

NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS 2015/16

CONTENTS

| | Page |
|---|------|
| NARRATIVE REPORT | 4 |
| STATEMENT OF ACCOUNTING POLICIES..... | 19 |
| STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS..... | 33 |
| INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS | 34 |
| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015/16 | 38 |
| MOVEMENT IN RESERVES STATEMENT | 40 |
| BALANCE SHEET AS AT 31ST MARCH 2016 | 42 |
| CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2016..... | 44 |
| NOTES TO THE CORE FINANCIAL STATEMENTS..... | 46 |
| 1. Prior Period Adjustments | 46 |
| 2. Accounting Standards that have been issued but have not yet been adopted | 46 |
| 3. Critical Judgements in applying Accounting Policies..... | 46 |
| 4. Assumptions Made About the Future and Other Major Sources of Uncertainty..... | 47 |
| 5. Segment Reporting..... | 49 |
| 6. Trading Activities | 53 |

| | |
|--|----|
| 7. Precepts of Local Precepting Authorities..... | 54 |
| 8. Council Tax Income | 54 |
| 9. Non-Domestic Rates..... | 55 |
| 10. Grant Income..... | 55 |
| 11. Pension Arrangements | 58 |
| 12. Audit Fees | 63 |
| 13. Members Allowances..... | 63 |
| 14. Private Finance Initiative (Service Concessions)..... | 63 |
| 15. Leases..... | 65 |
| 16. Related Party Transactions..... | 66 |
| 17. Pooled Funds | 68 |
| 18. Disclosure of Remuneration..... | 69 |
| 19. Exit Packages / Termination Benefits..... | 72 |
| 20. Movement in Property, Plant and Equipment | 73 |
| 21. Valuation of Non-Current Assets..... | 75 |
| 22. Disposal of Property, Plant and Equipment..... | 75 |
| 23. Major Areas of Capital Spending | 76 |
| 24. Capital Expenditure, Capital Financing and the Capital Financing Requirement | 77 |
| 25. Long Term Creditors..... | 79 |
| 26. Intangible Assets | 79 |
| 27. Investment Property..... | 80 |
| 28. Heritage Assets | 81 |
| 29. Current Assets Held for Sale..... | 81 |
| 30. Cash and Cash Equivalents..... | 81 |
| 31. Long Term Investments | 82 |
| 32. Long Term Debtors..... | 83 |
| 33. Inventories | 83 |
| 34. Short Term Debtors | 84 |
| 35. Short Term Creditors | 84 |

| | |
|---|-----|
| 36. Provisions | 85 |
| 37. Usable Reserves | 88 |
| 38. Unusable Reserves | 91 |
| 39. Insurance Provisions and Reserves..... | 95 |
| 40. Material Contingent Liabilities | 96 |
| 41. Events after the Balance Sheet Date | 96 |
| 42. Dedicated Schools Grant | 97 |
| 43. Trust Funds | 98 |
| 44. Financial Instruments..... | 99 |
| GROUP ACCOUNTS | 109 |
| NORTH YORKSHIRE PENSION FUND | 126 |
| ANNUAL GOVERNANCE STATEMENT | 153 |
| GLOSSARY OF TERMS | 182 |

Contact us

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

Our Customer Service Centre is open Monday to Friday 8.00am – 5.30pm (closed weekends and bank holidays). Tel: **01609 780780**

Or visit our website at: www.northyorks.gov.uk

If you would like this information in another language or format such as Braille, large print or audio, please ask us.

Tel: 01609 780780 Email: customer.services@northyorks.gov.uk



NARRATIVE REPORT

INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2016 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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 Narrative Report**; the purpose of this Report is to act as a guide to the most significant matters impacting on the County Council's finances. It gives an indication of where the County Council's money comes from, what it is spent on and what services it provides as well as its financial position and assisting in the interpretation of the accounting statements
 - (b) **the Statement of Accounting Policies**; which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Accounts
 - (c) **the Statement of Responsibilities for the Statement of Accounts**; this outlines the County Council's responsibilities for the Accounts under local government legislation and any other requirements. It also shows the legal and professional responsibility for the Accounts of the Corporate Director – Strategic Resources
 - (d) **the Independent Auditor's Report**; this explains the auditor's responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a 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 2016
- (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 2015/16 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 | 69.7 | 70.9 | 1.2 |
| Business and Environmental Services | 78.7 | 76.2 | (2.5) |
| Health and Adult Services | 135.3 | 135.3 | 0.0 |
| Central Services | 62.1 | 61.2 | (0.9) |
| Corporate Miscellaneous | 19.7 | 17.9 | (1.8) |
| Corporate PIP | 24.3 | 24.3 | 0.0 |
| Release of Earmarked Reserves | 0.0 | 0.0 | 0.0 |
| | <u>389.8</u> | <u>385.8</u> | <u>(4.0)</u> |
| Financed by: | | | |
| Revenue Support Grant | 59.2 | 59.3 | 0.1 |
| Business Rates (Central Government) | 42.6 | 42.6 | 0.0 |
| Business Rates (District Councils) | 17.2 | 17.4 | 0.2 |
| Precept Income (including arrears) | 244.5 | 244.5 | 0.0 |
| | <u>363.5</u> | <u>363.8</u> | <u>0.3</u> |
| Planned Use of Balances | <u>(26.3)</u> | <u>(22.0)</u> | <u>4.3</u> |
| General Working Balance | | | |
| Start of Year | 91.7 | 91.7 | 0.0 |
| (Deficit) / Surplus in Year | (26.3) | (22.0) | 4.3 |
| Transfer to Earmarked Reserves | 0.0 | (64.4) | (64.4) |
| Transfers to / (from) Strategic Capacity Reserve | 0.0 | 22.0 | 22.0 |
| Closing Balance | <u>65.4</u> | <u>27.3</u> | <u>(38.1)</u> |

The Service Directorate expenditure headings and figures reported above reflect the County Council's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 38, 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 Actual (as reported on page 5) | 385.8 | (363.8) | 22.0 |
| Different treatment of some Government Funding | 5.8 | (5.8) | 0.0 |
| Other required accounting entries reflected in the Income and Expenditure Statement (£10m) | | | |
| - Capital Accounting | 116.7 | (93.6) | 23.1 |
| - Collection Fund Accounting | 0.0 | (0.1) | (0.1) |
| - Holiday Pay Accounting | (1.1) | 0.0 | (1.1) |
| - Pension Accounting | 22.3 | 0.0 | 22.3 |
| - Movement in Earmarked Reserves | (34.2) | 0.0 | (34.2) |
| | <hr/> | <hr/> | <hr/> |
| Net expenditure / funding and surplus per Comprehensive Income and Expenditure Statement | 495.3 | (463.3) | 32.0 |

3. As indicated in note 2, the “bottom line” revenue savings in 2015/16, compared to the final budget, was £4.1m. This includes £3.3m saving against operational budgets and an increase in general funding of £0.3m, which will increase the ‘Strategic Capacity – Unallocated’ reserve. In addition, £0.5m of business rates pooling surplus has been earmarked for spending on Business and Environmental Services development initiatives in future years.

There was also an outturn variance of £4.3m on earmarked PIP funds where spending profiled in 2015/16 will be re-phased into later years. A review of the reserves strategy has been undertaken and proposals to reclassify non-recurring PIP funds into specific, earmarked funds were included in the MTFs and Budget Report presented to County Council on 24th February 2016. In line with this approach, the remaining non-recurring £20.0m has been paid into specific earmarked reserves:

- £8.8m PIP non-recurring funding previously agreed by Executive has been earmarked within specific reserves; and
- £11.2m PIP non-recurring funding has been classified as unallocated and is within the Strategic Capacity – Unallocated reserve.

4. The County Council’s General Working Balance (GWB) amounted to £27.3m at 31st March 2016. 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 (£27.3m at 31st March 2016). A simplified approach was agreed by County Council on 24th February 2016 which sees the GWB held at “policy” level and any unallocated balance in excess of this level is transferred to “Strategic Capacity – Unallocated”. Where sums were earmarked for other specific purposes they have been transferred to specific operational reserves.

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 2016 was £33.9m.

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 38) | 983.9 |
| Precepts Paid to Other Authorities | 0.6 |
| Interest Payable | 14.5 |
| Capital Adjustment Account Movements | (23.3) |
| IAS 19 Pension Adjustments * | (6.5) |
| Reserve Movements | 12.3 |
| Loss on Disposal of Fixed Assets | 49.3 |
| Corporate Trading Account Deficit | (0.1) |
| Accumulated Absences Adjustment | 1.1 |
| = Actual Spending financed from Income, Government Grants, Council Tax, Business Rates and other Government funding | <u>1,031.8</u> |

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

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

| | £m | % |
|--|---------------|------------|
| Employees | 523.7 | 51 |
| Premises | 45.6 | 4 |
| Transport (including transport of school children) | 31.0 | 3 |
| Supplies and Services | 131.0 | 13 |
| Agency and Contracted Services etc. | 259.8 | 25 |
| Capital Financing Costs | 40.7 | 4 |
| | <u>1031.8</u> | <u>100</u> |

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

| | £m | % |
|---------------------------------------|----------------|------------|
| Central Services to the Public | 2.5 | 0 |
| Court Services | 1.0 | 0 |
| Cultural and Related Services | 13.1 | 1 |
| Environmental and Regulatory Services | 43.5 | 4 |
| Planning Services | 15.8 | 2 |
| Education and Childrens Services | 573.8 | 59 |
| Highways, Roads and Transport | 78.5 | 8 |
| Adult Social Care | 233.3 | 24 |
| Public Health | 20.8 | 2 |
| Housing Services | 0.1 | 0 |
| Corporate and Democratic Core | 1.0 | 0 |
| Non-Distributed Costs | 0.5 | 0 |
| | <u>983.9</u> | <u>100</u> |
| Interest Payable | 14.5 | |
| Capital Accounting Adjustments | (23.3) | |
| IAS 19 Pension Adjustments | (6.5) | |
| Loss on Sale of Fixed Asset | 49.3 | |
| Other Corporate Adjustments | 13.9 | |
| | <u>1,031.8</u> | |

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

| | £m | % |
|--|----------------|------------|
| Government Specific Grants | | |
| - Dedicated Schools Grant | 341.0 | 33 |
| - Other Specific Grants | 88.5 | 9 |
| Council Tax from District Council Collection Funds | 244.5 | 24 |
| Fees and Charges etc. | 137.1 | 12 |
| Uniform Business Rates proceeds | 60.1 | 6 |
| Government Revenue Support Grant | 59.2 | 6 |
| Capital Grants | 93.6 | 9 |
| Other General Government Funding | 5.7 | 1 |
| Interest and Investment Income | 1.5 | 0 |
| Dividends Received | 0.6 | 0 |
| | <u>1,031.8</u> | <u>100</u> |

10. The income from District Council Collection Funds of £244.5m includes the precept charge of £241.8m for 2015/16, which is equivalent to a basic amount of Council Tax per Band D property of £1,099.98, plus a surplus of £2.7m 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, Care Act and various Economic Development grants.

11. The County Council employed 13,150 full time equivalent staff at the end of the financial year and a breakdown across Service Directorates is as follows:-

| | | No. |
|---|--------------|---------------|
| Central Services | | |
| Central Services (Exc Building/Cleaning Services) | 1,441 | |
| Building/Cleaning Services | <u>465</u> | 1,906 |
| Children and Young People's Service | | |
| Schools | 7,518 | |
| Catering | 462 | |
| Other | <u>1,139</u> | 9,119 |
| Business and Environmental Services | | 470 |
| Health and Adult Services | | <u>1,655</u> |
| | | <u>13,150</u> |

CAPITAL EXPENDITURE

12. In 2015/16 the County Council spent £115m on capital expenditure and a comparison with the original and revised Capital Plan is set out below:-

| | Original Budget £m | Revised Budget £m | Actual £m |
|--|--------------------------|-------------------------|--------------|
| Capital Plan | | | |
| - Fixed Assets | 113.6 | 100.1 | 94.3 |
| - Revenue Expenditure Funded from Capital under Statute / Intangible Assets | <u>4.2</u> | <u>14.3</u> | <u>18.5</u> |
| | 117.8 | 114.4 | 112.8 |
| Other expenditure on fixed assets funded directly from the revenue budget | <u>0.4</u> | <u>0.4</u> | <u>2.2</u> |
| | <u>118.2</u> | <u>114.8</u> | <u>115.0</u> |

Actual Capital Plan spending was therefore £112.8m compared with an Original Capital Plan of £117.8m approved in February 2015 and a Revised Capital Plan of £114.4m approved in February 2016.

In addition, £2.2m was spent on Fixed Assets from Directorate revenue budgets, principally on Vehicles and ICT Equipment. The above Capital expenditure was funded as follows:-

| | £m | % |
|--|--------------|------------|
| Borrowing | | |
| - from external sources | 0 | 0 |
| - from internal sources (cash balances) | 0.4 | 0 |
| Grants from Government Departments | 87.8 | 77 |
| Contributions from External Bodies | 5.5 | 5 |
| Capital Receipts from Sale of Assets etc. | 7.4 | 6 |
| Direct Revenue Funding | <u>11.7</u> | <u>10</u> |
| | 112.8 | 98 |
| Expenditure on Fixed Assets funded directly from Revenue Budgets | <u>2.2</u> | <u>2</u> |
| | <u>115.0</u> | <u>100</u> |

13. The major part of this capital expenditure related to spending on the Children and Young People's Service and Business and Environmental Services. The largest individual capital schemes were the Bedale, Aiskew and Leeming Bar Bypass (£12.4m) and the A174 Sandsend Slope Stabilisation works (£6.5m).
14. Total outstanding borrowing for capital purposes at 31st March 2016, was £347.1m which includes both external borrowing and borrowing from internal sources and consists of the following:-

| | £m |
|---|--------------|
| External Borrowing | |
| Public Works Loans Board (PWLB) | 296.6 |
| Other Institutions | 20.0 |
| Total External Borrowing | <u>316.6</u> |
| Temporary Borrowing from Internal Cash Balances | 30.5 |
| | <u>347.1</u> |

The Capital Financing Requirement (CFR) at 31st March 2016 was £352.6m which includes the Capital Borrowing Requirement of £347.1m reported above together with other long term Private Finance Initiative (PFI) and finance lease liabilities of £5.5m.

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 2016 was 72%. This was 6% lower than the 31st March 2015 funding level of 78%. Assets increased in value by 1% over the year reflecting negligible movements in financial markets. Liabilities increased by 9% as a result of corporate bond yields, which are used to discount the value of future pension payments over the year. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

17. The total reported pension liability of the County Council has decreased over the year from £484.1m to £436.9m. This decrease, (£47.2m), is due to changes to the assumptions used by the Actuary.

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 significant changes in Accounting Policy for the 2015/16 Accounts.

CHANGES TO THE STATEMENT OF ACCOUNTS

19. The changes to the format and presentation of the 2015/16 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 2015/16 Code of Practice requires all Local Authorities to consider their relationships with associated companies, strategic partnerships, joint ventures and any other service delivery vehicles and to produce Group Accounts where a significant exposure to economic benefits or financial risks can be established.

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

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

Four 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;
- SJB Recycling Limited, a subsidiary company composting and processing green and wood waste;
- Veritau Limited, a company providing Internal Audit and Information Governance Services; and
- Yorwaste Limited, a subsidiary waste disposal company.

Yorkshire Purchasing Organisation are not consolidated into the financial statements as the County Council does not exert a significant level of influence over their activities. The full set of Group Accounts and the financial implications are seen on pages 109 to 125.

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 eleven key ambitions for the Council including:

Children and Young People

- children and young people have a great education in schools that are good or outstanding and that they go on to make good career choices and access relevant skills or higher education programmes;
- children and young people live safely and happily with their natural or extended family, and where that is not possible, they grow up in stable and secure arrangements and are well supported to leave the care system; and
- children and young people lead healthy lives, no matter what their age or where they live.

Health and Wellbeing

- people in North Yorkshire live longer, healthier, independent lives;
- support is centred on the needs of people and their carers, enabling them to take control of their health and independence - we want people to have more choice and control over the support to meet their social care needs;
- good public health services and social care are available across our different communities; and
- vulnerable people are safe, with individuals, organisations and communities all playing a part in preventing, identifying and reporting neglect or abuse.

Growth

- North Yorkshire is a place with a strong economy and a commitment to sustainable growth that enables our citizens to fulfil their ambitions and aspirations; and
- critical to achieving this ambition is delivering the right housing and transport infrastructure, alongside high speed broadband and mobile phone connectivity, whilst protecting the outstanding environment and heritage.

Modern council

- we will be a modern council which puts our customers at the heart of what we do; and
- we will increase efficiency and productivity and reduce our carbon footprint by modernising the way we work so that we use technology smartly and reduce our office space requirements.

The plan describes how the council needs to continue 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 (2016/17). 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 £166.3m. 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 £14.0m 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 2016):-

Performance

The year end (31st March 2016) report details a number of key performance related issues together with an in depth analysis on Public Health, Highway Condition, Workforce Performance, and Compliments and Complaints. There is also supplementary in depth analysis on several specific areas within the three Service Directorates. In addition, the report highlights the recent corporate peer review conducted by the LGA between 8th and 11th March 2016 which concluded that "North Yorkshire County Council (NYCC) is a very good council – its services are highly regarded and the peer review team witnessed areas of excellence."

Revenue Budget 2015/16

A bottom line net saving of £4.1m has been achieved which includes a £3.6m saving against operational budgets and a further £0.5m business rates pooling surplus has been earmarked for spending on BES development initiatives in future years. A simplified approach to reserves was agreed by County Council on 24 February 2016 which sees the GWB held at "policy" level and any unallocated balance in excess of this level is transferred to "Strategic Capacity – Unallocated". The £3.6m operational underspend, therefore, increases the Strategic Capacity – Unallocated reserve. Total usable reserves at 31st March 2016 were £219.8m consisting of the GWB of £27.3m, Strategic Capacity – Unallocated of £36.0m and other earmarked reserves of £156.5m.

Capital Expenditure and Financing

Gross Capital spend of £112.8m was £1.6m below the last Capital Plan update of £114.4m in February 2016 and £5.0m below the Original Plan in February 2015. After accounting for £2.6m less capital income however there was a net capital overspend of £1.0m. Allowing for corporate capital plan variations of £2.0m, an adjusted net underspend of £1.0m is being carry over into 2016/17. Financing of the Capital spend included £7.4m capital receipts resulting from the sale of land and property. After utilising other capital income the balancing figure of £0.4m was funded from internal borrowing which has the impact of running down investments.

Annual Treasury Management

Long Term external debt reduced from £319.8m as at 31st March 2015 to £316.6m at 31st March 2016, through scheduled loan repayments and no new external borrowing being taken. The average interest rate of this debt was 4.4% at 31st March 2016. The total borrowing requirement in the year was -£10.8m which reduced the total internal capital financing to £30.5m at 31st March 2016. The total underlying borrowing need at 31st March 2016 was therefore £347.1m consisting of £316.6m external debt and £30.5m internally financed capital debt. For cash invested in 2015/16, the average rate of interest achieved was 0.64% which outperformed the average 7-day market rate of 0.36% and the average bank rate of 0.5%. The average daily balance loaned out was £287.7m with the balance at 31st March 2016 being £268.1m of which £47.0m belonged to other organisations who are part on the County Council's investment pool arrangements.

STRATEGIC DOCUMENTS

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

| Policy or Plan | Purpose of Policy or Plan |
|--|--|
| Constitution | Sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also details our policy framework which includes documents which are approved by the full County Council. |
| North Yorkshire Community Plan | Sets out 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 | This is 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. It will help shape the County Councils budgets. |
| Medium Term Financial Strategy | Sets out how resources will be put in place to support the delivery of the Council Plan and to enable priorities and service objectives to be achieved. |
| Carers' Strategy | Represents 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. |
| 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 the County Council 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. |
| Common Assessment Framework | Children, young people and families experience a range of needs at different times in their lives. The common assessment framework is a way of working out what extra support a child may need and how best to provide it. |
| Dignity in Care | This strategy details what the County Council is doing to ensure that all people receiving care services are treated with dignity and respect. |
| Closing the Gap in Early Years | A strategy for all early years providers, practitioners and local authority services working with young children from 0-5 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 2016 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 2016/17 and beyond with significant savings targets being predicated on enormous changes in the way in which the County Council works;
- the ability to deliver and identify additional savings becomes more challenging each year. Short term cashflowing may be appropriate from Reserves but cannot be sustained in the longer term;

- further reductions in government grant remains a risk. The MTFS projections on government funding are based upon the 4 year draft settlement. Whilst longer term settlements are extremely helpful, they are also subject to change;
- unfunded responsibilities may represent operational challenges but there is also a significant risk that funding is insufficient to meet those responsibilities;
- through Local Government Funding reviews the Government has announced its intention to change County Council funding by abolishing Revenue Support Grant and allowing councils to retain local business rates. The key risk is that this funding transfer is disadvantageous for all councils and / or is disadvantageous to the County Council due to distributional measures;
- assumptions on council tax yield with the MTFS assuming a 1.99% increase in general council tax supplemented by the 2% social care precept for each year to 2019/20. This is 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 2016/17);
- 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:-

- phase 1 of the Care Act was introduced in 2015/16, whilst the second phase relating to the cap on care costs has been delayed until 2020. There are risks in relation to the potential for new responsibilities being introduced but without adequate funding;
- the Better Care Fund's (BCF) primary source of funding in 2015/16 was from the 5 CCG's in North Yorkshire. In addition, a further wave of BCF has been announced by DCLG and it appears this funding may be channelled directly to councils. The main risk resulting from this approach, based on past experience, is that the funding comes with additional duties that result in cost;
- demand level for services for many of the biggest areas of County Council spending including Adult Social Care, Children's Social Care, Waste and Highways. The statutory obligation of the County 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 North Yorkshire Education Partnership with the resulting risk of reduced funding for County 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 County Council's services, this impacts across all that the County Council does; and

- contract prices; in recent years, 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 and Statements of Assurance 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;
- major failure due to quality and/or economic issues in the Care market;
- failure to adequately develop, plan for and commence implementation of new council ways of working;
- failure to align the performance management framework with the County Council 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;
- major corporate health and safety failure;
- failure to ensure good governance arrangements are in place for significant projects; and
- failure to ensure that the Council has good decision making backed up by sound advice as it works its way through a significant period of change.

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 2016

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 2015/16 (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 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). Where there is an active market, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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 measured at 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 at fair value, based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 2016.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 2016 for 2015/16 Statement of Accounts, the Actuary assumed a discount rate of 1.7% real (3.5% 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 2014/15 Statement of Accounts, the Actuary advised that a rate of 1.3% real (3.4% 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 2015/16, 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 in 2015/16.

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 one month 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. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom (The Code) confirms that the balance of control for Local Authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the County Council as if they were the transactions, cash flows and balances of the County Council.

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 2015/16 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 2016.

