

# NORTH YORKSHIRE COUNTY COUNCIL

## STATEMENT OF ACCOUNTS 2016/17

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## NARRATIVE REPORT

### INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2017 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 Expenditure and Funding Analysis**; this demonstrates how the funding available to the County Council for the year has been used in providing services in comparison with those resources consumed or earned by the County Council
  - (f) **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
  - (g) **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
  - (h) **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
  - (i) **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
  - (j) **notes to the Core Financial Statements**; these provide further details and explanation of the figures included in the Core Financial Statements

- (k) 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) – (i) 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
- (l) 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 2017
- (m) 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 2016/17 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	66.1	67.7	1.6
Business and Environmental Services	64.7	64.9	0.2
Health and Adult Services	146.0	146.0	0.0
Central Services	60.0	59.6	(0.4)
Corporate Miscellaneous	24.4	22.4	(2.0)
	<u>361.2</u>	<u>360.6</u>	<u>(0.6)</u>
Financed by:			
Revenue Support Grant	37.4	37.4	0.0
Business Rates (Central Government)	42.9	42.9	0.0
Business Rates (District Councils)	17.3	17.3	0.0
Precept Income (including arrears)	260.0	260.0	0.0
Transitional Grant	3.0	3.0	0.0
Contribution from Reserves	0.6	0.6	0.0
	<u>361.2</u>	<u>361.2</u>	<u>0.0</u>
Planned Use of Balances	<u>0.0</u>	<u>0.6</u>	<u>0.6</u>
General Working Balance			
Start of Year	27.3	27.3	0.0
(Deficit) / Surplus in Year	0.0	0.6	0.6
Transfer to Earmarked Reserves	0.0	0.0	0.0
Transfers (to) / from Strategic Capacity Reserve	<u>0.0</u>	<u>(0.6)</u>	<u>(0.6)</u>
Closing Balance	<u>27.3</u>	<u>27.3</u>	<u>0.0</u>

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 Directorate Net	360.6	(361.2)	(0.6)
Different treatment of some Government	14.2	(14.2)	0.0
Other required accounting entries reflected in the Income and Expenditure Statement			
- Capital Accounting	98.8	(83.8)	15.0
- Collection Fund Accounting	0.0	(0.9)	(0.9)
- Holiday Pay Accounting	1.8	0.0	1.8
- Pension Accounting	16.9	0.0	16.9
- Movement in Earmarked Reserves	2.8	0.6	3.4
Net expenditure / funding and surplus per Comprehensive Income and Expenditure Statement	<u>495.1</u>	<u>(459.5)</u>	<u>35.6</u>

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

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

	£m	%
Children and Young People's Service	540.5	55
Business and Environmental Services	136.0	14
Health and Adult Services	240.0	24
Central Services	67.0	7
Corporate Miscellaneous	0.7	0
	<u>984.2</u>	<u>100</u>
Gross cost of providing County Council Services (See Comprehensive Income and Expenditure Statement)		
Precepts Paid to Other Authorities	0.6	
Interest Payable	14.3	
Capital Adjustment Account Movements	(15.0)	
IAS 19 Pension Adjustments *	(2.3)	
Reserve Movements	(2.8)	
Loss on Disposal of Fixed Assets	56.4	
Accumulated Absences Adjustment	(1.8)	
= Actual Spending financed from Income, Government Grants, Council Tax, Business Rates and other Government funding	<u>1,033.6</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.

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

	£m	%
Government Specific Grants		
- Dedicated Schools Grant	329.8	32
- Other Specific Grants	84.8	8
Council Tax from District Council Collection Funds	260.0	25
Fees and Charges etc.	158.3	15
Uniform Business Rates proceeds	60.2	6
Government Revenue Support Grant	37.4	4
Capital Grants	83.8	8
Other General Government Funding	17.1	2
Interest and Investment Income	1.6	0
Corporate Trading Account Surplus	0.1	0
Dividends Received	0.5	0
	<u>1,033.6</u>	<u>100</u>

5. The County Council employed 12,824 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)	1,499	
Building/Cleaning Services	<u>460</u>	1,959
Children and Young People's Service		
Schools	7,217	
Catering	466	
Other	<u>1,107</u>	8,790
Business and Environmental Services		486
Health and Adult Services		<u>1,589</u>
		<u>12,824</u>

## CAPITAL EXPENDITURE

6. In 2016/17 the County Council spent £110.1m 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	97.6	118.1	109.9
Other expenditure on fixed assets funded directly from the revenue budget	0.4	0.4	0.2
	<u>98.0</u>	<u>118.5</u>	<u>110.1</u>

Actual Capital Plan spending was therefore £109.9m compared with an Original Capital Plan of £97.6m approved in February 2016 and a Revised Capital Plan of £118.1m approved in February 2017.

