health and Clinical Commissioning Groups to agree and monitor delivery of the Strategy in partnership to secure improved emotional and mental health and wellbeing for children and young people

The work of such groups is closely monitored by the Children's Trust Board and the North Yorkshire Safeguarding Children Board to ensure adequate oversight, governance and co-ordination of partnership activity across all aspects of children's services.

AUDIT COMMITTEE - PROGRAMME OF WORK 2015 / 16

	ANNUAL WORKPLAN	JUNE 15	JULY 15	SEPT 15	DEC 15	MAR 16	JUNE 16	JULY 16	SEPT 16	DEC 16	
A	Audit Committee Agenda Items										
	Training for Members (as necessary)	1	2	?	?	?					
	Annual Internal Audit Plan 2014/15	x				x	x				
	Annual report of Head of Internal Audit 2013/14										
	Progress Report on Annual Internal Audit Plan 2013/14	x			x	x	x			x	
	Internal Audit report on Children and YP's Service	x		x							
	Internal Audit report on Computer Audit/Corporate Themes/Contracts			x					x		
	Internal Audit report on Health and Adult Services			x					x		
	Internal Audit report on BES				x					x	
	Internal Audit report on Central Services					x					
B	Annual Audit Letter	x					x				
	Annual Audit Plan 2013/14 (NYCC & NYPF)		x					x			
	Annual Report / Letter of the External Auditor			x					x		
	Annual Grant Letter										
	Discussion with External Auditor on 1-to-1 basis										
	Statement of Final Accounts including AGS (NYCC + NYPF)			x				x			
	Letter of Representation			x					x		
	Chairman's Annual Report			x					x		
	Effectiveness of Audit Committee	x						x			
	Changes in Accounting Policies										
C	Corporate Governance – review of Local Code + AGS	x					x				
	– progress report inc re AGS	x					x				
	Risk Management (inc Corporate R/R) – progress report	x					x				
	Partnership Governance – progress report							x			
	Information Governance – progress report										
	Review of Finance/Contract/Property Procedure Rules										
	Service Continuity Planning	x							x		
	Audit Committee Terms of Reference				x						
	Counter Fraud					x					
	Contract Management										
D	Treasury Management – Executive February										
	Corporate Procurement Strategy					x					
	VFIM Review										
	Work Programme	x									
	Progress on issues raised by the Committee (inc Treasury Management)	x									
	Agenda planning / briefing meeting	10/06	02/07	09/09	18/11	16/02	10/06	02/07	09/09	18/11	
	Audit Committee Agenda/Reports deadline	15/06	08/07	14/09	23/11	22/02	13/06	01/07	12/09	21/11	
	Audit Committee Meeting Dates	25/06	16/07	24/09	03/12	03/03	23/06	14/07	22/09	01/12	
	E										

⊙ before formal meeting
 1 Internal Training - Veritau
 2 KPMG (future external auditors)

A = Internal Audit
 B = External Audit
 C = Statement of Final Accounts / Governance
 D = Other
 E = Dates