Gary Fielding
Corporate Director – Strategic Resources
29th September 2016

Co-signed by,
Richard Flinton
Chief Executive
29th September 2016

CERTIFICATE OF THE AUDIT COMMITTEE

I confirm that these Accounts were approved by the Audit Committee on 29th September 2016 following completion of the External Audit

Chair of the Audit Committee
29th September 2016

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

We have audited the financial statements of North Yorkshire County Council for the year ended 31 March 2016 on pages 19 to 150. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director Strategic Resources and auditor

As explained more fully in the Statement of Responsibilities for the Financial Statements, the Corporate Director Strategic Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Council's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director Strategic Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31 March 2016 and of the Council's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 151 to 174 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on North Yorkshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2015, as to whether North Yorkshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Yorkshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, North Yorkshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, North Yorkshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of North Yorkshire County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Rashpal Khangura
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
29 September 2016

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015/16

| Year to 31st March 2015 | | | Year to 31st March 2016 | | | |
|-------------------------|------------------|----------------|---|---------------------|------------------|----------------|
| Expenditure £000 | Income £000 | Net £000 | | Expenditure £000 | Income £000 | Net £000 |
| 3,210 | (1,944) | 1,266 | Central Services to the Public | 2,528 | (2,023) | 505 |
| 774 | 0 | 774 | Court Services | 967 | 0 | 967 |
| 13,862 | (1,709) | 12,153 | Cultural and Related Services | 13,084 | (995) | 12,089 |
| 38,639 | (4,362) | 34,277 | Environmental and Regulatory Services | 43,528 | (9,481) | 34,047 |
| 10,510 | (5,397) | 5,113 | Planning Services | 15,754 | (14,350) | 1,404 |
| 556,448 | (435,481) | 120,967 | Education and Children's Services | 573,836 | (432,533) | 141,303 |
| 68,024 | (13,841) | 54,183 | Highways, Roads and Transport Services | 78,556 | (17,482) | 61,074 |
| 215,476 | (56,192) | 159,284 | Adult Social Care | 233,332 | (68,775) | 164,557 |
| 15,170 | (19,892) | (4,722) | Public Health | 20,786 | (20,716) | 70 |
| 241 | (51) | 190 | Housing Services | 108 | 0 | 108 |
| 3,149 | (274) | 2,875 | Corporate and Democratic Core | 975 | (91) | 884 |
| 1,264 | (120) | 1,144 | Non Distributed Costs | 464 | (130) | 334 |
| <u>926,767</u> | <u>(539,263)</u> | <u>387,504</u> | Cost of Services | <u>983,918</u> | <u>(566,576)</u> | <u>417,342</u> |
| | | | Other Operating Expenditure | | | |
| | | 14,315 | Loss on Disposal of Property, Plant and Equipment (note 22) | | | 49,255 |
| | | 665 | Impairment of Assets Held for Sale (note 29) | | | 0 |
| | | 585 | Precepts of Local Precepting Authorities (note 7) | | | 601 |
| | | | Financing and Investment Income and Expenditure | | | |
| | | 15,174 | Interest payable and similar charges (note 44b) | | | 14,544 |
| | | (2,007) | Interest receivable and similar income (note 44b) | | | (1,992) |
| | | (2,716) | Investment Properties; revaluation and impairment (note 27) | | | (135) |
| | | 237 | (Surplus)/Deficit of trading activities (note 6) | | | (130) |
| | | <u>13,434</u> | Net interest on the net defined pension benefit liability / (asset) (note 11) | | | <u>15,784</u> |
| | | 427,191 | | | | 495,269 |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)

| Year to 31st March 2015 | | | Year to 31st March 2016 | | |
|-------------------------|--------|------------------------|--|--------|------------------------|
| Expenditure | Income | Net | Expenditure | Income | Net |
| £000 | £000 | £000 | £000 | £000 | £000 |
| | | | Taxation and Non-Specific Grant Income | | |
| | | (236,672) | | | (245,116) |
| | | (60,752) | | | (59,578) |
| | | (83,281) | | | (64,956) |
| | | (72,499) | | | (93,623) |
| | | <u>(453,204)</u> | | | <u>(463,273)</u> |
| | | <u>(26,013)</u> | | | <u>31,996</u> |
| | | | Items that will not be reclassified to the deficit on the Provision of Services | | |
| | | 0 | | | 0 |
| | | (77,588) | | | (7,665) |
| | | 156,580 | | | (69,414) |
| | | <u>78,992</u> | | | <u>(77,079)</u> |
| | | <u>52,979</u> | | | <u>(45,083)</u> |
| | | | Total Comprehensive Income and Expenditure | | |

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; which is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement reconciles the year on year change in the net assets and Reserves held in the Balance Sheet.

The statement is divided into two sections; the Surplus or Deficit on the Provision of Services and the Other Comprehensive Income and Expenditure. The Surplus or Deficit on the Provision of Services represents the IFRS-based accountancy cost of delivering services by the County Council.

Other Comprehensive Income and Expenditure includes movements in the fair value of assets and actuarial movements on pension balances that are not reflected within the Surplus or Deficit of Provision of Services. All the results described above derive from continuing activities of the organisation.

MOVEMENT IN RESERVES STATEMENT

| | General Working Balance £000 | Earmarked Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Reserve £000 | Total Usable Reserves £000 (note 37) | Total Unusable Reserves £000 (note 38) | Total Authority Reserves £000 |
|--|---------------------------------------|-------------------------------|--|--------------------------------------|--|--|--|
| Movement in Reserves during 2015/16 | | | | | | | |
| Balance at 31st March 2015 | (91,711) | (115,878) | 0 | (10,632) | (218,221) | (763,972) | (982,193) |
| Surplus on Provision of Services (accounting basis) | 31,996 | 0 | 0 | 0 | 31,996 | 0 | 31,996 |
| Other Comprehensive Expenditure and Income | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(77,079)</u> | <u>(77,079)</u> |
| Total Comprehensive Expenditure and Income | 31,996 | 0 | 0 | 0 | 31,996 | (77,079) | (45,083) |
| Adjustments between accounting basis and funding basis under regulations | (44,220) | 0 | 0 | (16,672) | (60,892) | 60,892 | 0 |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | (12,224) | 0 | 0 | (16,672) | (28,896) | (16,187) | (45,083) |
| Transfers (to) / from Earmarked Reserves | 76,665 | (76,665) | 0 | 0 | 0 | 0 | 0 |
| (Increase) / Decrease in Year | <u>64,441</u> | <u>(76,665)</u> | <u>0</u> | <u>(16,672)</u> | <u>(28,896)</u> | <u>(16,187)</u> | <u>(45,083)</u> |
| Balance at 31st March 2016 | (27,270) | (192,543) | 0 | (27,304) | (247,117) | (780,159) | (1,027,276) |

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 2014/15 | | | | | | | |
| Balance at 31st March 2014 | (78,491) | (113,147) | 0 | (6,645) | (198,283) | (836,889) | (1,035,172) |
| Surplus 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) |

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 2016

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|--|----------------------------|
| 1,552,763 | Property, Plant and Equipment (note 20) | 1,507,699 |
| 36,699 | Investment Property (note 27) | 34,731 |
| 10,055 | Intangible Assets (note 26) | 9,763 |
| 3,518 | Long Term Investments (note 31) | 3,518 |
| 14,150 | Long Term Debtors (note 32) | 21,420 |
| 1,617,185 | Long Term Assets | 1,577,131 |
| 155,491 | Short Term Investments (note 44a) | 227,383 |
| 1,400 | Inventories (note 33) | 1,081 |
| 73,872 | Short Term Debtors (note 34) | 64,137 |
| 80,186 | Cash and Cash Equivalents (note 30) | 69,013 |
| 2,125 | Assets held for sale (note 29) | 170 |
| 313,074 | Current Assets | 361,784 |
| (53,026) | Short Term Borrowing (note 44a) | (57,566) |
| (79,963) | Short Term Creditors (note 35) | (83,904) |
| (250) | PFI Liability repayable within 12 months (note 14) | (273) |
| (7) | Finance Lease repayable within 12 months (note 15) | (8) |
| (2,247) | Provisions to be used within 12 months (note 36) | (1,996) |
| (3,568) | Capital Grant Receipts in Advance (note 10) | (3,025) |
| (139,061) | Current Liabilities | (146,772) |
| (40) | Long Term Creditors (note 25) | (3,073) |
| (4,453) | PFI Liability repayable in excess of 12 months (note 14) | (4,180) |
| (1,085) | Finance Lease repayable in excess of 12 months (note 15) | (1,077) |
| (6,842) | Provisions to be used in excess of 12 months (note 36) | (5,750) |
| (484,059) | Pensions Liability (note 11) | (436,923) |
| (311,585) | Long Term Borrowing (note 44a and 44d) | (308,975) |
| (941) | Capital Grant Receipts in Advance (note 10) | (4,889) |
| (809,005) | Long Term Liabilities | (764,867) |
| 982,193 | Net Assets | 1,027,276 |

BALANCE SHEET AS AT 31ST MARCH 2016 (continued)

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|---|----------------------------|
| Usable Reserves | | |
| 91,711 | General Working Balance (note 37a) | 27,270 |
| 115,878 | Earmarked Reserves (note 37b) | 192,543 |
| 0 | Capital Receipts Reserve (note 37c) | 0 |
| 10,632 | Capital Grant Unapplied Reserve (note 37d) | 27,304 |
| <u>218,221</u> | Total Usable Reserves | <u>247,117</u> |
| Unusable Reserves | | |
| 270,666 | Revaluation Reserve (note 38a) | 260,831 |
| 4,574 | Collection Fund Adjustment Account (note 38b) | 4,675 |
| 0 | Financial Instruments Adjustment Account (note 38c) | |
| (8,739) | Accumulated Absences Account (note 38d) | (7,606) |
| (484,059) | Pension Reserve (note 38e) | (436,923) |
| 981,530 | Capital Adjustment Account (note 38f) | 959,182 |
| <u>763,972</u> | Total Unusable Reserves | <u>780,159</u> |
| <u>982,193</u> | Total Reserves | <u>1,027,276</u> |

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

CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2016

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|--|----------------------------|
| 26,013 | Net Surplus / (Deficit) on the Provision of Services - See Comprehensive Income and Expenditure Statement | (31,996) |
| | Adjust net surplus / (deficit) on the provision of services for non cash movements | |
| 56,303 | Depreciation / Amortisation (note 37a) | 53,404 |
| 14,203 | Impairment and revaluations charged to the provision of services (note 37a) | 40,580 |
| (6,083) | Movement in Creditors (notes 25 and 35) | 6,974 |
| (32,369) | Movement in Debtors (notes 32 and 34) | 9,735 |
| 230 | Movement in Inventories (note 33) | 319 |
| 636 | Movement in Provisions (note 36) | (1,343) |
| 9,958 | Pensions Liability (note 11) | 22,278 |
| 23,123 | Carrying Amount of Non-current Assets sold (note 37a) | 56,604 |
| <u>0</u> | Other non-cash items charged to the provision of services | <u>0</u> |
| 66,001 | | 188,551 |
| | Adjust for items included in the net deficit on the provision of services that are investing and financing activities | |
| (72,499) | Grants received for investment purposes (note 10) | (93,623) |
| (9,017) | Proceeds from the sale of property and other assets (note 24a) | (7,378) |
| <u>(81,516)</u> | | <u>(101,001)</u> |
| 10,498 | Net cash flows from Operating Activities | 55,554 |

CASH FLOW STATEMENT (continued)

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|--|----------------------------|
| 10,498 | Net cash flows from Operating Activities | 55,554 |
| | Investing Activities | |
| (94,820) | Purchase of Property, Plant and Equipment and Intangible Assets (note 24a) | (93,644) |
| (61,658) | Purchase of Short Term and Long Term investments | (71,892) |
| 9,017 | Proceeds from the Sale of Property (and other Assets) (note 24a) | 7,378 |
| 0 | Proceeds from Short Term and Long Term Investments | 0 |
| 70,894 | Other receipts for investing activities | 89,758 |
| (76,567) | Net cash flows from Investing Activities | (68,400) |
| | Financing Activities | |
| 26,415 | Cash receipts of Short and Long Term Borrowing | 5,021 |
| 0 | Other receipts from Financing Activities | 83 |
| 4 | Repayment of the outstanding liability of Finance Lease and similar arrangements (notes 14 and 15) | (257) |
| (24,824) | Repayment of Short and Long Term Borrowing | (3,174) |
| (176) | Other payments for Financing Activities | 0 |
| 1,419 | Net cash flows for Financing Activities | 1,673 |
| (64,650) | Net (Decrease) / Increase in Cash and Cash Equivalents | (11,173) |
| 144,836 | Cash and Cash Equivalents at the beginning of the reporting period | 80,186 |
| 80,186 | Cash and Cash Equivalents at the end of the reporting period | 69,013 |
| (64,650) | | (11,173) |

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

CIPFA has agreed that the 2016/17 accounts will adopt the requirements of the CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) i.e. measurement on a Depreciated Replacement Cost basis. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment and will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. These changes will have a significant impact on the Statement of Accounts. The Code requires implementation from 1st April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

'IAS 1 Presentation of Financial Statements' provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the County Council's Statement of Accounts.

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 2015/16. As a result of this impairment review, it has been concluded no material impairment has occurred;
- 11 schools transferred to Academy Status in 2015/16. 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 2016/17;

- 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, SJB Recycling 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 £437m 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 pension payments inflation would increase the deficit by £22.1m;
- a +0.1%pa pay growth would increase the deficit by £7.3m;
- an additional 1 year increase in life expectancy would increase the deficit by £34.8m.

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 2015/16

| | Children and Young People's Service | | Business and Environmental | Health and Adult | Other Central | Total |
|---------------------------------|--|--------------------------|-------------------------------|------------------|-----------------|------------------|
| | Schools | Local Authority Block | Services | Services | Services | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, Charges and Contributions | (21,806) | (5,987) | (30,771) | (64,035) | (71,789) | (194,388) |
| Government Grants | (379,156) | (12,574) | (4,619) | (25,967) | (12,916) | (435,232) |
| Total Income | <u>(400,962)</u> | <u>(18,561)</u> | <u>(35,390)</u> | <u>(90,002)</u> | <u>(84,705)</u> | <u>(629,620)</u> |
| Employee Expenses | 261,826 | 43,400 | 17,875 | 51,830 | 72,164 | 447,095 |
| Other | <u>139,136</u> | <u>46,061</u> | <u>93,700</u> | <u>174,894</u> | <u>114,488</u> | <u>568,279</u> |
| Total Expenditure | <u>400,962</u> | <u>89,461</u> | <u>111,575</u> | <u>226,724</u> | <u>186,652</u> | <u>1,015,374</u> |
| Net Expenditure | <u>0</u> | <u>70,900</u> | <u>76,185</u> | <u>136,722</u> | <u>101,947</u> | <u>385,754</u> |

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement 2015/16

| | £000 |
|--|-----------------------|
| Cost of Services in Service Analysis | 385,754 |
| Add amounts required to comply with Statutory Accounting Requirements | 139,509 |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | (66,575) |
| Amounts reported below the Net Cost of Service | <u>(41,346)</u> |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | <u>417,342</u> |

Reconciliation of Segment Report to Total Income and Expenditure 2015/16

| | 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 | (191,125) | 0 | 69,582 | 792 | (120,751) | (792) | (121,543) |
| Interest and Investment Income | (2,936) | 0 | 0 | 2,936 | 0 | (2,936) | (2,936) |
| Income from Council Tax | 0 | 0 | 0 | 0 | 0 | (245,116) | (245,116) |
| Income from Local NDR | 0 | 0 | 0 | 0 | 0 | (59,578) | (59,578) |
| Government Grants | (435,232) | (16,331) | 0 | 5,738 | (445,825) | (158,579) | (604,404) |
| Investment Properties | (327) | 0 | 0 | 327 | 0 | (2,736) | (2,736) |
| Total Income | (629,620) | (16,331) | 69,582 | 9,793 | (566,576) | (469,737) | (1,036,313) |
| Employee Expenses | 447,095 | 43,375 | (38,014) | 0 | 452,456 | 0 | 452,456 |
| Other service expenses | 537,530 | 0 | (83,483) | (35,050) | 418,997 | 19,047 | 438,044 |
| Depreciation, Amortisation and Impairment | 0 | 112,465 | 0 | 0 | 112,465 | 0 | 112,465 |
| MRP | 14,660 | 0 | (14,660) | 0 | 0 | 0 | 0 |
| Interest Payments | 15,488 | 0 | 0 | (15,488) | 0 | 15,488 | 15,488 |
| Precepts and Levies | 601 | 0 | 0 | (601) | 0 | 601 | 601 |
| Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | 49,255 | 49,255 |
| Total Operating Expenses | 1,015,374 | 155,840 | (136,157) | (51,139) | 983,918 | 84,391 | 1,068,309 |
| Deficit on the Provision of Services | 385,754 | 139,509 | (66,575) | (41,346) | 417,342 | (385,346) | 31,996 |

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. Other Central Services consists of the Chief Executives Group, Strategic Resources, Trading Activities and corporately held budgets.

The above statements reconcile the County Council's Management Accounts Outturn in 2015/16 £385,754k to the lines for Net Cost of Services £417,342k and the deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement £31,996k.

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 (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 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 | Services £000 | Services £000 | £000 |
| | Restated | Restated | Restated | Restated | Restated | |
| Fees, Charges and Contributions | (26,642) | (38,947) | (20,222) | (55,748) | (35,151) | (176,710) |
| 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 | (413,722) | (51,313) | (24,453) | (76,004) | (50,011) | (615,503) |
| Employee Expenses | 279,801 | 54,462 | 13,810 | 48,380 | 48,917 | 445,370 |
| Other | <u>133,921</u> | <u>72,759</u> | <u>89,333</u> | <u>168,665</u> | <u>65,033</u> | <u>529,711</u> |
| Total Expenditure | <u>413,722</u> | <u>127,221</u> | <u>103,143</u> | <u>217,045</u> | <u>113,950</u> | <u>975,081</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 | (173,944) | 0 | 74,564 | (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 Non Domestic Rates | 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 | <u>(304)</u> | <u>0</u> | <u>0</u> | <u>304</u> | <u>0</u> | <u>(3,728)</u> | <u>(3,728)</u> |
| Total Income | (615,503) | (5,754) | 74,564 | 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 | 499,001 | 0 | (92,190) | (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 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>14,315</u> | <u>14,315</u> |
| Total Operating Expenses | <u>975,081</u> | <u>112,170</u> | <u>(144,261)</u> | <u>(16,223)</u> | <u>926,767</u> | <u>46,090</u> | <u>972,857</u> |
| Surplus on the Provision of Services | <u>359,578</u> | <u>106,416</u> | <u>(69,697)</u> | <u>(8,793)</u> | <u>387,504</u> | <u>(413,517)</u> | <u>(26,013)</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 | 2015/16 | | | 2014/15 | | |
|--|-------------------|------------------|---------------------|-------------------------------|------------------|---------------------|-------------------------------|
| | | Turnover £000 | Expenditure £000 | Surplus/ (Deficit) £000 | Turnover £000 | Expenditure £000 | Surplus/ (Deficit) £000 |
| Broadband | | | | | | | |
| - Broadband to Schools | Breakeven | 2,106 | 2,106 | 0 | 2,214 | 2,214 | 0 |
| Building Cleaning Services | | | | | | | |
| - Building Cleaning Services to schools and other NYCC establishments | Breakeven | 7,370 | 7,257 | 113 | 9,055 | 9,303 | (248) |
| Catering | | | | | | | |
| - School and Welfare Catering Services | Breakeven | 17,068 | 16,921 | 147 | 16,850 | 17,502 | (652) |
| Maintenance and Servicing Scheme (MASS) | | | | | | | |
| - Premises planned general care and maintenance | Breakeven | 3,885 | 3,627 | 258 | 3,842 | 3,644 | 198 |
| Music Service | | | | | | | |
| - Music tuition in schools | Breakeven | 2,111 | 2,233 | (122) | 2,326 | 2,326 | 0 |
| Outdoor Learning Service | | | | | | | |
| - Residential and outdoor learning | Breakeven | 2,298 | 2,300 | (2) | 2,474 | 2,306 | 168 |
| Schools ICT Services | | | | | | | |
| - ICT Services to schools | Breakeven | 3,701 | 3,733 | (32) | 4,152 | 4,178 | (26) |
| Staff Absence Scheme | | | | | | | |
| - In house insurance scheme for schools to cover the cost of teaching supply | Breakeven | 4,301 | 3,525 | 776 | 3,919 | 2,805 | 1,114 |
| Consolidation results of all other Trading Units | | <u>6,831</u> | <u>6,815</u> | <u>16</u> | <u>9,616</u> | <u>9,287</u> | <u>329</u> |
| Total Results for Trading Units | | <u>49,671</u> | <u>48,517</u> | <u>1,154</u> | <u>54,448</u> | <u>53,565</u> | <u>883</u> |

During 2015/16, the Council's traded services, including insurance offered to schools, operated 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.

The expenditure figures reported above reflect accounting adjustments made in respect of the use of assets and borrowing costs. 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.

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 activities are 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 2016 £000 | 31st March 2015 £000 |
|---|----------------------------|----------------------------|
| Net surplus included within Cost of Services | 1,024 | 1,120 |
| Net surplus / (deficit) credited to Financing and Investment Income and Expenditure | 130 | (237) |
| Net surplus / (deficit) on trading operations | <u>1,154</u> | <u>883</u> |

7. Precepts of Local Precepting Authorities

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Environment Agency for Flood Defence | 348 | 332 |
| North Eastern Inshore Fisheries and Conservation Authority | 253 | 253 |
| | <u>601</u> | <u>585</u> |

In 2015/16 a grant of £55k (£55k in 2014/15) 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 £245.1m (£236.7m in 2014/15) consisting of:-

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Precept Income for year | 241,796 | 233,215 |
| Collection Fund surplus from previous years | 2,726 | 1,989 |
| Collection Fund Adjustment (note 38b) | 594 | 1,468 |
| | <u>245,116</u> | <u>236,672</u> |

The precept income from Council Tax is equivalent to a basic amount of £1,099.98 for an average band D property.

9. Non-Domestic Rates

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Non-Domestic Rating Income for year from Districts | 18,705 | 18,715 |
| Collection Fund deficit from previous years | (1,222) | (771) |
| Business Rates Retention Scheme funding from Government | 42,588 | 41,789 |
| Collection Fund Adjustment (note 38b) | (493) | 1,019 |
| | <u>59,578</u> | <u>60,752</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

| | 2015/16 | | 2014/15 | |
|-------------------------------------|---------|---------------|---------|---------------|
| | £000 | £000 | £000 | £000 |
| Government Revenue Support Grant | | 59,218 | | 77,861 |
| Other Government Funding | | | | |
| - New Homes Bonus | 2,198 | | 1,790 | |
| - Business Rates Reliefs | 2,299 | | 1,826 | |
| - Private Finance Initiative | 704 | | 704 | |
| - Local Services Support | 335 | | 689 | |
| - Returned New Homes Bonus Topslice | 202 | | 206 | |
| - Rural Services | 0 | 5,738 | 205 | 5,420 |
| | | <u>64,956</u> | | <u>83,281</u> |

Capital Grants

| | 2015/16 | | 2014/15 | |
|--|---------|---------------|---------|---------------|
| | £000 | £000 | £000 | £000 |
| Children and Young People's Service | | | | |
| - Capital Maintenance | 8,904 | | 9,503 | |
| - Schools Devolved Capital | 2,008 | | 3,405 | |
| - Basic Needs | 17,749 | | 1,023 | |
| - Other Capital Grants / Contributions | 4,793 | 33,454 | 4,088 | 18,019 |
| Business and Environmental Services | | | | |
| - Local Transport Plan | 33,738 | | 36,388 | |
| - Local Enterprise Partnership | 0 | | 4,763 | |
| - Local Sustainable Transfer | 0 | | 2,323 | |
| - Bedale Bypass Section 31 | 12,354 | | 9,292 | |
| - Regional Growth Fund | 2,900 | | 0 | |
| - Other Capital Grants / Contributions | 10,492 | 59,484 | 1,072 | 53,838 |
| Health and Adult Services | | | | |
| - Capital Grants / Contributions | | 672 | | 628 |
| Other Corporate Grants / Contributions | | 13 | | 14 |
| Total | | <u>93,623</u> | | <u>72,499</u> |

| Revenue Grants Credited to Services | 2015/16 | | 2014/15 | |
|--|--------------|----------------|--------------|----------------|
| | £000 | £000 | £000 | £000 |
| Children and Young People's Service | | | | |
| - Dedicated Schools Grant (note 42) | 341,014 | | 347,436 | |
| - Education Funding Agency | 16,289 | | 18,033 | |
| - Pupil Premium | 15,411 | | 15,932 | |
| - Education Services Support | 7,251 | | 9,477 | |
| - Universal Infant Free School Meals | 6,660 | | 4,465 | |
| - Learning and Skills Council Funding | 3,316 | | 3,616 | |
| - Physical Education & School Sport | 2,631 | | 2,540 | |
| - Developing Stronger Families | 1,777 | | 1,300 | |
| - No Wrong Door Initiative | 1,133 | | 1,030 | |
| - Youth Justice Board | 831 | | 985 | |
| - SEN Reform | 0 | | 718 | |
| - Music Service | 759 | | 597 | |
| - Adoption Reform | 0 | | 513 | |
| - SEND Implementation | 362 | | 483 | |
| - Adoption Support | 300 | | 331 | |
| - Other Grants | <u>967</u> | 398,701 | <u>333</u> | 407,789 |
| Business and Environmental Services | | | | |
| - E Crime | 704 | | 1,153 | |
| - Economic Development | 990 | | 937 | |
| - Community & Business Recovery Scheme | 734 | | 0 | |
| - Bellwin Scheme | 382 | | 0 | |
| - Natural England | 123 | | 127 | |
| - Other Grants | <u>1,686</u> | 4,619 | <u>1,755</u> | 3,972 |
| Health and Adult Services | | | | |
| - Public Health | 20,873 | | 19,733 | |
| - Care Act Grant | 3,325 | | 0 | |
| - Independent Living Fund | 1,189 | | 0 | |
| - Other Grants | <u>580</u> | 25,967 | <u>523</u> | 20,256 |
| Other Corporate Grants | | 207 | | 1,373 |
| Total | | <u>429,494</u> | | <u>433,390</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 2016 | | 31st March 2015 | |
|-------------------------------------|-----------------|--------------|-----------------|--------------|
| | £000 | £000 | £000 | £000 |
| To be used within 1 year | | | | |
| Children and Young People's Service | | | | |
| - Schools Devolved Capital Grant | 4 | | 1,522 | |
| - Private Contributions | <u>0</u> | 4 | <u>1,334</u> | 2,856 |
| Business and Environmental Services | | | | |
| - Bedale Aiskew Leeming Bypass | | 3,021 | | 0 |
| Health and Adult Services | | | | |
| - Information Technology Grants | 0 | | 23 | |
| - PSS Capital Grant | <u>0</u> | 0 | <u>550</u> | 573 |
| Corporate | | | | |
| - Other | | 0 | | 139 |
| Total | | <u>3,025</u> | | <u>3,568</u> |

| | | | | |
|---------------------------------------|--------------|--------------|------------|------------|
| To be used in excess of 1 year | | | | |
| Children and Young People's Service | | | | |
| - Schools Devolved Capital Grant | 1,494 | | 376 | |
| - Private Contributions | <u>1,578</u> | 3,072 | <u>0</u> | 376 |
| Health and Adult Services | | | | |
| - PSS Capital Grant | <u>1,817</u> | 1,817 | <u>565</u> | 565 |
| Total | | <u>4,889</u> | | <u>941</u> |

Capital Grants Credited to Services

| | 31st March 2016 | | 31st March 2015 | |
|-------------------------------------|-----------------|---------------|-----------------|--------------|
| | £000 | £000 | £000 | £000 |
| Children and Young People's Service | | | | |
| - Capital Maintenance Grant | 1,214 | | 1,546 | |
| - Basic Need Grant | 1,419 | | 540 | |
| - Other | <u>1,298</u> | 3,931 | <u>(132)</u> | 1,954 |
| Business and Environmental Services | | | | |
| - Regional Growth Fund | | <u>12,400</u> | | <u>3,800</u> |
| Total | | <u>16,331</u> | | <u>5,754</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' Pension 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 2015/16 were £43k (2014/15 £57k).

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 2015/16:-

| | Local Government Pension Scheme | | Teachers' Pension Scheme | | Total | |
|---|---------------------------------|------------------|--------------------------|--------------|----------------|----------------|
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| | £000 | £000 Restated | £000 | £000 | £000 | £000 |
| Comprehensive Income and Expenditure Statement | | | | | | |
| Net Cost of Service | | | | | | |
| Current Service Cost | 43,828 | 34,399 | 0 | 0 | 43,828 | 34,399 |
| Past Service Cost (including curtailments) | 680 | 459 | 0 | 0 | 680 | 459 |
| Settlement Costs | 0 | (759) | 0 | 0 | 0 | (759) |
| Financing and Investment Income and Expenditure | | | | | | |
| Net Interest Expense | 15,442 | 12,972 | 342 | 462 | 15,784 | 13,434 |
| Total post employment Benefits charged to the (Surplus) / Deficit on the Provision of Services | <u>59,950</u> | <u>47,071</u> | <u>342</u> | <u>462</u> | <u>60,292</u> | <u>47,533</u> |
| Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement | | | | | | |
| Remeasurement of the net defined benefit liability | (68,392) | 155,843 | (1,022) | 737 | (69,414) | 156,580 |
| Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement | <u>(8,442)</u> | <u>202,914</u> | <u>(680)</u> | <u>1,199</u> | <u>(9,122)</u> | <u>204,113</u> |
| Movement in Reserves Statement | | | | | | |
| Reversal of Net Charge to the (Surplus) / Deficit on Provision of Services | (59,950) | (47,071) | (342) | (462) | (60,292) | (47,533) |
| Actual amount charged against the General Fund Balance in the Year | | | | | | |
| Employers' contributions payable to scheme | 37,107 | 36,653 | | | | |
| Retirement benefits payable to pensioners | | | 907 | 922 | | |
| | | | | | <u>38,014</u> | <u>37,575</u> |

A comparison between the Net Cost of Service and the actual amount charged against the General Fund Balance in year shows that the costs disclosed for services are £8,308k higher than the amount charged against the General Fund. This is as a result of the following:

- The County Council's contributions of £37,107k to the Local Government Pension Scheme being replaced with a current service cost of £43,142k. This (£6,035k) adjustment equates to a 16.3% increase in employers pension costs;
- in addition, under IAS 19, the unfunded liability arising from enhanced teachers pensions requires that the cost of benefits paid in the year (£907k) is removed from the net cost of services as it relates to periods of service prior to 2015/16;
- a past service cost including curtailments and settlements of £680k relating to decisions taken on in previous financial years; and
- administration expenses of £686k.

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 | |
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| | £m | £m | £m | £m |
| | | Restated | | |
| Opening balance at 1st April | (1,395.1) | (1,099.2) | (11.5) | (11.2) |
| Current Service Cost | (43.8) | (34.4) | 0.0 | 0.0 |
| Interest Cost | (46.9) | (49.8) | (0.3) | (0.5) |
| Contributions by scheme participants | (11.1) | (10.7) | 0.0 | 0.0 |
| Remeasurement liabilities | 98.7 | (244.5) | 1.0 | (0.7) |
| Benefits Paid | 38.6 | 43.0 | 0.9 | 0.9 |
| Settlements / Curtailments | (0.7) | 0.5 | 0.0 | 0.0 |
| Closing Balance at 31st March | <u>(1,360.3)</u> | <u>(1,395.1)</u> | <u>(9.9)</u> | <u>(11.5)</u> |

Reconciliation of the fair value of the scheme assets

| | Funded Liabilities | | Unfunded Liabilities | |
|--------------------------------------|---------------------------------|--------------|------------------------|------------|
| | Local Government Pension Scheme | | Discretionary Benefits | |
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| | £m | £m | £m | £m |
| Opening balance at 1st April | 922.5 | 792.9 | 0.0 | 0.0 |
| Interest on Plan Assets | 31.5 | 36.8 | 0.0 | 0.0 |
| Remeasurement assets | (30.3) | 88.7 | 0.0 | 0.0 |
| Employer Contributions | 37.1 | 36.6 | 0.9 | 0.9 |
| Contributions by scheme participants | 11.1 | 10.7 | 0.0 | 0.0 |
| Settlements | 0.0 | (0.2) | 0.0 | 0.0 |
| Benefits Paid | (38.6) | (43.0) | (0.9) | (0.9) |
| Closing Balance at 31st March | <u>933.3</u> | <u>922.5</u> | <u>0.0</u> | <u>0.0</u> |

The actual return on the scheme assets in the year was £1.2m (2014/15 £125.5m).

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 £436.9m has a sustained impact on the net worth of the County Council as recorded in the Balance Sheet, resulting in an overall balance of £1,027.3m.

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 2016 % | 31st March 2015 % |
|--|-------------------------|-------------------------|
| Rate of CPI inflation | 1.8 | 2.1 |
| Rate of increase in salaries | 3.3 | 3.6 |
| Rate of increase in pensions | 1.8 | 2.1 |
| Rate for discounting schemes liabilities | 3.5 | 3.4 |
| 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 | 25.6 | 25.4 |
| - Female future pensioner aged 65 in 20 years' time | 28.1 | 28.0 |
| - Male current Pensioner aged 65 | 23.3 | 23.1 |
| - Female current Pensioner aged 65 | 25.8 | 25.6 |

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 £933.3m at 31st March 2016 (£922.5m at 31st March 2015). 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 2016 % | 31st March 2015 % |
|-------------------------------|-------------------------|-------------------------|
| Equity investments | 62.2 | 60.0 |
| Government Bonds | 14.1 | 16.9 |
| Corporate Bonds / Other Bonds | 5.4 | 6.8 |
| Property | 7.3 | 6.5 |
| Other | 10.2 | 8.6 |
| Cash / Liquidity Assets | 0.8 | 1.2 |
| | <u>100.0</u> | <u>100.0</u> |

Surplus / (Deficit) in the Scheme

| | 2015/16 £m | 2014/15 £m | 2013/14 £m | 2012/13 £m | 2011/12 £m |
|--|----------------|----------------|----------------|----------------|----------------|
| Present Value of defined benefit obligations | (1,370.2) | (1,406.6) | (1,110.4) | (1,311.3) | (1,111.5) |
| Fair Value of Scheme Assets | <u>933.3</u> | <u>922.5</u> | <u>792.9</u> | <u>752.2</u> | <u>639.1</u> |
| Deficit in the Scheme | <u>(436.9)</u> | <u>(484.1)</u> | <u>(317.5)</u> | <u>(559.1)</u> | <u>(472.4)</u> |

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2015/16 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2016:-

| | 2015/16 | | 2014/15 | | 2013/14 | | 2012/13 | | 2011/12 | |
|--|---------------|-----|-------------|-----|--------------|-------|-------------|-----|---------------|-------|
| | £m | % | £m | % | £m | % | £m | % | £m | % |
| Experience adjustments on scheme assets | (30.3) | 3.3 | 88.7 | 9.6 | (1.4) | (0.2) | 73.9 | 9.8 | (30.6) | (4.8) |
| Experience adjustments on scheme liabilities | (16.3) | 1.2 | 0.0 | 0.0 | 107.8 | 9.8 | 0.0 | 0.0 | (36.8) | (3.3) |
| | <u>(46.6)</u> | | <u>88.7</u> | | <u>106.4</u> | | <u>73.9</u> | | <u>(67.4)</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 2016/17 financial year is £37.1m.

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 2015/16 the County Council paid £23.6m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents an average 14.4% of teachers' pensionable pay from 1st April 2015 to 1st September 2015 and 16.4% from 1st September 2015 onwards. The figures for 2014/15 were £22.4m 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 2015/16 the County Council incurred the following fees relating to external audit:-

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Fees payable to the External Auditor with regard to :- | | |
| - external audit service carried out by appointed auditor | | |
| - Deloitte LLP | 0 | 126 |
| - KPMG | 94 | 0 |
| - other services (Deloitte LLP) | 0 | 3 |
| - certification of grant claims and returns (Deloitte LLP) | 7 | 3 |
| - certification of grant claims and returns (KPMG) | 3 | 0 |
| Other services (Audit Commission) | 0 | 4 |
| | <u>104</u> | <u>136</u> |

13. Members Allowances

The total amount of members allowances, (including travel); paid during the year was £969k, (£967k in 2014/15).

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 Barlby CP, Brotherton and Byram PS (both near Selby), Kirby Hill CE (near Boroughbridge), and Ripon Cathedral CE. 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.

Brotherton and Byram PS converted to academy status on 1st August 2015. As a result, the building value of the school has been removed from the County Council Balance Sheet.

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

Value of PFI Assets

| | 2015/16 £000 | 2014/15 £000 |
|-----------------|-----------------|-----------------|
| Opening Balance | 4,110 | 3,777 |
| Depreciation | (156) | (184) |
| Additions | 0 | 0 |
| Revaluations | 283 | 517 |
| Disposals | <u>(1,015)</u> | <u>0</u> |
| Closing Balance | <u>3,222</u> | <u>4,110</u> |

Forming part of the above balance are the two voluntary controlled schools which have a carrying net book value of £1,814k, (£1,773k 2014/15). 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

| | 2015/16 £000 | 2014/15 £000 |
|---------------------|-----------------|-----------------|
| Opening Balance | 4,703 | 4,692 |
| Payments/Repayments | (250) | 11 |
| Additions | <u>0</u> | <u>0</u> |
| Closing Balance | <u>4,453</u> | <u>4,703</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>273</u> | <u>402</u> | <u>0</u> | <u>469</u> | <u>1,144</u> |
| more than 1 year | | | | | |
| within 2 - 5 years | 1,224 | 1,371 | 111 | 1,869 | 4,575 |
| within 6 - 10 years | 2,337 | 933 | 111 | 2,337 | 5,718 |
| within 11 - 15 years | <u>619</u> | <u>56</u> | <u>0</u> | <u>469</u> | <u>1,144</u> |
| Total | <u>4,180</u> | <u>2,360</u> | <u>222</u> | <u>4,675</u> | <u>11,437</u> |
| Prior Year 2014/15 | | | | | |
| within 1 year | 250 | 425 | 0 | 469 | 1,144 |
| more than 1 year | <u>4,453</u> | <u>2,762</u> | <u>222</u> | <u>5,144</u> | <u>12,581</u> |
| | <u>4,703</u> | <u>3,187</u> | <u>222</u> | <u>5,613</u> | <u>13,725</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. This value of this grant will remain at £704k until the end of the contract in 2027.

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 £169k (£117k in 2014/15).

The County Council had commitments at the 31st March 2016 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 2016 £000 | 31st March 2015 £000 |
| Within 1 year | 8 | 7 |
| Between 2 - 5 years | 41 | 37 |
| Later than 5 years | 1,036 | 1,048 |
| | <u>1,085</u> | <u>1,092</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 £2,679k (£2,777k in 2014/15) of finance costs over the remaining life of the lease that would fall due in the following years:

| | Minimum Lease Payments | |
|---------------------|----------------------------|----------------------------|
| | 31st March 2016 £000 | 31st March 2015 £000 |
| Within 1 year | 105 | 105 |
| Between 2 - 5 years | 420 | 420 |
| Later than 5 years | 3,239 | 3,344 |
| | <u>3,764</u> | <u>3,869</u> |

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

| | 31st March 2016 £000 | 31st March 2015 £000 |
|----------|----------------------------|----------------------------|
| Property | <u>1,060</u> | <u>1,076</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 £1,238k (£1,466k in 2014/15) in respect of Land and Building leases and £2,445k for Vehicles, Plant and Equipment (£2,390k in 2015/16).

The County Council had commitments at the 31st March 2016 to make payments under operating leases in future financial years, comprising the following elements:-

| | 31st March 2016 £000 | 31st March 2015 £000 |
|---------------------|----------------------------|----------------------------|
| Within 1 year | 3,170 | 3,580 |
| Between 2 - 5 years | 5,717 | 6,245 |
| Later than 5 years | 6,386 | 4,925 |
| | <u>15,273</u> | <u>14,750</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 £1,450k (£1,394k in 2014/15).

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 total of members' allowances paid in 2015/16 is shown in Note 13. During 2015/16, funding of £76,624 was provided to organisations in which one member had an interest. Contracts were entered into in full compliance with the County Council's constitution. In these instances, the payments were made with proper consideration of declarations of interest. The relevant member did not take part in any discussion or decision relating to the funding. Details of all relationships are recorded in the Register of Members' Interest.

Officers have day to day control of the running of the County Council's affairs. No material related party transactions occurred with Officers in 2015/16. However, it should be noted that the Corporate Director – Strategic Resources is Treasurer to the North Yorkshire Pension Fund and the Assistant Director – Strategic Resources 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
- SJB Recycling 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 113 to 117.

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 2015/16 to the County Council was £3,108k (£3,211k in 2014/15), and at 31st March 2016 the trading creditor balance was £NIL (£2,456k in 2014/15).

The County Council provided services to NYnet Limited totalling £69k (£182k in 2014/15), of which £22k was outstanding as at 31st March 2016.

The County Council provided a loan facility to NYnet Limited of up to £10m in 2015/16 of which £7,295k was taken up at 31st March 2016. Interest of £211k on this loan was paid to the County Council in 2015/16. The loan balance at 31st March 2015 was £5,153k.

£2,170k due to the County Council from NYnet which relates to unspent funding is included in outstanding Debtors as at 31 March 2016.

Veritau Limited:

The total value of services provided by Veritau Limited in 2015/16 to the County Council was £693k (£639k in 2014/15), and at 31st March 2016 the trading creditor balance was £4k.

The County Council provided services to Veritau Limited totalling £54k (£16k in 2014/15), and at 31st March 2016, £28k was outstanding.

Yorwaste Limited:

The total value of services, including landfill tax provided by Yorwaste Limited in 2015/16 was £18,023k (£13,163k in 2014/15), and as at 31st March 2016 the trading creditor balance was £4,312k (£1,146k in 2012/15).

The County Council provided services to Yorwaste Limited totalling £369k (£86k in 2014/15) of which £95k (£11k in 2014/15) was outstanding as at 31st March 2016.

The County Council provided a loan to Yorwaste Limited of £3,700k of which interest was received by the County Council of £167k in 2015/16. The loan balance has remained the same since April 2008.

Yorwaste Limited did not pay the County Council a dividend in 2015/16 (£Nil in 2014/15).

SJB Recycling Limited:

There have been no transactions between SJB Recycling Limited and the County Council during 2015/16

Yorkshire Purchasing Organisation (YPO):

The County Council made payments to YPO in 2015/16 totalling £23.5m (£7.5m in 2014/15).

A dividend of £680k (£674k in 2014/15) in relation to YPO's 2015 trading activities is reflected in the County Council's 2015/16 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 £17.7m (£13.3m in 2014/15) and made payments totalling £1.7m (£2.7m 2014/15).

The County Council provided the North Yorkshire Pension Fund administrative and support services totalling £1.1m in 2015/16.

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 Better 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 2015/16 £000 | Total 2014/15 £000 |
|------------------------------------|-------------------------|-------------------------------|--------------------------|--------------------------|
| Expenditure | | | | |
| Gross Expenditure | 314 | 663 | 977 | 816 |
| (Over) / Underspend 2014/15 | (178) | 0 | (178) | (319) |
| (Over) / Underspend 2015/16 | 261 | 51 | 312 | 178 |
| Total Pooled Fund | <u>397</u> | <u>714</u> | <u>1,111</u> | <u>675</u> |
| Contribution to Pooled Fund | | | | |
| Local CCG's | 270 | 445 | 715 | 382 |
| NYCC | <u>127</u> | <u>269</u> | <u>396</u> | <u>293</u> |
| Total Contributions | <u>397</u> | <u>714</u> | <u>1,111</u> | <u>675</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 2015/16 £000 | Total 2014/15 £000 |
|-----------------------------|------------------------------------|---------------------------|-----------------------------|---------------|--------------------------|--------------------------|
| | Hambleton Richmondshire £000 | Whitby Ryedale £000 | Harrogate Craven £000 | Selby £000 | | |
| Gross Expenditure | 321 | 495 | 622 | 311 | 1,749 | 1,533 |
| (Over) / Underspend 2015/16 | (37) | 0 | 0 | 37 | 0 | (381) |
| Total Pooled Fund | 284 | 495 | 622 | 348 | 1,749 | 1,152 |
| Contribution to Pooled Fund | | | | | | |
| Local CCG's | 92 | 169 | 240 | 278 | 779 | 321 |
| NYCC | 192 | 326 | 382 | 70 | 970 | 831 |
| Total Contributions | 284 | 495 | 622 | 348 | 1,749 | 1,152 |

The Better Care Fund (BCF)

The BCF formally operated for the first time in 2015/16 involving the County Council, District Councils and Clinical Commissioning Groups (CCGs) that operate within the North Yorkshire Area. 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.

| | CCG's | NYCC | DCLG | NY District Councils | Total |
|---------------------------|---------------|---------------|----------|-------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Contributions | 36,412 | 6,932 | 3,383 | 0 | 46,727 |
| Expenditure | | | | | |
| Schemes/Additional Costs | 24,412 | 0 | 0 | 0 | 24,412 |
| Protection of Social Care | 0 | 17,000 | 0 | 0 | 17,000 |
| Disabled Facilities Grant | 0 | 0 | 0 | 2,033 | 2,033 |
| Social Care Grant | 0 | 1,350 | 0 | 0 | 1,350 |
| Care Act | 0 | 1,932 | 0 | 0 | 1,932 |
| Total Expenditure | 24,412 | 20,282 | 0 | 2,033 | 46,727 |

Please Note that the establishment of the Better Care Fund removed the requirement for the Health and Social Care Pooled Fund which was reported in the 2014/15 Statement of Accounts.

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 (£) | 2015/16 | | | 2014/15 | | |
|-------------------|------------|------------|------------|------------|-----------|------------|
| | Teachers | Other | Total | Teachers | Other | Total |
| 50,000 - 54,999 | 137 | 56 | 193 | 135 | 28 | 163 |
| 55,000 - 59,999 | 102 | 38 | 140 | 106 | 31 | 137 |
| 60,000 - 64,999 | 48 | 9 | 57 | 59 | 4 | 63 |
| 65,000 - 69,999 | 27 | 6 | 33 | 31 | 5 | 36 |
| 70,000 - 74,999 | 15 | 6 | 21 | 14 | 9 | 23 |
| 75,000 - 79,999 | 9 | 1 | 10 | 9 | 1 | 10 |
| 80,000 - 84,999 | 3 | 4 | 7 | 3 | 6 | 9 |
| 85,000 - 89,999 | 1 | 3 | 4 | 2 | 2 | 4 |
| 90,000 - 94,999 | 2 | 1 | 3 | 1 | 0 | 1 |
| 95,000 - 99,999 | 0 | 1 | 1 | 2 | 1 | 3 |
| 100,000 - 104,999 | 4 | 3 | 7 | 3 | 4 | 7 |
| 105,000 - 109,999 | 1 | 1 | 2 | 1 | 0 | 1 |
| 110,000 - 114,999 | 3 | 0 | 3 | 1 | 1 | 2 |
| 115,000 - 119,999 | 0 | 3 | 3 | 0 | 2 | 2 |
| 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 |
| 170,000 - 174,999 | 0 | 0 | 0 | 0 | 0 | 0 |
| | <u>352</u> | <u>134</u> | <u>486</u> | <u>367</u> | <u>96</u> | <u>463</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 2015/16 or 2014/15.

| | 2015/16 £ | 2014/15 £ |
|--|----------------|----------------|
| Chief Executive | | |
| <i>Richard Flinton</i> | | |
| Salary, Fees and Allowances | 168,691 | 168,694 |
| Expense Allowances | 0 | 0 |
| Pension Contributions | <u>24,414</u> | <u>24,480</u> |
| Total Remuneration including Pension Contributions | <u>193,105</u> | <u>193,174</u> |

| | 2015/16 £ | 2014/15 £ |
|---|----------------|----------------|
| Corporate Director of Children and Young People's Services | | |
| Salary, Fees and Allowances | 129,007 | 129,007 |
| Expense Allowances | 0 | 0 |
| Pension Contributions | 18,577 | 18,720 |
| Total Remuneration including Pension Contributions | <u>147,584</u> | <u>147,727</u> |
| Corporate Director of Business and Environmental Services | | |
| Salary, Fees and Allowances | 117,825 | 117,825 |
| Expense Allowances | 0 | 688 |
| Pension Contributions | 17,070 | 17,098 |
| Total Remuneration including Pension Contributions | <u>134,895</u> | <u>135,611</u> |
| Corporate Director of Health and Adult Services | | |
| Salary, Fees and Allowances | 119,086 | 117,930 |
| Expense Allowances | 0 | 0 |
| Pension Contributions | 17,148 | 17,114 |
| Total Remuneration including Pension Contributions | <u>136,234</u> | <u>135,044</u> |
| Corporate Director (Strategic Resources) | | |
| Salary, Fees and Allowances | 117,825 | 114,067 |
| Expense Allowances | 0 | 0 |
| Pension Contributions | 17,042 | 16,553 |
| Total Remuneration including Pension Contributions | <u>134,867</u> | <u>130,620</u> |
| Director - Strategic Projects | | |
| <i>This post was vacated from 30th April 2015</i> | | |
| Salary, Fees and Allowances | 8,496 | 100,311 |
| Expense Allowances | 0 | 55 |
| Compromise Agreements | 60,000 | 0 |
| Pension Contributions | 1,233 | 14,556 |
| Total Remuneration including Pension Contributions | <u>69,729</u> | <u>114,922</u> |
| Director of Public Health | | |
| Salary, Fees and Allowances | 101,080 | 100,046 |
| Expense Allowances | 0 | 610 |
| Pension Contributions | 14,237 | 14,272 |
| Total Remuneration including Pension Contributions | <u>115,317</u> | <u>114,928</u> |
| Assistant Chief Executive (Business Support) | | |
| Salary, Fees and Allowances | 101,956 | 100,311 |
| Expense Allowances | 579 | 958 |
| Pension Contributions | 13,822 | 14,556 |
| Total Remuneration including Pension Contributions | <u>116,357</u> | <u>115,825</u> |

| | £ | £ |
|--|----------------|----------------|
| Assistant Chief Executive (Legal and Democratic Services) | | |
| Salary, Fees and Allowances | 101,956 | 95,581 |
| Expense Allowances | 0 | 0 |
| Pension Contributions | 14,740 | 13,902 |
| Total Remuneration including Pension Contributions | <u>116,696</u> | <u>109,483</u> |

Assistant Chief Executive (Customer Services)

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

The post represents 40% of the partnership costs at an annualised salary of £38,067 for NYCC.

| | | |
|--|---------------|---------------|
| Salary, Fees and Allowances | 38,067 | 37,141 |
| Expense Allowances | 0 | 0 |
| Pension Contributions | 4,835 | 4,717 |
| Total Remuneration including Pension Contributions | <u>42,902</u> | <u>41,858</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. This is 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 entitlements.

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 | |
|----------------------------|-----------------------------------|------------|-----------------------------------|------------|--|------------|--|-----------------|
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 £000 | 2014/15 £000 |
| 0-19,999 | 12 | 131 | 64 | 166 | 76 | 297 | 516 | 1,756 |
| 20,000-39,999 | 3 | 5 | 20 | 28 | 23 | 33 | 656 | 821 |
| 40,000-59,999 | 0 | 1 | 7 | 3 | 7 | 4 | 342 | 196 |
| 60,000-79,999 | 0 | 0 | 3 | 1 | 3 | 1 | 200 | 63 |
| 80,000-99,999 | 1 | 0 | 1 | 0 | 2 | 0 | 181 | 0 |
| | <u>16</u> | <u>137</u> | <u>95</u> | <u>198</u> | <u>111</u> | <u>335</u> | <u>1,895</u> | <u>2,836</u> |

20. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2015/16.

| | 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 2015 | 1,023,260 | 102,943 | 680,700 | 18,080 | 568 | 1,825,551 |
| Additions | 7,777 | 3,089 | 66,998 | 0 | 3,322 | 81,186 |
| Disposals | (49,484) | 0 | (8,563) | (2,806) | 0 | (60,853) |
| Transferred to Assets Held for Sale | 3,263 | 0 | 0 | (3,263) | 0 | 0 |
| Revaluations / (Impairments) | | | | | | |
| Recognised in the Revaluation Reserve | 2,809 | 0 | 0 | (877) | 0 | 1,932 |
| Recognised in Provision of Services | (46,849) | 0 | (1,151) | (4,776) | 0 | (52,776) |
| As at 31st March 2016 | 940,776 | 106,032 | 737,984 | 6,358 | 3,890 | 1,795,040 |
| Depreciation and Impairments | | | | | | |
| As at 1st April 2015 | (29,724) | (89,007) | (153,492) | (565) | 0 | (272,788) |
| Charge for the Year | (26,626) | (6,254) | (19,042) | (177) | 0 | (52,099) |
| Disposals | 7 | 0 | 8,564 | 14 | 0 | 8,585 |
| Transferred to Assets Held for Sale | (80) | 0 | 0 | 80 | 0 | 0 |
| Revaluations / (Impairments) | | | | | | |
| Recognised in the Revaluation Reserve | 5,595 | 0 | 0 | 138 | 0 | 5,733 |
| Recognised in Provision of Services | 21,760 | 0 | 1,151 | 317 | 0 | 23,228 |
| As at 31st March 2016 | (29,068) | (95,261) | (162,819) | (193) | 0 | (287,341) |
| Balance Sheet Net Amount as at 31st March 2016 | 911,708 | 10,771 | 575,165 | 6,165 | 3,890 | 1,507,699 |
| Balance Sheet Net Amount as at 31st March 2015 | 993,536 | 13,936 | 527,208 | 17,515 | 568 | 1,552,763 |

Comparative Movements in 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> |

Property reclassified as Assets Held for Sale was transferred from Property, Plant and Equipment at a net value of £nil (£1,520k in 2014/15).

During 2015/16 the County Council recognised impairment losses of £41.0m 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.

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Impairment losses recognised within the (Surplus) / Deficit on Provision of Services | 29,546 | 4,917 |
| Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve | 11,446 | 12,040 |
| | <u>40,992</u> | <u>16,957</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 on 1st April 2015 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.

Secondary Schools were revalued in 2015/16 in accordance with the five year rolling programme. Furthermore, those properties not considered as part of the rolling programme in 2015/16 were subject to a desktop review by Bruton Knowles:-

| | Land and Buildings £000 | Plant and Equipment £000 | Infrastructure Assets £000 | Surplus Assets £000 | Total £000 |
|-------------------------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------|------------------|
| Valued at Historic Cost | 9,215 | 10,769 | 575,164 | 0 | 595,148 |
| Valued at current value in :- | | | | | |
| 2015/16 | 859,632 | 0 | 0 | 6,163 | 865,795 |
| 2014/15 | 81,657 | 0 | 0 | 0 | 81,657 |
| 2013/14 | 0 | 0 | 0 | 0 | 0 |
| 2012/13 | 0 | 0 | 0 | 0 | 0 |
| 2011/12 | 0 | 0 | 0 | 0 | 0 |
| Total Tangible Fixed Assets | <u>950,504</u> | <u>10,769</u> | <u>575,164</u> | <u>6,163</u> | <u>1,542,600</u> |

22. Disposal of Property, Plant and Equipment

11 Schools gained Academy status during 2015/16. As a consequence the Land and Building assets of £48.9m 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 £48.9m 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 loss of £0.4m.

23. Major Areas of Capital Spending

Major areas of capital spending, over £0.5m during 2015/16 were:-

| | Actual £000 |
|---|----------------|
| Children and Young People's Service | |
| Suitable for Purpose | 3,042 |
| School Reorganisation | 750 |
| Health and Safety | 586 |
| Basic Need Grant Funded Schemes | 9,684 |
| Capitalised Repairs and Maintenance | 5,206 |
| Universal Free School Meals | 1,059 |
| Devolved Capital | 1,924 |
| Self Help Schemes | 3,060 |
| Business and Environmental Services | |
| New and Replacement Road Lighting | 953 |
| A174 Sandsend Slope Stabilisation | 6,471 |
| Bedale-Aiskew-Leeming Bar Major Scheme | 12,354 |
| Integrated Transport | 1,098 |
| Structural Maintenance of Roads & Bridges | 45,422 |
| Local Growth Deal | 12,600 |
| LEP Growing Places Fund | 676 |
| Central Services | |
| Revenue-Funded Capital Provisions: | |
| - ICT Infrastructure (FCS) | 1,414 |
| - Loans to Limited Companies etc. | 2,143 |
| | <u>108,442</u> |
| All spending in areas below £0.5m | 6,558 |
| Total Capital Spending in 2015/16 | <u>115,000</u> |

Revenue Expenditure Funded From Capital Under Statute

Expenditure may be incurred by the County Council that is of a capital nature for statutory purposes but is not considered capital expenditure for the purposes of these accounts. A contribution to other public bodies for their capital purposes is such an example. In 2015/16 expenditure of this type was £18,481k (£9,089k in 2014/15).

Committed Capital Expenditure

The County Council has an approved Capital Plan for 2016/17 of £97.6m. Of this £77.5m is committed expenditure as at 1st April 2016. It should be noted, however, that this figure includes a significant element (£51.6m) relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2016.

| The remaining £25.9m consisted of the following:- | Actual £000 |
|---|----------------|
| Children and Young People's Service | |
| Basic Need Schemes | 13,439 |
| Suitability and Modernisation Programme | 3,193 |
| Portable Classroom Unit Replacements | 816 |
| School Reorganisation | 500 |
| Universal Free School Meals | 450 |
| Other Schemes | 438 |
| Business and Environmental Services | |
| Bedale Aiskew Leeming Bar Major Scheme | 1,517 |
| Waste Procurement Project | 1,252 |
| Waste Management Service | 814 |
| New and Replacement Road Lighting Columns | 800 |
| Other Schemes | 693 |
| Health and Adult Services | |
| Older Peoples Resource Centre | 1,000 |
| Central Services | |
| Loans to Limited Companies etc. | 600 |
| Super Fast Broadband Scheme | 353 |
| Other Schemes | 95 |
| | <hr/> |
| | 25,960 |

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

The total amount of capital expenditure incurred in the year is shown in the next table (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

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Capital Investment | | |
| Property, Plant and Equipment and Loans | 95,451 | 95,769 |
| Investment Properties | 0 | 0 |
| Intangible Assets | 1,014 | 1,750 |
| Revenue Expenditure Funded from Capital under Statute | 18,481 | 9,089 |
| | <u>114,946</u> | <u>106,608</u> |
| Sources of Finance | | |
| Capital receipts | 7,378 | 9,017 |
| Government grants and other contributions | 93,282 | 74,266 |
| Direct Revenue Contributions | 13,901 | 17,626 |
| Increase in underlying need to borrow | | |
| - supported by Government financial assistance | 0 | 0 |
| - unsupported by Government financial assistance | 385 | 5,699 |
| | <u>114,946</u> | <u>106,608</u> |

The difference between the £114.9m capital investment above and the £81.2m additions in note 20 relates to expenditure of £1.0m on Intangible Fixed Assets, £18.5m on Revenue Expenditure Funded from Capital Under Statute, £11.4m of capital expenditure which resulted in no value being added to the County Council's asset base and £2.8m in relation to loans and grants under the LEP Growing Places Fund.

(b) Capital Financing Requirement (CFR)

| | 2015/16 | | 2014/15 | |
|--|----------|----------------|----------|----------------|
| | £000 | £000 | £000 | £000 |
| Opening Capital Financing requirement | | 366,904 | | 375,701 |
| Movement in year | | | | |
| Increase in underlying need to borrow | | 385 | | 5,699 |
| MRP | | | | |
| - capital spending funded by borrowing | (14,403) | | (14,500) | |
| - PFI contracts | (250) | | 11 | |
| - Finance leases | (7) | (14,660) | (7) | (14,496) |
| Assets acquired under PFI contracts | | | | 0 |
| Assets acquired under Finance leases | | | | 0 |
| Closing Capital Financing Requirement | | <u>352,629</u> | | <u>366,904</u> |
| Decrease in Capital Financing Requirement | | <u>14,275</u> | | <u>8,797</u> |
| Closing CFR consists of | | | | |
| Capital spending funded by borrowing | | 347,091 | | 361,109 |
| PFI contracts | | 4,453 | | 4,703 |
| Finance leases | | 1,085 | | 1,092 |
| CFR at 31st March | | <u>352,629</u> | | <u>366,904</u> |

25. Long Term Creditors

| | 31st March 2016 | | 31st March 2015 | |
|--|-----------------|--------------|-----------------|-----------|
| | £000 | £000 | £000 | £000 |
| Government Entities | | | | |
| Central Government Bodies | 0 | | 0 | |
| Other Local Authorities | 35 | | 0 | |
| NHS Bodies | <u>0</u> | 35 | <u>0</u> | 0 |
| General Creditors (including Public Corporations and Trading Funds) | | 2,942 | | 40 |
| Income in Advance | | <u>96</u> | | <u>0</u> |
| Total Long Term Creditors | | <u>3,073</u> | | <u>40</u> |

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 2015/16 are as follows:-

| | 31st March 2016 £000 | Charge to Revenue 2015/16 £000 | Capitalised 2015/16 £000 | 31st March 2015 £000 |
|--|----------------------------|---|--------------------------------|----------------------------|
| Health and Adult Services | | | | |
| - Extra Care and Older Peoples Resources | 5,758 | (342) | 307 | 5,793 |
| - Valuing People - Day Centre Provision | 663 | (35) | 0 | 698 |
| - Mental Health Supported Expenditure | 70 | (6) | 0 | 76 |
| - Improving the Home Care Environment | 537 | (33) | 0 | 570 |
| Children and Young People's Service | | | | |
| ICT Software | 489 | (191) | 97 | 583 |
| Central Services | | | | |
| Microsoft Project | 563 | (287) | 0 | 850 |
| Oracle Project | 1,653 | (400) | 600 | 1,453 |
| NY Data Observatory | <u>30</u> | <u>(12)</u> | <u>10</u> | <u>32</u> |
| | <u>9,763</u> | <u>(1,306)</u> | <u>1,014</u> | <u>10,055</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 2016/17 of £97.6m of which £nil relates to Intangible Assets.

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

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------|-----------------|-----------------|
| Balance at start of year | | |
| Gross carrying amount | 20,465 | 18,716 |
| Accumulated amortisation | <u>(10,411)</u> | <u>(9,165)</u> |
| | 10,054 | 9,551 |
| Additions | 1,014 | 1,750 |
| Amortisation | <u>(1,305)</u> | <u>(1,246)</u> |
| Balance at end of year | <u>9,763</u> | <u>10,055</u> |
| Comprising | | |
| Gross carrying amount | 21,479 | 20,466 |
| Accumulated amortisation | <u>(11,716)</u> | <u>(10,411)</u> |
| | <u>9,763</u> | <u>10,055</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.

| | 2015/16 £000 | 2014/15 £000 |
|------------------------------------|-----------------|-----------------|
| Balance at start of year | 36,699 | 37,160 |
| Additions (subsequent expenditure) | 0 | 0 |
| Disposals | (2,380) | (3,215) |
| Net gain from revaluations | <u>412</u> | <u>2,754</u> |
| Balance at end of year | <u>34,731</u> | <u>36,699</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:-

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Rental Income from Investment Property | (327) | (304) |
| Direct operating expenses | 633 | 551 |
| Profit on disposal | (29) | (209) |
| Net gain from revaluation | <u>(412)</u> | <u>(2,754)</u> |
| Total transactions relating to Investment Property | <u>(135)</u> | <u>(2,716)</u> |

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

28. Heritage Assets

The County Council does not currently have any Heritage Assets held within the Balance Sheet.

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 measured at valuation and the asset should be recognised on the Balance Sheet when identified.

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.

| | 2015/16 £000 | 2014/15 £000 |
|-----------------------------------|-----------------|-----------------|
| Balance at start of year | 2,125 | 2,582 |
| Reclassification as held for sale | 0 | 1,520 |
| Net (loss) from revaluations | 0 | (665) |
| Disposals | <u>(1,955)</u> | <u>(1,312)</u> |
| Balance at end of year | <u>170</u> | <u>2,125</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 2016 £000 | 31st March 2015 £000 |
|---|----------------------------|----------------------------|
| Bank current accounts and cash held by the County Council | 26,911 | 19,774 |
| Short term / call deposits | <u>42,102</u> | <u>60,412</u> |
| Total Cash and Cash Equivalents | <u>69,013</u> | <u>80,186</u> |

31. Long Term Investments

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

| | Shareholding | | Dividends |
|-----------------------|--------------|-------|-----------|
| | % | £000 | £000 |
| Yorwaste Limited | 77.73 | 3,518 | 0 |
| NYnet Limited | 100.00 | 0 | 0 |
| Veritau Limited | 50.00 | 0 | 0 |
| SJB Recycling Limited | 77.73 | 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 2015/16. 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 four companies and they have therefore been incorporated into its Group Accounts on pages 109 to 125.

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

Name :- SJB Recycling Limited
Business :- The composting and processing of green and wood waste

| | NYnet Limited | | Veritau Limited * | | Yorwaste Limited | | SJB Recycling Limited | |
|---------------------------------|-----------------|-----------------|-------------------|-----------------|------------------|-----------------|-----------------------|-----------------|
| | 31st March 2016 | 31st March 2015 | 31st March 2016 | 31st March 2015 | 31st March 2016 | 31st March 2015 | 31st March 2016 | 31st March 2015 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Net Assets / (Liabilities) | (8,029) | (8,970) | 505 | 327 | 9,147 | 11,848 | 1,687 | n/a |
| Loans from NYCC | 7,296 | 5,153 | 0 | 0 | 3,700 | 3,700 | 0 | n/a |
| Dividend Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | n/a |
| Profit / (Loss) for the year :- | | | | | | | | |
| Before Tax and Dividends | 941 | 671 | (58) | 20 | (660) | (283) | 93 | n/a |
| After Tax and Dividend | 941 | 671 | (38) | 16 | (607) | (387) | 74 | n/a |

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

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 2016 which fall into the category of long term investments.

32. Long Term Debtors

| | 31st March 2016 £000 | 31st March 2015 £000 |
|---------------------------------|----------------------------|----------------------------|
| Car Loans | 6 | 6 |
| Loans to Subsidiary Companies | 10,996 | 8,853 |
| Loans to Growing Places Schemes | 5,766 | 5,089 |
| Long Term Payments in Advance | 2,000 | 202 |
| Long Term Debtors | <u>2,652</u> | <u>0</u> |
| | 21,420 | 14,150 |
| Less: Bad Debts Provision | <u>0</u> | <u>0</u> |
| | <u>21,420</u> | <u>14,150</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 2015 | | | | |
| Opening Balance | 901 | 474 | 25 | 1,400 |
| Purchases in year | 745 | 6,550 | 133 | 7,428 |
| Stock utilised in year | (1,001) | (6,588) | (158) | (7,747) |
| Written off | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| As at 31st March 2016 | <u>645</u> | <u>436</u> | <u>0</u> | <u>1,081</u> |
| 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 | <u>0</u> | <u>0</u> | <u>(4)</u> | <u>(4)</u> |
| As at 31st March 2015 | <u>901</u> | <u>474</u> | <u>25</u> | <u>1,400</u> |

34. Short Term Debtors

| | 31st March 2016 | | 31st March 2015 | |
|--|-----------------|----------------|-----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Government Entities | | | | |
| Central Government Bodies | 11,392 | | 12,215 | |
| Other Local Authorities | 13,980 | | 12,319 | |
| NHS Bodies | <u>4,456</u> | 29,828 | <u>12,625</u> | 37,159 |
| General Debtors (including Public Corporations and Trading Funds) | | 35,446 | | 31,093 |
| Payments in Advance | | <u>7,813</u> | | <u>13,499</u> |
| | | 73,087 | | 81,751 |
| Less: Bad Debts Provision | | <u>(8,950)</u> | | <u>(7,879)</u> |
| Total Short Term Debtors | | <u>64,137</u> | | <u>73,872</u> |

35. Short Term Creditors

| | 31st March 2016 | | 31st March 2015 | |
|--|-----------------|---------------|-----------------|---------------|
| | £000 | £000 | £000 | £000 |
| Government Entities | | | | |
| Central Government Bodies | 10,845 | | 14,142 | |
| Other Local Authorities | 4,120 | | 3,333 | |
| NHS Bodies | <u>3,661</u> | 18,626 | <u>1,938</u> | 19,413 |
| General Creditors (including Public Corporations and Trading Funds) | | 56,383 | | 49,897 |
| Income in Advance | | <u>8,895</u> | | <u>10,653</u> |
| Total Short Term Creditors | | <u>83,904</u> | | <u>79,963</u> |

36. Provisions

| | Balance as at 31st March 2015 £000 | Provision made during year £000 | Provision used during year £000 | Provision written down during year £000 | Balance as at 31st March 2016 £000 | To be used within 1 year £000 | To be used in excess of 1 year £000 | Total £000 |
|----------------------------------|---|--|--|--|---|-------------------------------------|--|---------------|
| County Care Scheduling System | 81 | 0 | 0 | 0 | 81 | 0 | 81 | 81 |
| Staffing Settlement Costs | 120 | 0 | 0 | 0 | 120 | 120 | 0 | 120 |
| Highways Advance Payments | 2,523 | 720 | (1,103) | 0 | 2,140 | 0 | 2,140 | 2,140 |
| Allerton Park | 840 | 0 | (19) | 0 | 821 | 205 | 616 | 821 |
| Insurance - Claims | 4,374 | 1,340 | (1,423) | 0 | 4,291 | 1,378 | 2,913 | 4,291 |
| Insurance - Liability | 195 | 0 | (2) | 0 | 193 | 193 | 0 | 193 |
| Restructure Costs | 956 | 0 | (703) | (253) | 0 | 0 | 0 | 0 |
| Langbaugh Restoration | 0 | 100 | 0 | 0 | 100 | 100 | 0 | 100 |
| | <u>9,089</u> | <u>2,160</u> | <u>(3,250)</u> | <u>(253)</u> | <u>7,746</u> | <u>1,996</u> | <u>5,750</u> | <u>7,746</u> |
| Comparative Movements in 2014/15 | Balance as at 31st March 2014 | Provision made during year | Provision used during year | Provision written down during year | Balance as at 31st March 2015 | To be used within 1 year | To be used in excess of 1 year | Total |
| 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 | 1,609 | (1,198) | 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>7,594</u> | <u>4,299</u> | <u>(2,489)</u> | <u>(315)</u> | <u>9,089</u> | <u>2,247</u> | <u>6,842</u> | <u>9,089</u> |

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 Residence 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 there was some concern that in some cases, back-dated and retrospective charges could have been levied. Where cases and costs can be quantified these have been included within the accounts. During 2014/15 the provision was written down to zero as experience has shown that generally claims have not had a backdated element and the provision was no longer required.

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

In 2014/15 a number of rent increases were outstanding on Waste Disposal sites, and a provision was established to fund the increases when they were 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.

Langbaugh Restoration

The Council has been working to make safe the closed Langbaugh Ridge Landfill Site at Great Ayton where a mine ventilation shaft has collapsed beneath. Works to plug the hole were due to be carried out in Spring 2016 but were unavoidably delayed. Remedial works will now be carried out in 2016/17 financial year instead.

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| General Working Balance at Start of Period | (91,711) | (78,491) |
| Comprehensive Income and Expenditure charged to the General Balance | 31,996 | (26,013) |
| 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 | (1,305) | (1,246) |
| Charges for depreciation and impairment of non current assets | (52,099) | (55,057) |
| Revaluation losses on Property, Plant and Equipment | (29,546) | (4,917) |
| Impairment from Non Enhancing Capital Expenditure | (11,446) | (12,040) |
| Movements in the value of Investment Properties | 412 | 2,754 |
| Capital Grants and Contributions | 109,954 | 78,253 |
| Revenue Expenditure Funded from Capital under Statute | (18,481) | (9,089) |
| Carrying Value of non current assets written off on disposal | (56,604) | (23,123) |
| Pension Reserve | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (60,292) | (47,533) |
| 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 | 101 | 2,487 |
| 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 | 1,133 | 859 |
| 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 | 14,660 | 14,496 |
| Capital Expenditure charged against the General Working Balance | 13,901 | 17,626 |
| Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | 7,378 | 9,017 |
| Pension Reserve | | |
| Employer pension contributions payable in the year | 38,014 | 37,575 |
| Total of adjustments between accounting basis and funding basis under regulations | (44,220) | 10,062 |
| Transfers from Earmarked Reserves | 76,665 | 2,731 |
| General Working Balance at Period End | (27,270) | (91,711) |

(b) Earmarked Reserves

| | Balance | | Balance | | Balance |
|--|---------------|------------|---------------|--------------|---------------|
| | 31st | Movement | 31st | Movement | 31st |
| | March | in year | March | in year | March |
| | 2016 | 2015/16 | 2015 | 2014/15 | 2014 |
| | £000's | £000's | £000's | £000's | £000's |
| Earmarked for Schools | | | | | |
| Local Management of Schools | 33,877 | 2,987 | 30,890 | (52) | 30,942 |
| Schools Block / DSG | 10,850 | (2,517) | 13,367 | 2,059 | 11,308 |
| | <u>44,727</u> | <u>470</u> | <u>44,257</u> | <u>2,007</u> | <u>42,250</u> |
| Retained for Specific Initiatives | | | | | |
| Children and Young People's Service | | | | | |
| - CSC Investment | 867 | 867 | 0 | 0 | 0 |
| - Education in Scarborough | 730 | 730 | 0 | 0 | 0 |
| - Other Individual Reserves <£500k | 688 | (1,188) | 1,876 | (3,374) | 5,250 |
| Business and Environmental Services | | | | | |
| - Highways Maintenance | 10,105 | 10,105 | 0 | 0 | 0 |
| - Bedale, Aiskew and Leeming Bar Bypass | 2,963 | 2,488 | 475 | (148) | 623 |
| - Highways Advance Payments | 1,751 | 496 | 1,255 | 358 | 897 |
| - Flood Risk Management | 1,395 | (122) | 1,517 | 917 | 600 |
| - Other Individual Reserves <£500k | 2,645 | 131 | 2,514 | (1,338) | 3,852 |
| Health and Adult Services | | | | | |
| - Extra Care | 3,400 | 3,400 | 0 | 0 | 0 |
| - Health and Social Care Transfer Monies | 2,379 | (6,929) | 9,308 | 9,308 | 0 |
| - Supporting People Initiatives | 771 | (1,780) | 2,551 | 170 | 2,381 |
| - Other Individual Reserves <£500k | 80 | 80 | 0 | 0 | 0 |
| Central Services | | | | | |
| - T&C Strategy and Infrastructure | 5,958 | 1,248 | 4,710 | 1,175 | 3,535 |
| - Stronger Communities | 2,908 | 2,908 | 0 | 0 | 0 |
| - NY2020 Programme Support | 2,162 | 1,361 | 801 | 801 | 0 |
| - 2020 Property Projects | 890 | 0 | 890 | 50 | 840 |
| - T&C Projects | 724 | 0 | 724 | 724 | 0 |
| - Policy, Partnership and Performance | 558 | 0 | 558 | (13) | 571 |
| - County Councillor Locality Budget | 543 | 543 | 0 | 0 | 0 |
| - Other Individual Reserves <£500k | 765 | 5 | 760 | (3,192) | 3,952 |

Earmarked Reserves (Cont.)

| | Balance 31st March 2016 £000's | Movement in year 2015/16 £000's | Balance 31st March 2015 £000's | Movement in year 2014/15 £000's | Balance 31st March 2014 £000's |
|--|--|--|--|--|--|
| Corporate Services | | | | | |
| - Strategic Resources | 36,017 | 36,017 | 0 | 0 | 0 |
| - Investments | 10,000 | 10,000 | 0 | 0 | 0 |
| - Insurance (note 39) | 7,562 | 891 | 6,671 | (267) | 6,938 |
| - Superfast Broadband | 4,640 | 4,640 | 0 | (3,100) | 3,100 |
| - Pending Issues Provision | 4,319 | 4,319 | 0 | 0 | 0 |
| - Redundancy | 4,037 | (586) | 4,623 | 3,911 | 712 |
| - Coastal Protection Scarborough South Cliff | 1,212 | 1,212 | 0 | 0 | 0 |
| - Other Individual Reserves <£1m | 1,149 | 598 | 551 | 251 | 300 |
| | <u>111,218</u> | <u>71,434</u> | <u>39,784</u> | <u>6,233</u> | <u>33,551</u> |
| Reserves of Trading and Service Units Smart Solutions | | | | | |
| - Trading Reserves | 3,451 | 701 | 2,750 | (453) | 3,203 |
| - Insurances | 3,193 | 1,103 | 2,090 | 1,033 | 1,057 |
| | <u>6,644</u> | <u>1,804</u> | <u>4,840</u> | <u>580</u> | <u>4,260</u> |
| Revenue Grants and Contributions Reserve | | | | | |
| Children and Young People's Service | | | | | |
| - Miscellaneous Grants | 7,458 | 702 | 6,756 | 3,259 | 3,497 |
| Business and Environmental Services | | | | | |
| - Civil Parking Enforcement | 4,834 | 76 | 4,758 | 797 | 3,961 |
| - Economic Development Grants | 508 | 5 | 503 | 162 | 341 |
| - Community Transport Grant | 500 | (542) | 1,042 | 210 | 832 |
| - Other Individual Reserves <£500k | 1,184 | (649) | 1,833 | (1,101) | 2,934 |
| Health and Adult Services | | | | | |
| - Public Health | 9,382 | (40) | 9,422 | 4,713 | 4,709 |
| - Care Act | 3,492 | 3,492 | 0 | 0 | 0 |
| - Health Funding Reserve | 816 | 0 | 816 | (12,388) | 13,204 |
| - Other Individual Reserves <£500k | 0 | 0 | 0 | (1,508) | 1,508 |
| Corporate Services | | | | | |
| - Policy, Partnership and Performance | 938 | 446 | 492 | 296 | 196 |
| - LAA Performance Grant | 842 | (533) | 1,375 | (529) | 1,904 |
| | <u>29,954</u> | <u>2,957</u> | <u>26,997</u> | <u>(6,089)</u> | <u>33,086</u> |
| TOTAL Earmarked Reserves | <u>192,543</u> | <u>76,665</u> | <u>115,878</u> | <u>2,731</u> | <u>113,147</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 2016 £000 | 31st March 2015 £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 | 7,378 | 9,017 |
| Use of the Capital Receipts Reserve to finance new expenditure | <u>(7,378)</u> | <u>(9,017)</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.

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Opening Balance | 10,632 | 6,645 |
| Adjustments between accounting basis and funding basis under regulation | | |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement | 109,954 | 78,253 |
| Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account | <u>(93,282)</u> | <u>(74,266)</u> |
| Closing Balance | <u>27,304</u> | <u>10,632</u> |

38. Unusable Reserves

(a) Revaluation Reserve

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

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Opening Balance | 270,666 | 198,531 |
| Asset Revaluation within Other Comprehensive Income and Expenditure Statement including Addition of assets | 7,665 | 81,877 |
| Adjustment between current value depreciation and historic cost depreciation | <u>(5,980)</u> | <u>(4,981)</u> |
| Write out of revaluation on disposal; Property, Plant and Equipment | <u>(11,520)</u> | <u>(4,761)</u> |
| Closing Balance | <u>260,831</u> | <u>270,666</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 2016 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 2016;
- Provision for bad debts of Debtors in relation to Council Tax and Non- Domestic Rates arrears as at 31st March 2016;
- Income in advance from Council Tax and Non-Domestic Rates payers who have paid their bills early as at 31st March 2016; 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 2015/16.

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 2015/16, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2015/16. 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 2014/15 and 2015/16 and can be calculated as follows:-

| | 31st March 2016 £000 | 31st March 2015 £000 |
|--|----------------------------|----------------------------|
| Council Tax | | |
| Debtors | 10,115 | 10,152 |
| Provision for Doubtful Debts | (4,819) | (4,809) |
| Creditors for Pre-payments and Over-payments | (4,636) | (4,615) |
| Net Debtors to the Billing Authority | 4,921 | 4,259 |
| Net Creditors to the Billing Authority | <u>0</u> | <u>0</u> |
| | <u>5,581</u> | <u>4,987</u> |
| Non-Domestic Rates | | |
| Debtors | 664 | 489 |
| Provision for Doubtful Debts | (281) | (294) |
| Provision for Appeals | (1,663) | (1,049) |
| Creditors for Pre-payments and Over-payments | (240) | (542) |
| Net Debtors / (Creditors) to the Billing Authority | <u>614</u> | <u>983</u> |
| | <u>(906)</u> | <u>(413)</u> |
| Collection Fund surplus | <u>4,675</u> | <u>4,574</u> |
| Movement in Year (notes 8 and 9) | | |
| Council Tax | 594 | 1,468 |
| Non-Domestic Rates | <u>(493)</u> | <u>1,019</u> |
| | <u>101</u> | <u>2,487</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 2015/16. 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.

| | 2015/16 £000 | 2014/15 £000 |
|-------------------------|-----------------|-----------------|
| Balance Brought Forward | (8,739) | (9,598) |
| Movement in Year | <u>1,133</u> | <u>859</u> |
| Closing Balance | <u>(7,606)</u> | <u>(8,739)</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 benefits 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.

| | 2015/16 £000 | 2014/15 £000 |
|---|------------------|------------------|
| Opening Balance | (484,059) | (317,521) |
| Remeasurements of the Net Defined Benefit Liability (Actuarial gains / (losses) on pension assets/liabilities) | 69,414 | (156,580) |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (60,292) | (47,533) |
| Employers pension contributions payable in year | <u>38,014</u> | <u>37,575</u> |
| Closing Balance | <u>(436,923)</u> | <u>(484,059)</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.

| | 2015/16 £000 | 2014/15 £000 |
|---|-----------------|-----------------|
| Opening Balance | 981,530 | 963,390 |
| Adjustments between accounting basis and funding basis under regulations | | |
| Amortisation of Intangible Assets | (1,305) | (1,246) |
| Charges for depreciation and impairment of non current assets | (52,099) | (55,057) |
| Revaluation losses on Property, Plant and Equipment | (29,546) | (4,917) |
| Impairment from Non Enhancing Capital Expenditure | (11,446) | (12,040) |
| Movements in the value of Investment Properties | 412 | 2,754 |
| Capital Grants and Contributions | 93,282 | 74,266 |
| Revenue Expenditure Funded from Capital under Statute | (18,481) | (9,089) |
| Carrying Value of non current assets written off on disposal | (56,604) | (23,123) |
| Statutory Provision for the financing of capital investment | 14,660 | 14,496 |
| Capital Expenditure charged against the General Working Balance | 13,901 | 17,626 |
| Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | 7,378 | 9,017 |
| Re-payment of long term loans | 0 | (4,289) |
| Other Reserve Movements | | |
| Adjustment between current value depreciation and historic cost depreciation | 5,980 | 4,981 |
| Write out of revaluation on disposal; Property, Plant and Equipment | 11,520 | 4,761 |
| Closing Balance | <u>959,182</u> | <u>981,530</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 (£0.25m in 2014/15);
- liability claims aggregating over £3m (£3m in 2014/15);
- individual motor claims in excess of £0.1m (£0.1m in 2014/15);
- motor claims aggregating over £0.3131m (£0.31m in 2014/15);
- material damage claims aggregating over £0.5m (£0.5m in 2014/15); and
- individual material damage claims in excess of £0.1m (£0.1m in 2014/15).

40. Material Contingent Liabilities

The County Council has identified one area, Deprivation of Liberty Safeguards, 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 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.

The Judgment also impacts 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 Draft Statement for 2015/16 was authorised for issue by 30th June 2016 by the Corporate Director – Strategic Resources. The Statement of Accounts is then subject to the External Audit process, before being considered and approved by Audit Committee members on 29th September 2016.

Since the Balance Sheet date, five schools have converted to Academy status. Land and building asset values totalling £36.4 million will be transferred off the Council's balance sheet in 2016/17 and the Council will no longer receive Dedicated School Grant of around £6.0 million.

42. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. 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 2015/16 are detailed below:-

| | Central Expenditure £000 | Individual Schools Budgets £000 | Total £000 |
|---|--------------------------------|--|------------------|
| Final DSG for 2015/16 before Academy recoupment | | | 390,239 |
| Academy figure recouped for 2015/16 | | | <u>(49,351)</u> |
| Total DSG after Academy recoupment for 2015/16 | | | <u>340,888</u> |
| Brought forward from 2014/15 | | | 13,367 |
| * Post year end adjustment | | | <u>106</u> |
| Carry-forward to 2016/17 agreed in advance | | | <u>13,473</u> |
| Agreed initial budgeted distribution in 2015/16 | 44,580 | 296,308 | 340,888 |
| ** In year adjustments | <u>0</u> | <u>20</u> | <u>20</u> |
| Final budgeted distribution for 2015/16 | <u>44,580</u> | <u>296,328</u> | <u>340,908</u> |
| Less Actual central expenditure | (47,589) | 0 | (47,589) |
| Less Actual ISB deployed to schools | <u>0</u> | <u>(295,942)</u> | <u>(295,942)</u> |
| Net Carry-forward in year | <u>(3,009)</u> | <u>386</u> | <u>(2,623)</u> |
| Net Carry-forward to 2016/17 | | | <u>10,850</u> |

* 2014-15 Early Years block adjustment which should have been accrued for in 2014-15

** Final early years block adjustment (based on January 2016 census data)

In 2015/16, £341,014k has been credited against the Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The net overspend in 2015/16 of £2,517k on central expenditure and ISB has been met by the balance of DSG carried forward from previous years. Following consultation with the Education Partnership, this remaining DSG balance, totalling £10,850k overall will be used exclusively in support of the Schools Budget in 2016/17 and subsequent years.

43. Trust Funds

The County Council acted as sole trustee for 8 trust funds during 2015/16, 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 Consolidated Balance Sheet.

| Trust Fund and Purpose | Expenditure 2015/16 £000 | Income 2015/16 £000 | Assets as at 31st March 2016 £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 | 0.0 | 14.0 |
| Haywa 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 | 9.0 | 9.0 | 215.0 |
| Norwood Primary School To be used for education purposes at Felliscliffe and Darley Schools | 0.0 | 0.0 | 59.0 |
| Wrea Head Ellis Fund To be used for the advancement of education | 201.0 | 4.0 | 635.0 |
| Burniston Educational Foundation Promoting education of persons under 25 who are or have parents resident in Burniston | 1.0 | 1.0 | 105.0 |
| 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 | 1.0 | 15.0 |
| Felliscliffe School Charity (Consolidated) For the benefit of Grantley, Hampsthwaite and Felliscliffe Schools | 0.0 | 0.0 | 1.0 |
| Goathland School Endowment For the benefit of Goathland School | 0.0 | 0.0 | 1.0 |
| | <u>212.0</u> | <u>15.0</u> | <u>1045.0</u> |

The assets of the trust funds at 31st March 2015 were £1,242k. 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 100 (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 2016 £000 | 31st March 2015 £000 | 31st March 2016 £000 | 31st March 2015 £000 |
| Investments | | | | |
| Loans and Receivables | 3,518 | 3,518 | 227,383 | 155,491 |
| Loans to Limited Companies | 10,996 | 8,853 | 0 | 0 |
| Loans to Growing Places Schemes | 5,766 | 5,089 | 0 | 0 |
| Loans to North Yorkshire Police Force | 0 | 0 | 0 | 0 |
| Other Debtors | 4,658 | 208 | 64,137 | 73,872 |
| Borrowings | | | | |
| PWLB Loans | (288,975) | (296,585) | (10,279) | (5,900) |
| Market LOBO Loans | (20,000) | (15,000) | (48) | (5,046) |
| Temporary Loans from External Bodies | | | | |
| - North Yorkshire Pension Fund | 0 | 0 | (3,917) | (12,049) |
| - Selby District Council | 0 | 0 | (25,935) | (15,342) |
| - North Yorkshire Fire and Rescue Authority | 0 | 0 | (6,815) | (7,997) |
| - North York Moors National Park | 0 | 0 | (2,086) | (1,430) |
| - Yorkshire Dales National Park | 0 | 0 | (2,128) | (2,001) |
| - Peak District National Park | 0 | 0 | (6,224) | (3,096) |
| - National Parks England | 0 | 0 | (134) | (165) |
| | <u>(308,975)</u> | <u>(311,585)</u> | <u>(57,566)</u> | <u>(53,026)</u> |
| Other Liabilities | | | | |
| PFI and Finance Leases | <u>(5,257)</u> | <u>(5,538)</u> | <u>(281)</u> | <u>(257)</u> |
| Creditors | <u>(3,073)</u> | <u>(40)</u> | <u>(83,904)</u> | <u>(79,963)</u> |

(b) Income, Expense, Gains and Losses

| | Financial Liabilities measured at amortised cost | | Financial Assets Loans and receivables | |
|------------------------------------|---|----------------------------|---|----------------------------|
| | 31st March 2016 £000 | 31st March 2015 £000 | 31st March 2016 £000 | 31st March 2015 £000 |
| Interest expense | 14,544 | 15,174 | 852 | 337 |
| Impairment of Assets held for Sale | <u>0</u> | <u>665</u> | <u>0</u> | <u>0</u> |
| | 14,544 | 15,839 | 852 | 337 |
| Interest and similar Income | 0 | 0 | (2,245) | (2,020) |
| Dividends Received | <u>0</u> | <u>0</u> | <u>(599)</u> | <u>(324)</u> |
| | 0 | 0 | (2,844) | (2,344) |
| Net (gain) / loss for the year | <u>14,544</u> | <u>15,839</u> | <u>(1,992)</u> | <u>(2,007)</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 2016 | | 31st March 2015 | |
|-----------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB Maturity Loans | 284,848 | 346,462 | 284,662 | 343,851 |
| PWLB Annuity Loans | 14,406 | 16,743 | 17,823 | 20,708 |
| Market LOBO Loans | 20,048 | 23,796 | 20,046 | 21,161 |
| Financial Liabilities | <u>319,302</u> | <u>387,001</u> | <u>322,531</u> | <u>385,720</u> |

The fair value of the liabilities is greater 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 (based on economic conditions at 31st March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £363.2m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £299.3m would be valued at £363.2m. But, if the authority were to seek to realise the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £414.6m.

Investment Activities

| | 31st March 2016 | | 31st March 2015 | |
|-------------------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Money Market Loans less than 1 year | 227,383 | 227,507 | 155,491 | 155,664 |
| Money Market Loans more than 1 year | 0 | 0 | 0 | 0 |
| Financial Liabilities | <u>227,383</u> | <u>227,507</u> | <u>155,491</u> | <u>155,664</u> |

The fair value of the assets is greater 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 (based on economic conditions at 31st March 2016) attributable to the commitment to receive interest above current market rates.

The carrying amounts at 31st March 2016 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), SJB Recycling Limited (£0k) 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 2016 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2016, 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 2016 £000 | Historical experience of default % | Historical experience adjusted for market conditions at 31st March 2016 % |
|--|-----------------------------------|---------------------------------------|--|
| Deposits for less than 1 year:- | | | |
| Other Local Authorities | 20,028 | 0.0 | 0.0 |
| Institutions with Fitch Rating Long Term AA- and Short Term F1+ | 8,002 | 0.0 | 0.0 |
| Part Nationalised Banks with Fitch Rating Long Term A and Short Term F1 | 85,241 | 0.0 | 0.0 |
| Institutions with Fitch Rating Long Term A and Short Term F1 | 109,105 | 0.0 | 0.0 |
| Part Nationalised Banks with Fitch Rating Long Term A- and Short Term F1 | 5,007 | 0.0 | 0.0 |
| | <u>227,383</u> | | |
| Debtors | <u>64,137</u> | | |

No breaches of the credit rating criteria occurred during 2015/16 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 2016 | Amount at 31st March 2016 £000 |
|--------|---|---|
| UK | AA+ | 219,381 |
| Sweden | AAA | <u>8,002</u> |
| | | <u>227,383</u> |

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2016, which are included within the £62m Short Term Debtors, can be analysed by past-due and age status as follows:-

| | 31st March 2016 £m |
|--------------------|--------------------------|
| Less than 1 month | 13.8 |
| 1 to 3 months | 1.5 |
| 3 to 6 months | 0.9 |
| More than 6 months | <u>3.0</u> |
| | <u>19.2</u> |

It is considered that £5.4m of the £19.2m 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 manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. 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.

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.

Refinancing and Maturity risk

The County Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the County Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The County Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the County Council day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (borrowing) is as follows:-

| | 31st March 2016 £000 | 31st March 2015 £000 |
|---|----------------------------|----------------------------|
| Less than one year | | |
| Public Works Loan Board | (10,279) | (5,900) |
| Market LOBO Loans | (48) | (5,046) |
| Temporary Loans from External Bodies | | |
| - North Yorkshire Pension Fund | (3,917) | (12,049) |
| - Selby District Council | (25,935) | (15,342) |
| - North Yorkshire Fire and Rescue Authority | (6,816) | (7,997) |
| - North York Moors National Park | (2,086) | (1,430) |
| - Yorkshire Dales National Park | (2,128) | (2,001) |
| - Peak District National Park | (6,224) | (3,096) |
| - National Parks England | (133) | (165) |
| | <u>(57,566)</u> | <u>(53,026)</u> |
| Greater than one year | | |
| Public Works Loan Board | (288,975) | (296,585) |
| Market LOBO Loans | (20,000) | (15,000) |
| | <u>(308,975)</u> | <u>(311,585)</u> |
| Analysis of loans by Maturity | | |
| Between one and two years | (31,443) | (7,610) |
| Between two and five years | (61,564) | (60,879) |
| Between five and ten years | (37,468) | (54,596) |
| Between ten and fifteen years | (7,500) | (17,500) |
| Between fifteen and twenty five years | (17,200) | (17,200) |
| Between twenty five and forty years | (138,800) | (131,300) |
| More than forty years | (15,000) | (22,500) |
| | <u>(308,975)</u> | <u>(311,585)</u> |

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 | 2,192 |
| Increase in government grant receivable for financing costs | 0 |
| Impact on Comprehensive Income and Expenditure Account | <u>2,192</u> |
| Decrease in fair value of fixed rate investment assets | <u>9,376</u> |
| Decrease in fair value of fixed rate borrowing liabilities | <u>2,779</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 2015/16, it has a group relationship with five bodies (including their subsidiaries where appropriate):-

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

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 2016 being £7.3m. 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 2015/16 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 2016 was £20,160. 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 £117.4m resulting in an operating surplus for 2015 of £9.4m. A member's cash dividend was agreed for the year 2015 totalling £9.1m. The County Council received £680k in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £26.8m with a general fund working balance in 2015 of £30.3m.

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

(d) 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 2015/16 or 2014/15.

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

(e) SJB Recycling Limited

The County Council owns 78% of SJB Recycling Limited whose principal activities are the composting and processing of green and wood waste. The remaining shareholder in SJB Recycling Limited is the City of York Council holding 22%. SJB Recycling Limited transferred to the direct ownership of the County Council and City of York Council from Yorwaste Limited, a subsidiary of the County Council.

SJB Recycling 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, SJB Recycling 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 four bodies. These companies do not report under IFRS, rather as small unlisted companies, and their accounts are produced under UK GAAP, incorporating FRS 102 for the first time in their 2015/16 accounts. The move to FRS 102 has resulted in changes to the measurement of deferred tax in relation to the defined pension benefit scheme in the accounts of Veritau Limited. However this has no material impact on the Group Accounts. No other changes as a result of the move to FRS 102 have had any impact on the Group Accounts. Adjustments have been made to the respective accounts to ensure consistency of accounting policies.

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 £1,148k. This relates to:-

- the incorporation of Yorwaste Limited's operating loss of £70k,
- the incorporation of NYnet Limited's consolidated operating profit of £1,152k,
- the incorporation of Veritau Limited's pre-tax trading loss of £32k, and
- the incorporation of SJB Recycling Limited's consolidated operating profit of £98k.

The deficit on the Provision of Services of the County Council decreases by £389k from £31,996k to become the Group surplus position of £31,607k as a result of:-

- consolidation impact on Group Comprehensive Income and Expenditure Statement listed above of a £1,148k operating profit;
- net interest paid and received by the four companies of £803k, and
- net taxation adjustments of (£44k).

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 £20.1m. The Liabilities of the Group increase by £20.6m as a result of consolidation. The decrease in net assets of £0.5m represents Yorwaste Limited's Shareholder funds of £9.1m, NYnet Limited's cumulative Profit and Loss deficit of £8.0m, Veritau Limited's cumulative Profit and Loss surplus of £0.2m, SJB Recycling Limited's cumulative Profit and Loss Surplus of £1.7m 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 2015 | | | Year to 31st March 2016 | | | |
|-------------------------|------------------|------------------|---|---------------------|------------------|------------------|
| Expenditure £000 | Income £000 | Net £000 | | Expenditure £000 | Income £000 | Net £000 |
| 3,210 | (1,944) | 1,266 | Central Services to the Public | 2,528 | (2,023) | 505 |
| 774 | 0 | 774 | Court Services | 967 | 0 | 967 |
| 13,862 | (1,709) | 12,153 | Cultural and Related Services | 13,084 | (995) | 12,089 |
| 68,952 | (35,003) | 33,949 | Environmental and Regulatory Services | 68,328 | (34,309) | 34,019 |
| 18,494 | (14,201) | 4,293 | Planning Services | 27,587 | (27,335) | 252 |
| 556,507 | (435,538) | 120,969 | Education and Children's Services | 573,816 | (432,490) | 141,326 |
| 68,024 | (13,841) | 54,183 | Highways, Roads and Transport Services | 78,556 | (17,482) | 61,074 |
| 215,476 | (56,192) | 159,284 | Adult Social Care | 233,332 | (68,775) | 164,557 |
| 15,170 | (19,892) | (4,722) | Public Health | 20,786 | (20,716) | 70 |
| 241 | (51) | 190 | Housing Services | 108 | 0 | 108 |
| 3,172 | (296) | 2,876 | Corporate and Democratic Core | 967 | (74) | 893 |
| 1,264 | (120) | 1,144 | Non Distributed Costs | 464 | (130) | 334 |
| <u>965,146</u> | <u>(578,787)</u> | <u>386,359</u> | Cost of Services | <u>1,020,523</u> | <u>(604,329)</u> | <u>416,194</u> |
| | | | Other Operating Expenditure | | | |
| | | 14,315 | Loss on Disposal of Property, Plant and Equipment | | | 49,255 |
| | | 665 | Impairment of Assets Held for Sale | | | 0 |
| | | 585 | Precepts of Local Precepting Authorities | | | 601 |
| | | 0 | Exceptional Items | | | 0 |
| | | | Financing and Investment Income and Expenditure | | | |
| | | 15,654 | Interest payable and similar charges | | | 14,979 |
| | | (1,740) | Interest receivable and similar income | | | (1,624) |
| | | (2,716) | Investment Properties; revaluation and impairment | | | (135) |
| | | 237 | (Surplus) / Deficit of trading activities | | | (130) |
| | | <u>13,434</u> | Net interest on the defined pension benefit liability (asset) | | | <u>15,784</u> |
| | | 426,793 | | | | 494,924 |
| | | <u>(453,204)</u> | Taxation and Non-Specific Grant Income | | | <u>(463,273)</u> |
| | | <u>(26,411)</u> | (Surplus) / Deficit on Provision of Services | | | <u>31,651</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 2015/16 | | | | | | |
| Balance at 31st March 2015 | (218,221) | (763,972) | (982,193) | 3,115 | (2,639) | (981,717) |
| (Surplus) / Deficit on Provision of Services (accounting basis) | 31,996 | 0 | 31,996 | (508) | 119 | 31,607 |
| Other Comprehensive Expenditure and Income | 0 | (77,079) | (77,079) | (108) | 0 | (77,187) |
| Total Comprehensive Expenditure and Income | 31,996 | (77,079) | (45,083) | (616) | 119 | (45,580) |
| Adjustments between accounting Group Accounts and Authority Accounts | 0 | 0 | 0 | 0 | 0 | 0 |
| Net (Increase) / Decrease before Transfers | 31,996 | (77,079) | (45,083) | (616) | 119 | (45,580) |
| Adjustments between accounting basis and funding basis under regulations | (60,892) | 60,892 | 0 | 0 | 0 | 0 |
| Adjustment relating to subsidiary ownership within group | 0 | 0 | 0 | 375 | 107 | 482 |
| Net (Increase) / Decrease before Transfers to Earmarked Reserves | (28,896) | (16,187) | (45,083) | (241) | 226 | (45,098) |
| Balance at 31st March 2016 | (247,117) | (780,159) | (1,027,276) | 2,874 | (2,413) | (1,026,815) |
| 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) |
| 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) |

GROUP BALANCE SHEET AS AT 31ST MARCH 2016

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|--|----------------------------|
| 1,570,705 | Property, Plant and Equipment (note 9) | 1,523,677 |
| 36,699 | Investment Property | 34,731 |
| 10,167 | Intangible Assets | 9,763 |
| 5 | Long Term Investments | 4 |
| 5,297 | Long Term Debtors | 9,104 |
| 0 | Deferred Tax Asset | 0 |
| 1,622,873 | Long Term Assets | 1,577,279 |
| 155,805 | Short Term Investments | 227,697 |
| 1,646 | Inventories | 1,327 |
| 84,681 | Short Term Debtors (note 11) | 74,630 |
| 88,860 | Cash and Cash Equivalents (note 10) | 77,645 |
| 2,125 | Assets held for sale | 170 |
| 260 | Current Tax Assets | 263 |
| 333,377 | Current Assets | 381,732 |
| (53,026) | Short Term Borrowing | (57,566) |
| (97,009) | Short Term Creditors (note 12) | (94,869) |
| (250) | PFI Liability repayable within 12 months | (273) |
| (7) | Finance Lease repayable within 12 months | (8) |
| (2,247) | Provisions to be used within 12 months | (2,003) |
| (3,568) | Capital Grant Receipts in Advance | (3,025) |
| 0 | Current Tax Liabilities | 0 |
| (156,107) | Current Liabilities | (157,744) |
| (40) | Long Term Creditors | (3,282) |
| (4,453) | PFI Liability repayable in excess of 12 months | (4,180) |
| (1,085) | Finance Lease repayable in excess of 12 months | (1,077) |
| (15,322) | Provisions to be used in excess of 12 months | (14,234) |
| (484,000) | Pensions Liability | (436,815) |
| (312,585) | Long Term Borrowing | (309,975) |
| (941) | Capital Grant Receipts in Advance | (4,889) |
| (818,426) | Long Term Liabilities | (774,452) |
| 981,717 | Net Assets | 1,026,815 |
| 218,221 | Usable Reserves | 247,117 |
| 763,972 | Unusable Reserves | 780,159 |
| (476) | Reserves - Group Entities | (461) |
| 981,717 | Total Reserves | 1,026,815 |

GROUP CASH FLOW STATEMENT

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|--|----------------------------|
| 26,305 | Net Surplus / (Deficit) on the Provision of Services | (31,607) |
| | Adjust Net Surplus / (Deficit) on the Provision of Services for non cash movements | |
| 60,755 | Depreciation / Amortisation | 57,255 |
| 14,203 | Impairment and revaluations charged to the provision of services | 40,444 |
| (6,512) | Movement in Creditors | 16,965 |
| (32,147) | Movement in Debtors | (489) |
| 230 | Movement in Inventories | 319 |
| 1,495 | Movement in Provisions | (1,343) |
| 9,999 | Pensions Liability | 22,355 |
| 23,123 | Carrying Amount of Non-current Assets sold | 56,604 |
| <u>(2,127)</u> | Other non-cash items charged to the provision of services | <u>(1,687)</u> |
| 69,019 | | 190,423 |
| | Adjust for items included in the Net Surplus / (Deficit) on the Provision of Services that are investing and financing activities | |
| (72,499) | Grants received for investment purposes | (93,623) |
| <u>(9,017)</u> | Proceeds from the sale of property and other assets | <u>(7,378)</u> |
| (81,516) | | (101,001) |
| 0 | Equity Dividends Paid | 0 |
| <u>(157)</u> | Taxation | <u>(264)</u> |
| 13,651 | Net cash flows from Operating Activities | 57,551 |
| | Investing Activities | |
| (96,877) | Purchase of Property, Plant and Equipment and Intangible Assets | (95,959) |
| (61,658) | Purchase of Short Term and Long Term investments | 0 |
| 0 | Other payments for investing activities | 0 |
| 9,594 | Proceeds from the Sale of Property (and other Assets) | 7,766 |
| 0 | Proceeds from Short Term and Long Term Investments | (71,892) |
| <u>70,894</u> | Other receipts for investing activities | <u>89,758</u> |
| (78,047) | Net cash flows from Investing Activities | (70,327) |
| | Financing Activities | |
| 0 | Cash receipts of Short and Long Term Borrowing | 5,021 |
| 26,415 | Other receipts from Financing Activities | 83 |
| 4 | Repayment of the outstanding liability of Finance Lease and similar arrangements | (257) |
| (25,093) | Repayment of Short and Long Term Borrowing | (3,286) |
| <u>(176)</u> | Other payments for Financing Activities | <u>0</u> |
| 1,150 | Net cash flows for Financing Activities | 1,561 |
| (63,246) | Net Increase / (decrease) in Cash and Cash Equivalents | (11,215) |
| 152,106 | Cash and Cash Equivalents at the beginning of the reporting period | 88,860 |
| <u>88,860</u> | Cash and Cash Equivalents at the end of the reporting period | <u>77,645</u> |
| (63,246) | | (11,215) |

NOTES TO THE GROUP STATEMENTS

1. The total assets and liabilities of Yorwaste Limited and SJB Recycling 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 and SJB Recycling 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 £1,405k – totalling £2,413k.
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.
5. The total assets and liabilities of NYnet Limited have been fully incorporated into the Group Accounts.
6. 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.
7. Receipts and payments between Yorwaste Limited, SJB Recycling Limited, NYnet Limited, Veritau Limited and the County Council are cancelled out on consolidation.

8. 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 2016

| | NYCC £000 | NYnet Limited £000 | Veritau Limited £000 | Yorwaste Limited £000 | SJB Recycling Limited £000 | Consolidation Adjustments £000 | Group £000 |
|--|-----------------|--------------------------|----------------------------|-----------------------------|-------------------------------------|--------------------------------------|-----------------|
| Cost of Service | 417,342 | (1,152) | 32 | 70 | (98) | 0 | 416,194 |
| Other Operating Expenditure | | | | | | | |
| Loss on Disposal of Property, Plant and Equipment | 49,255 | 0 | 0 | 0 | 0 | 0 | 49,255 |
| Impairment of Assets Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Precepts of Local Precepting Authorities | 601 | 0 | 0 | 0 | 0 | 0 | 601 |
| Exceptional Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing and Investment Income and Expenditure | | | | | | | |
| Interest payable and similar charges | 14,544 | 211 | 0 | 597 | 5 | (378) | 14,979 |
| Interest receivable and similar income | (1,393) | 0 | (3) | (7) | 0 | 378 | (1,025) |
| Dividend Income | (599) | 0 | 0 | 0 | 0 | 0 | (599) |
| Investment Properties; revaluation and impairment | (135) | 0 | 0 | 0 | 0 | 0 | (135) |
| Surplus of trading activities | (130) | 0 | 0 | 0 | 0 | 0 | (130) |
| Net interest on the defined benefit liability (asset) | 15,784 | 0 | 0 | 0 | 0 | 0 | 15,784 |
| | 28,071 | 211 | (3) | 590 | 5 | 0 | 28,874 |
| Taxation and Non-Specific Grant Income | (463,273) | 0 | 0 | 0 | 0 | 0 | (463,273) |
| (Surplus) / Deficit on Provision of Services | 31,996 | (941) | 29 | 660 | (93) | 0 | 31,651 |
| Tax Expenses | 0 | 0 | (10) | (53) | 19 | 0 | (44) |
| Interim Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Group (Surplus) / Deficit | 31,996 | (941) | 19 | 607 | (74) | 0 | 31,607 |
| (Surplus) / Deficit on Revaluation of Fixed Assets | (7,665) | 0 | 0 | 0 | 0 | 0 | (7,665) |
| Actuarial losses on Pension Assets/Liabilities | (69,414) | 0 | (108) | 0 | 0 | 0 | (69,522) |
| Other Comprehensive Income and Expenditure | (77,079) | 0 | (108) | 0 | 0 | 0 | (77,187) |
| Total Comprehensive Income and Expenditure | (45,083) | (941) | (89) | 607 | (74) | 0 | (45,580) |

Balance Sheet as at 31st March 2016

| | NYCC £000 | NYnet Limited £000 | Veritau Limited £000 | Yorwaste Limited £000 | SJB Recycling Limited £000 | Consolidation Adjustments £000 | Group £000 |
|--|------------------|--------------------------|----------------------------|-----------------------------|-------------------------------------|--------------------------------------|------------------|
| Property, Plant and Equipment | 1,507,699 | 2,680 | 0 | 12,086 | 1,212 | 0 | 1,523,677 |
| Investment Property | 34,731 | 0 | 0 | 0 | 0 | 0 | 34,731 |
| Intangible Assets | 9,763 | 0 | 0 | 0 | 0 | 0 | 9,763 |
| Long Term Investments | 3,518 | 0 | 4 | 0 | 0 | (3,518) | 4 |
| Long Term Debtors | 21,420 | 0 | 0 | 0 | 0 | (12,316) | 9,104 |
| Long Term Assets | 1,577,131 | 2,680 | 4 | 12,086 | 1,212 | (15,834) | 1,577,279 |
| Short Term Investments | 227,383 | 0 | 0 | 314 | 0 | 0 | 227,697 |
| Inventories | 1,081 | 246 | 0 | 0 | 0 | 0 | 1,327 |
| Short Term Debtors | 64,137 | 2,420 | 129 | 11,670 | 736 | (4,462) | 74,630 |
| Cash and Cash Equivalents | 69,013 | 1 | 178 | 7,747 | 706 | 0 | 77,645 |
| Assets held for sale | 170 | 0 | 0 | 0 | 0 | 0 | 170 |
| Current Tax Assets | 0 | 0 | 0 | 263 | 0 | 0 | 263 |
| Current Assets | 361,784 | 2,667 | 307 | 19,994 | 1,442 | (4,462) | 381,732 |
| Short Term Borrowing | (57,566) | 0 | 0 | 0 | 0 | 0 | (57,566) |
| Short Term Creditors | (83,904) | (4,760) | (167) | (9,749) | (751) | 4,462 | (94,869) |
| PFI Liability repayable within 12 months | (273) | 0 | 0 | 0 | 0 | 0 | (273) |
| Finance Lease repayable within 12 months | (8) | 0 | 0 | 0 | 0 | 0 | (8) |
| Provisions to be used with within 12 months | (1,996) | 0 | 0 | 0 | (7) | 0 | (2,003) |
| Capital Grant Receipts in Advance | (3,025) | 0 | 0 | 0 | 0 | 0 | (3,025) |
| Current Liabilities | (146,772) | (4,760) | (167) | (9,749) | (758) | 4,462 | (157,744) |
| Long Term Creditors | (3,073) | (1,320) | 0 | 0 | (209) | 1,320 | (3,282) |
| PFI Liability repayable in excess of 12 months | (4,180) | 0 | 0 | 0 | 0 | 0 | (4,180) |
| Finance Lease repayable in excess of 12 months | (1,077) | 0 | 0 | 0 | 0 | 0 | (1,077) |
| Provisions to be used in excess of 12 months | (5,750) | 0 | 0 | (8,484) | 0 | 0 | (14,234) |
| Pensions Liability | (436,923) | 0 | 108 | 0 | 0 | 0 | (436,815) |
| Long Term Borrowing | (308,975) | (7,296) | 0 | (4,700) | 0 | 10,996 | (309,975) |
| Capital Grant Receipts in Advance | (4,889) | 0 | 0 | 0 | 0 | 0 | (4,889) |
| Long Term Liabilities | (764,867) | (8,616) | 108 | (13,184) | (209) | 12,316 | (774,452) |
| Net Assets | 1,027,276 | (8,029) | 252 | 9,147 | 1,687 | (3,518) | 1,026,815 |
| Usable Reserves | 247,117 | 0 | 0 | 0 | 0 | 0 | 247,117 |
| Unusable Reserves | 780,159 | 0 | 0 | 0 | 0 | 0 | 780,159 |
| Reserves - Group Entities | 0 | (8,029) | 252 | 9,147 | 1,687 | (3,518) | (461) |
| Total Reserves | 1,027,276 | (8,029) | 252 | 9,147 | 1,687 | (3,518) | 1,026,815 |

9. 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 2015 | 1,057,466 | 126,198 | 680,700 | 28,775 | 1,893,139 |
| Effect Re-Profiling | 0 | 0 | 0 | 307 | 307 |
| Additions | 11,135 | 7,931 | 66,998 | 279 | 86,343 |
| Disposals | (52,290) | (1,617) | (8,563) | 0 | (62,470) |
| Assets Scrapped | 0 | 0 | 0 | 0 | 0 |
| Transferred to Assets Held for Sale | 0 | 0 | 0 | 0 | 0 |
| Revaluations / (Impairments) | | | | | |
| Recognised in the Revaluation Reserve | 1,932 | 0 | 0 | 0 | 1,932 |
| Recognised in Provision of Services | (51,625) | 0 | (1,151) | 0 | (52,776) |
| As at 31st March 2016 | 966,618 | 132,512 | 737,984 | 29,361 | 1,866,475 |
| Depreciation and Impairments | | | | | |
| As at 1st April 2015 | (37,401) | (104,510) | (153,492) | (27,031) | (322,434) |
| Charge for the year | (26,928) | (9,862) | (19,042) | (2,051) | (57,883) |
| Disposals | 21 | 234 | 8,564 | 0 | 8,819 |
| Assets Scrapped | 0 | 0 | 0 | 0 | 0 |
| Transferred to Assets Held for Sale | 0 | 0 | 0 | 0 | 0 |
| Revaluations / (Impairments) | | | | | |
| Recognised in the Revaluation Reserve | 5,733 | 0 | 0 | 0 | 5,733 |
| Recognised in Provision of Services | 22,077 | 0 | 1,151 | 0 | 23,228 |
| Yorwaste Asset Impairment | (261) | 0 | 0 | 0 | (261) |
| As at 31st March 2016 | (36,759) | (114,138) | (162,819) | (29,082) | (342,798) |
| Balance Sheet Net Amount at 31st March 2016 | 929,859 | 18,374 | 575,165 | 279 | 1,523,677 |
| Balance Sheet Net Amount at 31st March 2015 | 1,020,065 | 21,688 | 527,208 | 1,744 | 1,570,705 |

Movement in Property, Plant and Equipment (cont.)

Comparative Movements in 2014/15

| | 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 | 1,051,500 | 126,198 | 680,700 | 34,741 | 1,893,139 |
| 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 | (37,401) | (104,510) | (153,492) | (27,031) | (322,434) |
| Balance Sheet Net Amount at 31st March 2015 | 1,014,099 | 21,688 | 527,208 | 7,710 | 1,570,705 |
| Balance Sheet Net Amount at 31st March 2014 | 970,931 | 25,561 | 485,400 | 7,279 | 1,489,171 |

10. Cash and Cash Equivalents

| | 31st March 2016 £000 | 31st March 2015 £000 |
|---|----------------------------|----------------------------|
| Bank current accounts and cash held by the County Council | 26,911 | 19,774 |
| Short term / call deposits, inc. Cash Balances held by Group Entities | <u>50,734</u> | <u>69,086</u> |
| Total Cash and Cash Equivalents | <u>77,645</u> | <u>88,860</u> |

11. Short Term Debtors

| | 31st March 2016 £000 | | 31st March 2015 £000 | |
|--|-------------------------|----------------|-------------------------|----------------|
| Government Entities | | | | |
| Central Government Bodies | 11,644 | | 12,521 | |
| Other Local Authorities | 15,364 | | 13,734 | |
| NHS Bodies | <u>4,456</u> | 31,464 | <u>12,625</u> | 38,880 |
| General Debtors (including Public Corporations and Trading Funds) | | 42,043 | | 38,000 |
| Payments in Advance | | <u>10,073</u> | | <u>15,680</u> |
| | | 83,580 | | 92,560 |
| Less: Bad Debts Provision | | <u>(8,950)</u> | | <u>(7,879)</u> |
| Total Short Term Debtors | | <u>74,630</u> | | <u>84,681</u> |

12. Short Term Creditors

| | 31st March 2016 £000 | | 31st March 2015 £000 | |
|--|-------------------------|---------------|-------------------------|---------------|
| Government Entities | | | | |
| Central Government Bodies | 15,432 | | 19,174 | |
| Other Local Authorities | 184 | | 192 | |
| NHS Bodies | <u>3,661</u> | 19,277 | <u>1,938</u> | 21,304 |
| General Creditors (including Public Corporations and Trading Funds) | | 66,628 | | 64,945 |
| Income in Advance | | <u>8,964</u> | | <u>10,760</u> |
| Total Short Term Creditors | | <u>94,869</u> | | <u>97,009</u> |

13. Provisions

| | Balance as at 31st March 2015 £000 | Provision made during year £000 | Provision used during year £000 | Provision written down during year £000 | Balance as at 31st March 2016 £000 | To be used within 1 year £000 | To be used in excess of 1 year £000 | Total £000 |
|--------------------------------|---|--|--|--|---|-------------------------------------|--|---------------|
| County Care Scheduling System | 81 | 0 | 0 | 0 | 81 | 0 | 81 | 81 |
| Staffing Settlement Costs | 120 | 0 | 0 | 0 | 120 | 120 | 0 | 120 |
| Highways Advance Payments | 2,523 | 720 | (1,103) | 0 | 2,140 | 0 | 2,140 | 2,140 |
| Allerton Park | 840 | 0 | (19) | 0 | 821 | 205 | 616 | 821 |
| Insurance - Claims | 4,374 | 1,340 | (1,423) | 0 | 4,291 | 1,378 | 2,913 | 4,291 |
| Insurance - Liability | 195 | 0 | (2) | 0 | 193 | 193 | 0 | 193 |
| Restructure Costs | 956 | 0 | (703) | (253) | 0 | 0 | 0 | 0 |
| Langbaugh Restoration | 0 | 100 | 0 | 0 | 100 | 100 | 0 | 100 |
| | <u>9,089</u> | <u>2,160</u> | <u>(3,250)</u> | <u>(253)</u> | <u>7,746</u> | <u>1,996</u> | <u>5,750</u> | <u>7,746</u> |
| Yorwaste Limited - Restoration | 3,498 | 192 | (167) | 0 | 3,523 | 0 | 3,523 | 3,523 |
| Yorwaste Limited - Aftercare | 4,982 | 115 | (136) | 0 | 4,961 | 0 | 4,961 | 4,961 |
| Deferred Tax | 0 | 7 | 0 | 0 | 7 | 7 | 0 | 7 |
| | <u>17,569</u> | <u>2,474</u> | <u>(3,553)</u> | <u>(253)</u> | <u>16,237</u> | <u>2,003</u> | <u>14,234</u> | <u>16,237</u> |

Provisions (cont.)

Comparative movements in 2014/15

| | 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 |
|--------------------------------|---|--|--|--|---|-------------------------------------|--|---------------|
| 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>7,594</u> | <u>3,101</u> | <u>(1,291)</u> | <u>(315)</u> | <u>9,089</u> | <u>2,247</u> | <u>6,842</u> | <u>9,089</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>15,258</u> | <u>4,571</u> | <u>(1,945)</u> | <u>(315)</u> | <u>17,569</u> | <u>2,247</u> | <u>15,322</u> | <u>17,569</u> |

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2016

| 2014/15 £000 | | 2015/16 £000 | £000 |
|-----------------------------------|---|-----------------|------------------|
| CONTRIBUTIONS AND BENEFITS | | | |
| Contributions | | | |
| 56,902 | Employers - Normal | 57,626 | |
| 35,822 | - Deficit | 25,765 | |
| 2,444 | - Early Retirement Costs Recharged | 2,572 | |
| 25,075 | Employees - Normal | 25,492 | |
| 248 | - Additional Voluntary | 233 | |
| <u>120,491</u> | Total Contributions Receivable (note 7) | <u>111,688</u> | |
| 6,663 | Transfers in (note 8) | | 8,680 |
| <u>Less</u> | | | |
| Benefits | | | |
| (69,996) | Pensions | (73,274) | |
| (20,491) | Commutation and Lump Sum Retirement Benefits | (23,176) | |
| (1,874) | Lump Sums Death Benefits | (2,282) | |
| <u>(92,361)</u> | Total Benefits Payable (note 9) | <u>(98,732)</u> | |
| Leavers | | | |
| (138) | Refunds to Members Leaving Service | (364) | |
| 0 | Payments for Members Joining State Scheme | 0 | |
| (40,840) | Transfers Out | (3,603) | |
| <u>(40,978)</u> | Total Payments on Account of Leavers (note 10) | <u>(3,967)</u> | |
| (2,114) | Management Expenses (note 11) | | (1,829) |
| <u>(8,299)</u> | Net additions from dealings with Members | | <u>15,840</u> |
| RETURNS ON INVESTMENTS | | | |
| 21,943 | Investment income (note 12) | | 16,963 |
| (390) | Taxation (note 13) | | (290) |
| (4,943) | Investment Expenses (note 11) | | (7,968) |
| 308,342 | Change in market value of investments (note 14a) | | (6,581) |
| <u>324,952</u> | Net returns on investments | | <u>2,124</u> |
| 316,653 | Net increase in the Fund during the year | | 17,964 |
| 2,083,216 | Opening Net Assets of the Fund | | 2,399,869 |
| <u>2,399,869</u> | Closing Net Assets of the Fund | | <u>2,417,833</u> |

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

| 31st March 2015 £000 | | 31st March 2016 £000 |
|----------------------------|---|----------------------------|
| | INVESTMENT ASSETS (note 15 and 16) | |
| 161,287 | Fixed Interest Securities | 341,598 |
| 701,918 | Equities | 488,055 |
| 1,335,586 | Pooled Investments | 1,391,947 |
| 150,011 | Pooled Property Investments | 176,463 |
| 82 | Private Equity | 82 |
| <u>2,348,884</u> | | <u>2,398,145</u> |
| 27,437 | Cash Deposits | 8,339 |
| 5,327 | Investment Debtors | 13,584 |
| <u>2,381,648</u> | TOTAL INVESTMENT ASSETS | <u>2,420,068</u> |
| | INVESTMENT LIABILITIES (note 15 and 16) | |
| 0 | Derivate Contracts - Forward Currency Contracts | 0 |
| (1,123) | Investment Creditors | (10,771) |
| <u>(1,123)</u> | TOTAL INVESTMENT LIABILITIES | <u>(10,771)</u> |
| <u>2,380,525</u> | NET INVESTMENT ASSETS | <u>2,409,297</u> |
| | CURRENT ASSETS | |
| 9,841 | Contributions due from employers | 7,612 |
| 242 | Other Non-Investment Debtors | 903 |
| 12,049 | Cash | 3,780 |
| <u>22,132</u> | TOTAL CURRENT ASSETS | <u>12,295</u> |
| | CURRENT LIABILITIES | |
| (2,788) | Non-Investment Creditors | (3,759) |
| <u>(2,788)</u> | TOTAL CURRENT LIABILITIES | <u>(3,759)</u> |
| <u>2,399,869</u> | TOTAL NET ASSETS (note 16) | <u>2,417,833</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 2016

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 2015/16 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 2016 there were 125 contributing employer organisations within NYPF including the County Council itself, as detailed below:

Ainsty 2008 Internal Drainage Board
Archbishop Holgate's School
Askham Bryan College
Chief Constable - North Yorkshire Police Force
City of York Council
Craven College
Craven District Council
Easingwold Town Council
Filey Town Council
Foss Internal Drainage Board
Fulford Parish Council
Glusburn Parish Council
Great Ayton Parish Council
Hambleton District Council
Harrogate Borough Council
Haxby Town Council
Hunmanby Parish Council
Knaresborough Town Council
Malton Town Council
North Yorkshire Moors National Park
North Yorkshire County Council
North Yorkshire Fire & Rescue Authority
North Yorkshire Police & Crime Commissioner
Northallerton / Romanby Burial Board
Northallerton Town Council
Norton on Derwent Town Council
Pickering Town Council
Riccail Parish Council
Richmond Town Council
Richmondshire District Council
Ripon City Council
Ryedale District Council
Scarborough Borough Council
Scarborough Sixth Form College
Selby College
Selby District Council
Selby Town Council
Skipton Town Council
Sutton in Craven Parish Council
Tadcaster Town Council
Thornton (Vale of Pickering) IDB
Whitby Town Council
York College
Yorkshire Dales National Park

Great Smeaton Academy Primary School
Huntington Primary Academy
Norton College
Outwood Academy
Rossett School
Stokesley School Academy
The Grove Academy
The Woodlands Academy
Thomas Hinderwell Primary Academy

ACADEMY TRUSTS

Craven Education Trust

- The Skipton Academy

Bishop Wheeler Academy Trust Bodies

- Mary's RC School

- St Stephen's RC School

- St. Joseph's School

Ebor Academy Trust

- Brotherton and Byram School

- Haxby Road Academy

- Robert Wilkinson Primary Academy

Enquire Learning Trust

- Roseberry Academy

Hope Learning Trust

- Manor Academy

- Poppleton Ousebank School

Northern Star Academy Trust

- Harrogate High

- New Park Academy

- Skipton Girls High School

Red Kite Learning Trust

- Harrogate Grammar

- Oatlands Junior School

- Western CP School

South Craven Academy Trust

- South Craven School

YA Collaboration Trust

- Askwith School

- Bilton Grange School

- Lothersdale Schools

Yorkshire Causeway Trust

- All Saints CE School

- Richard Taylor School

- St Aidan's CE School

- St Peter's CE Primary School

48 Admission Bodies

| | |
|-------------------------------------|--------------------------------|
| Be Independent | Mellors |
| Betterclean Services | Northern Care |
| Bulloughs Cleaning Ltd | NYBEP |
| Catering Academy Ltd | OCS Group UL Ltd |
| Chartwells Compass | Premier Support Services |
| Churchill Security | Richmondshire Leisure |
| Community Leisure | Ringway |
| Consultant Services Group | Sanctuary Housing Association |
| Craven Housing | Sewell Facilities Management |
| Derwent Facilities Management | Sheffield International Venues |
| Dolce Ltd | Sports and Leisure Management |
| Elite | Springfield Home Care |
| Enterprise | Streamline Taxis |
| Explore York Libraries and Archives | Superclean |
| Grosvenor Facilities Management | University of Hull |
| Housing and Care 21 | Veritau Ltd |
| Human Support Group | Veritau North Yorkshire Ltd |
| Hutchison Catering | Welcome to Yorkshire |
| Interserve | Wigan Leisure & Culture Trust |
| ISS Mediclean Ltd | York Archaeological Trust |
| Jacobs UK Ltd | York Museums & Gallery Trust |
| Joseph Rowntree Trust | York St John University |
| Lifeways Community Care Ltd | Yorkshire Coast Homes |
| Make It York | Yorkshire Housing Ltd |

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

| | 31st March 2016 No. | 31st March 2015 No. |
|---|---------------------------|---------------------------|
| Number of Employers with Active Members | 125 | 107 |
| Employees in the Fund | | |
| NYCC | 20,497 | 21,931 |
| Other employers | <u>13,493</u> | <u>13,125</u> |
| Total | <u>33,990</u> | <u>35,056</u> |
| Pensioners | | |
| NYCC | 10,623 | 9,961 |
| Other employers | <u>9,087</u> | <u>8,483</u> |
| Total | <u>19,710</u> | <u>18,444</u> |
| Deferred Pensioners | | |
| NYCC | 19,560 | 18,829 |
| Other employers | <u>12,409</u> | <u>11,762</u> |
| Total | <u>31,969</u> | <u>30,591</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 2016. 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 2015/16 financial year and its year end position as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 (see Pension Fund notes 8 and 10).

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 and are included in Transfer In (see Pension Fund note 8).

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 (Pension Fund 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 2016 was £82k (31 March 2015, £82k).

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 Pension Fund 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 2016 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 1.8%, a 0.1% increase in inflation would increase liabilities by 1.8%, and an increase in life expectancy of one year would increase liabilities by 2.8%.

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

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------------|-----------------|-----------------|
| Contributions Receivable | | |
| North Yorkshire County Council | 49,156 | 48,239 |
| Other Scheduled Bodies | 55,521 | 65,235 |
| Admitted Bodies | 7,011 | 7,017 |
| | <u>111,688</u> | <u>120,491</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

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------------|-----------------|-----------------|
| Benefits Payable | | |
| North Yorkshire County Council | 42,069 | 39,268 |
| Other Scheduled Bodies | 49,115 | 47,440 |
| Admitted Bodies | 7,548 | 5,653 |
| | <u>98,732</u> | <u>92,361</u> |

10. Payments To and On Account of Leavers

All payments were in relation to individual members. There were no group transfers during the year.

11. Management Expenses

| | 2015/16 | 2014/15 |
|--------------------------------|--------------|--------------|
| | £000 | £000 |
| Administrative Costs | 1,412 | 1,519 |
| Investment Management Costs | 7,968 | 4,943 |
| Oversight and Governance Costs | 417 | 595 |
| | <u>9,797</u> | <u>7,057</u> |

Investment Management Costs includes £3,947k (2014/15: £1,177k) in respect of performance related fees payable to the Fund's investment managers and £644k in respect of transaction costs (2014/15: £725k).

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 Pension Fund note 14a).

12. Investment Income

| | 2015/16 | 2014/15 |
|--|---------------|---------------|
| | £000 | £000 |
| Fixed Interest and Index Linked Securities | 2,301 | 2,094 |
| Dividends from Equities | 12,683 | 18,186 |
| Pooled Property Investments | 1,265 | 1,066 |
| Pooled Investments - Other Managed Funds | 63 | 0 |
| Interest on Cash Deposits | 81 | 50 |
| Other | 570 | 547 |
| | <u>16,963</u> | <u>21,943</u> |

13. Taxes on Income

| | 2015/16 | 2014/15 |
|------------------------------|------------|------------|
| | £000 | £000 |
| Withholding Tax on Dividends | <u>290</u> | <u>390</u> |

14. Investments

(a) Reconciliation of Movements in Investments and Derivatives

| | Value at 31st March 2016 £000 | Change in market value at 31st March 2016 £000 | Sale proceeds & derivate receipts £000 | Purchases at cost and derivative payments £000 | Value as at 1st April 2015 £000 |
|------------------------|---|--|--|--|---------------------------------------|
| Fixed Interest | 341,598 | 14,473 | (660,265) | 826,103 | 161,287 |
| Equities | 488,055 | (24,619) | (418,664) | 229,420 | 701,918 |
| Pooled Funds | 1,391,947 | (14,349) | (270,622) | 341,332 | 1,335,586 |
| Pooled Property | 176,463 | 17,914 | 0 | 8,538 | 150,011 |
| Private Equity | 82 | 0 | 0 | 0 | 82 |
| Derivative Contracts | 0 | 0 | 0 | 0 | 0 |
| Total Invested | <u>2,398,145</u> | <u>(6,581)</u> | <u>(1,349,551)</u> | <u>1,405,393</u> | <u>2,348,884</u> |
| Cash Deposits | 8,339 | | | | 27,437 |
| Net Investment Debtors | <u>2,813</u> | <u>(1,391)</u> | | | <u>4,204</u> |
| Net Investment Assets | <u>2,409,297</u> | <u>(7,972)</u> | | | <u>2,380,525</u> |

| | 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 | | | | 12,185 |
| Net Investment Debtors | <u>4,204</u> | <u>1,023</u> | | | <u>3,181</u> |
| Net Investment Assets | <u>2,380,525</u> | <u>309,365</u> | | | <u>2,069,527</u> |

Transaction costs incurred during the year amounted to £664k (2014/15 £725k). 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)

| | 2015/16 £000 | 2014/15 £000 |
|--------------------------------------|------------------|------------------|
| Fixed Interest Securities | | |
| UK Public Sector Quoted | <u>341,598</u> | <u>161,287</u> |
| Equities | | |
| UK Quoted | 274,721 | 347,559 |
| Overseas Quoted | <u>213,334</u> | <u>354,359</u> |
| | <u>488,055</u> | <u>701,918</u> |
| Pooled Investments | | |
| UK Equity | 65,403 | 51,806 |
| UK Property | 176,463 | 150,011 |
| UK Fixed Income | 0 | 210,996 |
| Overseas Equity | 950,427 | 700,624 |
| Overseas Fixed Income | <u>129,395</u> | <u>172,333</u> |
| | <u>1,321,688</u> | <u>1,285,770</u> |
| Diversified Growth Funds - UK | <u>246,722</u> | <u>199,827</u> |
| Private Equity - UK | <u>82</u> | <u>82</u> |
| Total Investments (excl Derivatives) | <u>2,398,145</u> | <u>2,348,884</u> |
| Cash Deposits | 8,339 | 27,437 |
| Net Investment Debtors | 2,813 | 4,201 |
| Net Investment Assets | <u>2,409,297</u> | <u>2,380,522</u> |

(c) Investments analysed by Fund Manager

| | 31st March 2016 | | 31st March 2015 | |
|---|------------------|--------------|------------------|--------------|
| | £000 | % | £000 | % |
| Investment Manager | | | | |
| Baillie Gifford & Co. - Global Alpha | 445,906 | 18.4 | 412,227 | 17.2 |
| Baillie Gifford & Co. - LTGG | 303,055 | 12.5 | 273,839 | 11.4 |
| Fidelity International | 259,850 | 10.7 | 430,200 | 17.9 |
| Standard Life Investments - Equities | 279,634 | 11.6 | 357,560 | 14.9 |
| Standard Life Investments - DGF | 137,312 | 5.7 | 91,376 | 3.8 |
| ECM Asset Management | 129,394 | 5.4 | 130,081 | 5.4 |
| Amundi Asset Management | 0 | 0.0 | 253,248 | 10.6 |
| Hermes Property Unit Trust | 32,113 | 1.3 | 29,574 | 1.2 |
| Legal & General | 60,029 | 2.5 | 54,398 | 2.3 |
| Threadneedle | 84,911 | 3.5 | 66,628 | 2.8 |
| M&G Investments | 342,475 | 14.2 | 172,862 | 7.2 |
| Newton Investments | 109,409 | 4.5 | 108,451 | 4.5 |
| Dodge & Cox | 104,730 | 4.3 | 0 | 0.0 |
| Veritas | 120,397 | 5.0 | 0 | 0.0 |
| Currency Hedging | (1) | 0.0 | (1) | 0.0 |
| Yorks and Humber Equity Fund | 82 | 0.0 | 82 | 0.0 |
| Internally Managed (cash and net debtors) | 8,537 | 0.4 | 19,344 | 0.8 |
| | <u>2,417,833</u> | <u>100.0</u> | <u>2,399,869</u> | <u>100.0</u> |

The investments with Baillie Gifford, ECM Asset Management and Standard Life Investments – DGF each represent more than 5% of net assets. These investments are in pooled funds. All other investments are either below 5% or constitute a portfolio of segregated assets.

(d) 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.

15. Analysis of Derivatives

The Fund does not hold derivatives.

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 2015 | | | 31st March 2016 | | |
|---|----------------------------------|--|---|----------------------------------|--|
| 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 | | | | | |
| 161,287 | 0 | 0 | 341,598 | 0 | 0 |
| 701,918 | 0 | 0 | 488,055 | 0 | 0 |
| 1,135,759 | 0 | 0 | 1,145,224 | 0 | 0 |
| 150,011 | 0 | 0 | 176,463 | 0 | 0 |
| 199,827 | 0 | 0 | 246,722 | 0 | 0 |
| 82 | 0 | 0 | 82 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 39,486 | 0 | 0 | 12,120 | 0 |
| 5,327 | 0 | 0 | 13,584 | 0 | 0 |
| 0 | 10,083 | 0 | 0 | 8,515 | 0 |
| <u>2,354,211</u> | <u>49,569</u> | <u>0</u> | <u>2,411,728</u> | <u>20,635</u> | <u>0</u> |
| Liabilities | | | | | |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,123 | 0 | 0 | 10,771 | 0 | 0 |
| 0 | 0 | 2,788 | 0 | 0 | 3,759 |
| <u>1,123</u> | <u>0</u> | <u>2,788</u> | <u>10,771</u> | <u>0</u> | <u>3,759</u> |
| <u>2,353,088</u> | <u>49,569</u> | <u>(2,788)</u> | <u>2,400,957</u> | <u>20,635</u> | <u>(3,759)</u> |

(b) Net Gains and Losses on Financial Instruments

| | 2015/16 | 2014/15 |
|------------------------------------|-----------------|----------------|
| | £000 | £000 |
| Fair Value through Profit and Loss | (6,581) | 308,342 |
| Loans and Receivables | <u>(20,489)</u> | <u>16,275</u> |
| | <u>(27,070)</u> | <u>324,617</u> |

(c) 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 2016 | 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 | 2,411,646 | 0 | 82 | 2,411,728 |
| Loans and Receivables | 20,635 | 0 | 0 | 20,635 |
| | <u>2,432,281</u> | <u>0</u> | <u>82</u> | <u>2,432,363</u> |
| Liabilities | | | | |
| Fair Value through Profit and Loss | 10,771 | 0 | 0 | 10,771 |
| Liabilities at Amortised Cost | 3,759 | 0 | 0 | 3,759 |
| | <u>14,530</u> | <u>0</u> | <u>0</u> | <u>14,530</u> |
| | <u>2,417,751</u> | <u>0</u> | <u>82</u> | <u>2,417,833</u> |
| | | | | |
| 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 | 2,788 | 0 | 0 | 2,788 |
| | <u>3,911</u> | <u>0</u> | <u>0</u> | <u>3,911</u> |
| | <u>2,399,787</u> | <u>0</u> | <u>82</u> | <u>2,399,869</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.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period.

| Asset Type | Potential Market Movements (+/-) % |
|------------------------------------|---|
| Cash and Cash Equivalents | 1.0 |
| UK Bonds | 9.0 |
| UK Equities | 19.0 |
| Overseas Equities | 20.0 |
| UK Pooled Equity | 19.0 |
| Overseas Pooled Equity | 20.0 |
| UK Pooled Bonds | 9.0 |
| Overseas Pooled Bonds | 9.0 |
| Pooled Property Investments | 12.5 |
| Diversified Growth Funds | 11.5 |
| Private Equity | 27.5 |
| Derivatives | 0.0 |
| Non Investment Debtors / Creditors | 0.0 |

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is then shown).

| Asset Type | Value as at 31st March 2016 £000 | Potential Market Movement £000 | Value on Increase £000 | Value on Decrease £000 |
|------------------------------------|---|---|------------------------------|------------------------------|
| Cash and Cash Equivalents | 8,339 | 83 | 8,422 | 8,256 |
| UK Bonds | 341,598 | 30,744 | 372,342 | 310,854 |
| UK Equities | 274,721 | 52,197 | 326,918 | 222,524 |
| Overseas Equities | 213,333 | 42,667 | 256,000 | 170,666 |
| UK Pooled Equity | 65,403 | 12,427 | 77,830 | 52,976 |
| Overseas Pooled Equity | 950,428 | 190,086 | 1,140,514 | 760,342 |
| UK Pooled Bonds | 0 | 0 | 0 | 0 |
| Overseas Pooled Bonds | 129,395 | 11,646 | 141,041 | 117,749 |
| Pooled Property Investments | 176,463 | 22,058 | 198,521 | 154,405 |
| Diversified Growth Funds | 246,722 | 28,373 | 275,095 | 218,349 |
| Private Equity | 82 | 23 | 105 | 59 |
| Derivatives | 0 | 0 | 0 | 0 |
| Non Investment Debtors / Creditors | 4,756 | 0 | 4,756 | 4,756 |
| Total Assets | <u>2,411,240</u> | | <u>2,801,544</u> | <u>2,020,936</u> |

| Asset Type | Value as at 31st March 2015 £000 | Potential Market Movement £ | Value on Increase £000 | Value on Decrease £000 |
|------------------------------------|---|--------------------------------------|------------------------------|------------------------------|
| Cash and Cash Equivalents | 27,437 | 0 | 27,437 | 27,437 |
| UK Bonds | 161,287 | 10,322 | 171,609 | 150,965 |
| UK Equities | 347,559 | 35,799 | 383,358 | 311,760 |
| Overseas Equities | 354,359 | 31,892 | 386,251 | 322,467 |
| UK Pooled Equity | 51,806 | 5,336 | 57,142 | 46,470 |
| Overseas Pooled Equity | 700,624 | 63,057 | 763,681 | 637,567 |
| UK Pooled Bonds | 210,996 | 13,504 | 224,500 | 197,492 |
| Overseas Pooled Bonds | 172,333 | 11,029 | 183,362 | 161,304 |
| Pooled Property Investments | 150,011 | 3,150 | 153,161 | 146,861 |
| Diversified Growth Funds | 199,827 | 8,393 | 208,220 | 191,434 |
| Private Equity | 82 | 3 | 85 | 79 |
| Derivatives | 0 | 0 | 0 | 0 |
| Non Investment Debtors / Creditors | 7,295 | 0 | 7,295 | 7,295 |
| Total Assets | <u>2,383,616</u> | | <u>2,566,101</u> | <u>2,201,131</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 2016 and 31 March 2015 is set out in the table below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

| | 2015/16 £000 | 2014/15 £000 |
|---------------------------|-----------------|-----------------|
| Cash and Cash Equivalents | 8,339 | 27,437 |
| Fixed Interest Securities | <u>341,598</u> | <u>161,287</u> |
| | <u>349,937</u> | <u>188,724</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 £3,499k and for 2014/15 asset values, £1,887k.

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 +/-9.1%. 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 9.1% 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 2016 £000 | Value on 9.1% Increase £000 | Value on 9.1% Decrease £000 |
|-------------------|---|--------------------------------------|--------------------------------------|
| Overseas Equities | 1,163,761 | 1,269,663 | 1,057,859 |
| Overseas Bonds | 129,395 | 141,170 | 117,620 |
| Total Assets | <u>1,293,156</u> | <u>1,410,833</u> | <u>1,175,479</u> |

| 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 | 990,629 |
| Overseas Bonds | 172,333 | 182,845 | 161,821 |
| Total Assets | <u>1,227,316</u> | <u>1,302,182</u> | <u>1,152,450</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 2016 was £3.8m (31 March 2015, £12m) and was held with the following institutions:

| | Credit Rating | 31st March 2016 £000 | 31st March 2015 £000 |
|---|---------------|----------------------------|----------------------------|
| Call Accounts | | | |
| Barclays | A / F1 | 569 | 3,119 |
| Santander UK | A / F1 | 15 | 249 |
| Fixed Term Deposit Notice Accounts | | | |
| Bank of Scotland | A+ / F1 | 1,208 | 4,759 |
| Barclays | A / F1 | 0 | 280 |
| Leeds BS | A- / F1 | 71 | 560 |
| Nationwide | A / F1 | 569 | 1,820 |
| Svenska Handelsbanken | AA- / F1+ | 114 | 280 |
| Santander UK | A/F1 | 554 | 0 |
| Goldman Sachs | A/F1 | 426 | 0 |
| Lancashire County Council | - | 142 | 280 |
| Leicester FRA | - | 0 | 84 |
| London Borough of Enfield | - | 71 | 280 |
| Salford City Council | - | 0 | 336 |
| Falkirk Council | - | 71 | 0 |
| | | <u>3,810</u> | <u>12,047</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 2016 the value of illiquid assets was £82k, which represented less than 0.1% of total Fund assets (31 March 2015, £82k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2016 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, Aon Hewitt, 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 they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the Administering Authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The 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 2015/16 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:

| | | |
|--------------------|-------|-----------|
| 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 2016 is based on 2012 CMI projections subject to a long-term improvement trend of 1.5% per annum.

Commutation Assumption

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 service and for post-April 2008 service.

50:50 Option

It is assumed that no active members (evenly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

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 included as an Appendix.

20. Current Assets

| | 2015/16 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Debtors | | |
| Investment Debtors | | |
| Investment Transactions | 9,676 | 1,499 |
| Accrued Dividends | 2,122 | 2,542 |
| Withholding Taxes Recoverable | <u>1,786</u> | <u>1,286</u> |
| | <u>13,584</u> | <u>5,327</u> |
| Other Debtors | | |
| Contributions due from Scheduled (Government) Bodies | 7,137 | 9,361 |
| Contributions due from Admitted Bodies | 475 | 480 |
| Pensions Rechargeable | 253 | 11 |
| Interest on Deposits | 107 | 0 |
| Other | <u>543</u> | <u>231</u> |
| | <u>8,515</u> | <u>10,083</u> |
| | <u>22,099</u> | <u>15,410</u> |

21. Current Liabilities

| | 2015/16 £000 | 2014/15 £000 |
|------------------------|-----------------|-----------------|
| Creditors | | |
| Investment Creditors | 10,771 | 1,123 |
| Sundry Other Creditors | <u>3,759</u> | <u>2,788</u> |
| | <u>14,530</u> | <u>3,911</u> |

Within Sundry Other Creditors, £1,320k relates to government entities and £2,439k to non-government entities and individuals.

22. Additional Voluntary Contributions (AVCs)

| | Market Value 31st March 2016 £000 | Market Value 31st March 2015 £000 |
|------------|---|---|
| Prudential | <u>19,644</u> | <u>21,180</u> |

AVC contributions of £2,036k were paid directly to Prudential during the year (£2,261k in 2014/15).

23. Agency Services

The North Yorkshire Pension Fund does not operate Agency Services contracts.

24. 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 (£1,136k in 2014/15) 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 2015/16 (£48.2m in 2014/15). 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 2016 the Fund had an average investment balance of £16.8m (£6m during 2014/15) receiving interest of £107.5k (£39k paid in 2014/15) on these funds.

Governance

As at 31 March 2016 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.

25. Contingent Liabilities and Contractual Commitments

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2014/15).

26. Contingent Assets

Three 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.

27. Impairment Losses

The Fund had no material impairment losses at the year-end (£nil in 2014/15).

North Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2016

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the North Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The latest full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Mercer Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £1,841M) covering 73% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:
 - 13.8% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure effective from 1 April 2014.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 27 years, amounting to £28M in 2014/15, and increasing by 4.1% p.a. thereafter.

Allowance was made for post valuation market changes to 31 August 2013. On average across the Fund, the updated deficit would be eliminated by a monetary amount of £21M in 2014/15, and increasing by 4.1% p.a. thereafter.

3. In practice, each individual employer's position is assessed separately and contributions are set out in the certificate attached to Mercer Limited's report dated March 2014 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at the time.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

| | |
|---|-----------|
| Discount rate for past service liabilities (funding target) | 4.8% p.a. |
| Discount rate for future service liabilities | 5.6% p.a. |
| Rate of inflationary pay increases (long term)* | 4.1% p.a. |
| Rate of increase to pension accounts | 2.6% p.a. |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) | 2.6% p.a. |

* allowance was also made for short-term public sector pay restraint over a 5 year period in calculating the past service liabilities.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date (other than the allowance for post valuation market changes as mentioned above).

7. The actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The actuarial valuation of the Fund as at 31 March 2016 is currently underway. The Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out by Mercer Limited as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, North Yorkshire County Council, the Administering Authority of the Fund, in respect of this Statement.

9. The actuarial valuation report is available on the Fund's website at the following address:
<https://www.nypf.org.uk/nypf/valuationreports.shtml>

Aon Hewitt Limited

19 August 2016



North Yorkshire
County Council

Final Draft

Annual Governance Statement

2015/16

Updated September 2016

 indicates moderate changes since AC meeting in June 2016

Contents

Section

1. Scope of Responsibility
2. The Purpose of the Governance Framework
3. The Governance Framework
4. Role of the Chief Financial Officer
5. Review of Effectiveness
6. Activities of the Audit Committee
7. Significant Governance Issues
8. Summary
9. Signatures

1.0 SCOPE OF RESPONSIBILITY

- 1.1 North Yorkshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall duty the County Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and establishing a sound system of internal control and arrangements for the management of risk.
- 1.3 The **Local Code of Corporate Governance**, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* is reviewed annually. The current version was approved by the Audit Committee in June 2015 and adopted by the County Council in November 2015. 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 25 June 2015 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 2016 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts on 29 September 2016.

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 Committees – 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 2016 sets out the Council's vision, approach and values, together with eleven ambitions for 2020 and an annual delivery plan for 2016/17. The refreshed **2014-17 North Yorkshire Community Plan** was published in 2014 following 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 24 February 2016. The MTFS is broadly consistent with the multi-year projections provided by government but there are still many areas which require estimation as little firm information is available. In addition the budget for 2016/17 was approved which included the savings requirement for that year as part of the 2020 North Yorkshire Programme. Work continues to identify the projected funding shortfall over the MTFS period.
- **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 2016 review was reported to full County Council on 2nd February 2016

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

- based on the Council Plan and annual Budget / MTFS process, each Service sets out its detailed objectives, performance targets, available resources and risk assessment which are included in a Service Plan.
- an annual review is carried out on partnership arrangements which considers a range of factors. This is reported to the Audit Committee 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 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 with the aim of strengthening links from team plans to Council objectives. Much work has been done to ensure services set out their priorities in "plans on a page" and service plans. There is quarterly reporting of key performance information to Management Board and a joint meeting of Executive and the Scrutiny Committee Chairs. This information brings together activity levels; financial information; quality issues; customer feedback; improvement areas; workforce; and compliments and complaints. 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**. A planned and prioritised approach has been taken and investments have been made in areas to aid with delivery of the savings and to deliver a modern council that is fit for purpose for 2020 and beyond.
- 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 such comparison 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 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’ as set out in the previous One Council Programme but also builds in a number of cross cutting themes which set out some of the values, including:-
 - Stronger Communities – empowering and encouraging local communities to develop greater resilience and provide more community owned services
 - Customer – changing the way the Council interacts with its customers
 - Commercial Focus – examining different ways of delivering services and reviewing opportunities to become more commercial, generating additional net income as exemplified by SmartSolutions.
 - Modern Council – creating the right environment to support modern ways of working through use of technology, buildings and working practices and policies.
 - 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.

- the **Asset Management Strategy** sets out key corporate processes (eg purchasing and disposal of property) including the adoption of a corporate approach to dealing with property needs. A Capital Project Management system (Gateway) is in place to improve the delivery of larger projects. This dovetails with the Council’s property partners. This Strategy sets out the key role of property in supporting the Council’s objectives.
 - 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 Chairs
- (e) **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respective of the authority and partnership arrangements**

- **Corporate Governance** (C-Gov) framework encompasses, defines and quality assures the various systems by which the County Council directs and controls its functions and relates to the North Yorkshire community. It is therefore the totality of the policies, management systems, procedures and structures that together determine and control the way in which the County Council manages its business, formulates its strategies and objectives and sets about delivering its services to meet those objectives, for the greater good of the community of North Yorkshire. The County Council aims to incorporate the principles of C-Gov into every dimension of its business to ensure that all stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Elected Members, officers and agents in delivering services. The **Local Code of Corporate Governance** defines these values and expresses the approach adopted by the County Council. Adherence to this Code is overseen and monitored by the Audit Committee. In addition, the C-Gov Officer Group meets regularly 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 that is outside the budget and policy framework then 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. Detailed guidance is provided to Members and Officers who represent the County Council on external bodies. An annual report is made to the Audit Committee on the governance arrangements and work of partnerships. The Executive receives an 'issues' report when the Audit Committee determines there is a matter of concern relating to a partnership.

(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. **Guidance notes are produced to assist.** 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.
- 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 and well established 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 Allerton Waste Recovery Park and 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 County Council's appointed **external auditor** is KPMG: 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 Audit Committee; progress against this Plan is also 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 policy 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. 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 framework of governance, risk management and control operating in 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 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 Committees – Practical Guidance for Local Authorities

- a separate Audit Committee, which includes external independent Members, 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 governance and 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 and for ensuring that arrangements exist to secure value for money. The appointment of external independent Members helps to maintain a robust approach to governance within the County Council.

(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 **January 2015**, and further review audits by BSI (British Standards Institute) are 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. **Re-certification will be carried out in November 2016**. 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.
- Achieving certification to these standards demonstrates the County Council's continued commitment to protect the data we hold and provide secure IT systems to our staff, partners and citizens.
- the council is also certified to the **Public Sector Network (PSN)** Code of Connection 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** operates 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 framework of governance, risk management and control 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 2015/16, 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.

(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. **There are also regular Member seminars throughout the year on a whole series of areas in order to keep Members abreast of current issues and to ensure awareness of responsibilities for both Council and individual Members.**
- 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

- 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 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, SJB Recycling) 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.

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. 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 (KPMG) 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 2015/16 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 framework of governance, risk management and control, 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 2015/16 the Audit Committee met five 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 2014/15
- considered the arrangements made by the County Council in securing value for money
- 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:-

- ➔ reviewed the Terms of Reference in December 2015
- ➔ approved minor changes to the Internal Audit Charter
- ➔ reviewed arrangements for Corporate Governance within the Council including approval of changes to the Council's Local Code of Governance
- ➔ received training on relevant topics
- ➔ considered the corporate governance arrangements in respect of the North Yorkshire Pension Fund.

6.3 All this work has been used in supporting the preparation of the County Council's (ie this) Annual Governance Statement for 2015/16.

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 fit for purpose and the overall governance framework was effective during the financial year 2015/16. **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 2014/15 Annual Governance Statement. Some of these issues were not fully resolved in 2015/16, but some of these "incomplete" issues have reappeared in the Statements of Assurance for 2015/16 prepared by Corporate Directors. Therefore, the items included the table below represent the list of key issues requiring attention in 2016/17.

| Ref | Issue requiring improvement | Action taken to date / planned in 2016/17 |
|-----|--|--|
| A1 | Modernising of the Council to ensure preparedness for 2020 and beyond. This includes the Modern Council Programme; enhancing the performance management framework; and SmartSolutions / the Commercial workstream. | <ul style="list-style-type: none"> a) Complete the roll-out of ICT equipment across the council following user workshops to ensure good fit and productivity is further improved. b) The rationalisation of property plans for Northallerton and Scarborough are implemented in 2016/17 in line with approvals from Programme Board. |

| Ref | Issue requiring improvement | Action taken to date / planned in 2016/17 |
|-----|---|---|
| | | <p>c) The Innovations Awards are run again to celebrate and encourage staff generated ideas.</p> <p>d) A clear process is put in place that allows all staff to set out ideas and provides support to produce business cases and for successful ideas to be taken forward.</p> <p>e) A Commercial Strategy is produced and approved by the end of 2016 that sets out how a more commercial approach is mainstreamed across the Council. The Strategy will include an action plan with specific deliverables.</p> |
| A2 | <p>Ensuring that the Council has good decision making backed up by sound advice and it works its way through a significant period of change.</p> <p>This is regarded as an area that will always be important particularly during a period of significant savings and enhanced probability of legal challenges.</p> | <p>a) Ensuring that legal, HR and financial issues are all well considered as part of decision making.</p> <p>b) Ensuring that Members are well informed as part of the decision making process.</p> <p>c) Delivering good communications and conducting the appropriate consultations in order to further develop proposals and mitigate the risks of challenge.</p> |
| A3 | <p>Ensure good governance over significant projects</p> | <p>a) On-going monitoring of key major projects including Extra Care Programme, Bedale, Aiskew, Leeming Bar Bypass (now open but residual issues remain), Waste Management Teckal, 2020 NY Programme in line with their respective timetables.</p> <p>b) Sound business cases are produced which articulate the benefits of investment decisions.</p> <p>c) Liaison with Overview & Scrutiny Committees throughout the year to establish more complex projects that may merit greater levels of scrutiny.</p> |
| A4 | <p>Ensure that the County is able to take advantage of any devolution</p> | <p>a) Production and submission of “asks” of Government in order to promote the</p> |

| Ref | Issue requiring improvement | Action taken to date / planned in 2016/17 |
|------------------|--|--|
| | <p>opportunities with particular benefit for the economy.</p> | <p>economy of North Yorkshire either as part of Greater Yorkshire or on smaller sub-regional footprint. This will be submitted in line with local decision making and any government timetable.</p> <p>b) On-going support to the LEP at strategic level and acting as accountable body.</p> <p>c) On-going dialogue with district councils and neighbouring councils in order to maximise impacts.</p> |
| <p>A5</p> | <p>Ensuring effective Health and Safety Policy and procedures across the Council, particularly in light of the prosecution from the HSE.</p> <p>Training has been delivered to senior management across the Council by summer 2016 to ensure leadership roles are clear.</p> | <p>a) Implementation of action plan produced by Health & Safety Team in response to HSE prosecution.</p> <p>b) Management teams to identify those staff who require IOSH training and such training to be delivered during the year</p> <p>c) Revised mandatory training programme is being rolled out across the Council.</p> |
| <p>A6</p> | <p>The Council is working with the NHS to establish new financial and operational working arrangements arising from the changes through the Better Care Fund (BCF).</p> | <p>a) Regular financial and scheme delivery monitoring and evaluation takes place in joint Locality Boards based and through the commissioner forum. Quarterly BCF stocktake of schemes formally reported.</p> <p>b) Quarterly formal monitoring (supplemented by internal monthly monitoring and actions) of agreed Delayed transfers of care target.</p> <p>c) The Council is supporting the health sector deliver three Sustainability and Transformation plans covering the County footprint. County financial and operational issues incorporated into the process.</p> <p>d) Formal Governance is to be established through legal agreement to allow escalation of issues and consideration of in year revisions to the BCF.</p> |
| <p>A7</p> | <p>Ensure effective information governance arrangements are in place across the Council and</p> | <p>a) Review and update service information asset registers in line with policy</p> |

| Ref | Issue requiring improvement | Action taken to date / planned in 2016/17 |
|------------------|--|---|
| | <p>where sensitive information is shared with other organisations</p> | <p>guidelines by March 2017</p> <ul style="list-style-type: none"> b) Work within services in a prioritised order to ensure information is secure and transferred securely by March 2017 c) Ensure individual information sharing agreements are completed for each data sharing activity (some agreements are already in place and this work will continue) d) Continue communications to staff to ensure good Information Governance including messages from Management Board and associated campaigns e) Review existing training approach and investigate additional team based reviews to embed practice. Review to be completed by December 2016 and new approach implemented thereafter. |
| <p>A8</p> | <p>The MTFs, as agreed in February 2016 identified a £14m funding gap up to 2020. The government's Spending Review now extends to 2020 and the Council needs to decide whether it accepts the government's offer of a multi-year settlement.</p> | <ul style="list-style-type: none"> a) Decision to be made by 14 October 2016 as to whether to accept the government's offer of a multi-year settlement as part of an overall efficiency plan. b) In April 2016, proposals to help achieve the £14m funding gap over the period to 2020 were submitted and then a decision on which proposals to be taken forward was made. Subsequent to that process, it is now required to work the proposals to be taken forward to have a project brief created which will outline the benefits achievable and therefore how the £14m funding gap can be bridged. Target completion for project briefs is by December 2016. c) In order to deliver the projects identified, through the above process, and the existing 2020 projects, the Council needs to consider availability of resource. Through this consideration, a proposal for additional resource will be set out in the budget in February 2017 and / or quarterly reports throughout 2016/17. d) Review of and feed in to the government's proposals for business rates retention and possible "needs review" for local |

| Ref | Issue requiring improvement | Action taken to date / planned in 2016/17 |
|-----------|--|--|
| | | <p>government funding, with consultation response by autumn 2016.</p> <p>e) Monitoring of agreed plan for 2016/17 Better Care Fund and preparation for potential 2017/18 Plan through Health & Wellbeing Board.</p> |
| | | |
| A9 | <p>2020 North Yorkshire Programme - 2015/16 was the first full year of the 2020 North Yorkshire Programme and for 2016/17 it is a case of continue to run the programme to reap the benefits expected.</p> <p>Central Services plays a critical role within the Programme, in addition to the Directorate getting direct benefits, it acts as the Programme Management Office providing support and leadership to the Programme and thus ensuring benefits are achieved across NYCC.</p> | <p>a) Building on the comments from the LGA Peer review, further develop good practice in production of business cases, ensuring a consistent application across the council will be complete by April 2017.</p> <p>b) Strategic Investment Board to ensure quality business cases are developed and investment is aligned with the council's corporate objectives.</p> <p>c) Refresh the council's Vision for 2020, ensuring it remains relevant and focused, by December 2016.</p> |

8.0 SUMMARY

- 8.1 The governance framework operating during 2015/16 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 2016/17. 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.

TO BE SIGNED

Signed:

Cllr Carl Les
Leader of the County Council

Date:

Richard Flinton
Chief Executive

Date:

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

Date:

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

Date:

9.2 I confirm that the Audit Committee (meeting on the 29 September 2016) was satisfied, on the basis of the information available to it, that this Annual Governance Statement for 2015/16 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.

BCF

Better Care Fund

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 2016.

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 2016 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.

FRS

Financial Reporting Standard

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 2014/15 relating to services to be delivered in 2015/16.

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.

MTFS

Medium Term Financial Strategy

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 2015/16 that relates to goods and services not received until 2016/17.

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.

SeRCOP

Service Reporting Code of Practice.

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.