In addition, £0.2m was spent on Fixed Assets from Directorate revenue budgets, principally on plant and equipment. The above Capital expenditure was funded as follows:-

	£m	%
Borrowing		
- from external sources	0	0
- from internal sources (cash balances)	(6.3)	(6)
Grants from Government Departments	92.3	84
Contributions from External Bodies	5.5	5
Capital Receipts from Sale of Assets etc.	7.3	7
Direct Revenue Funding	<u>11.1</u>	<u>10</u>
	109.9	100
Expenditure on Fixed Assets funded directly from Revenue Budgets	<u>0.2</u>	<u>0</u>
	<u>110.1</u>	<u>100</u>

7. 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 (£4.2m) and the A174 Sandsend Slope Stabilisation works (£1.6m), both of which were completed in year.
8. Total outstanding borrowing for capital purposes at 31st March 2017, was £321.9m which includes both external borrowing and borrowing from internal sources and consists of the following:-

	£m
External Borrowing	
Public Works Loans Board (PWLB)	289.0
Other Institutions	<u>20.0</u>
Total External Borrowing	309.0
Temporary Borrowing from Internal Cash Balances	<u>12.9</u>
Total Capital Spending funded by borrowing	321.9
PFI and Leases	<u>5.3</u>
Total Borrowing	<u>327.2</u>

The Capital Financing Requirement (CFR) at 31st March 2017 was £327.2m which includes the Capital Borrowing Requirement of £321.9m reported above together with other long term Private Finance Initiative (PFI) and finance lease liabilities of £5.3m.

## LOCAL GOVERNMENT PENSION FUND

9. 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.



10. 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. The 2016 Triennial Valuation has been used as the basis for the IAS 19 calculations from 2016/17 and will be used to determine employer contribution rates from 2017/18 to 2019/20. In the years between each Triennial Valuation, approximations are used to calculate the IAS 19 figures, as permitted in the guidance.

The funding level reported in the Accounts at 31st March 2016 was 72%. This was reassessed through the Triennial Valuation process undertaken by the new Actuary, Aon in 2016/17 using a different basis and updated assumptions to value the Fund's liabilities. The revised funding level using the updated approach was 90% as at 31 March 2016. The funding level calculated by the Actuary as at 31st March 2017 was 104%. This is 14% higher than the revised 31st March 2016 funding level, however it is 32% higher than was reported in the 31st March 2016 Accounts.

Assets increased in value by 25.6% over the year, principally due to strong global equity returns that have benefitted from the fall in the value of Sterling following Brexit. In relation to the funding level reported in the 31st March 2016 Accounts, liabilities decreased by 12.9% due to the change in basis and assumptions mentioned above. The increase in liabilities between the revised funding level as at 31st March 2016 to the 31st March 2017 year end was 8.3%. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

11. The total reported pension liability of the County Council has increased over the year from £436.9m to £464.0m. This increase, (£27.1m), 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.

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**

12. There have been no significant changes in Accounting Policy for the 2016/17 Accounts.

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

13. The changes to the format and presentation of the 2016/17 Statement of Accounts are minor.

## **MATERIAL CONTINGENT LIABILITIES**

14. 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 36 Material Contingent Liabilities.

## GROUP ACCOUNTS

15. The 2016/17 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 six bodies:-

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

Two 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; and
- Yorwaste Limited, a subsidiary waste disposal company.

NY Property Services Limited, SJB Recycling Limited and Veritau Limited have not been included in the 2016/17 Group Accounts as their values do not materially impact on the group financial position.

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 97 to 113.

## THE COUNCIL PLAN

16. The council plan 2017-21 details how we intend to adapt to meet the challenges up until 2021. It sets out our 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 of our own high quality services.

The plan identifies four key ambitions for 2021:-

- Every child and young person has the best possible start in life;
- Every adult has a longer, healthier and independent life;
- 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
- We are a modern council which puts our customers at the heart of what we do.

The plan describes how the County Council needs to continue to change, details some of our recent achievements and sets out our priorities for action for the next four years. It also details where our funding comes from and what it is spent on.

## PERFORMANCE AND BUDGET MONITORING

17. 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 2017):-

### Performance

The year end (31st March 2017) report details a number of key performance related issues together with an in depth analysis on Public Health, Highway Condition, LEP and Growth Dashboard, Workforce Performance, and Compliments and Complaints. There is also supplementary in depth analysis on several specific areas within the three Service Directorates.

### Revenue Budget 2016/17

A bottom line net saving of £0.6m has been achieved. A simplified approach to reserves was agreed by County Council in 2015/16 which sees the GWB held at "policy" level and any unallocated balance in excess of this level is transferred to "Strategic Resources". The £0.6m operational underspend, therefore, increases the Strategic Resources reserve. Total usable reserves at 31st March 2017 were £217.0m consisting of the GWB of £27.3m, Strategic Resources of £46.2m and other earmarked reserves of £143.5m.

### Capital Expenditure and Financing

Gross Capital spend of £109.9m was £8.2m below the last Capital Plan update of £118.1m in January 2017 and £12.3m above the Original Plan in February 2016. After accounting for £3.6m less capital income however there was a net capital underspend of £4.6m. Allowing for corporate capital plan variations of £3.2m, an adjusted net underspend of £1.4m is being carried over into 2017/18. Financing of the Capital spend included £2.0m capital receipts resulting from the sale of land and property. After utilising other capital income the balancing figure of £6.3m has reduced the level of internal borrowing.

### Annual Treasury Management

Long Term external debt reduced from £316.6m as at 31st March 2016 to £309.0m at 31st March 2017, through scheduled loan repayments and no new external borrowing being taken. The average interest rate of this debt was 4.39% at 31st March 2017. The total borrowing requirement in the year was -£17.6m which reduced the total internal capital financing to £12.9m at 31st March 2017. The total underlying borrowing need at 31st March 2017 was therefore £321.9m consisting of £309.0m external debt and £12.9m internally financed capital debt. For cash invested in 2016/17, the average rate of interest achieved was 0.58% which outperformed the average 7-day market rate of 0.2% and the average bank rate of 0.34%. The average daily balance loaned out was £320.7m with the balance at 31st March 2017 being £308.1m of which £66.3m belonged to other organisations who are part on the County Council's investment pool arrangements.

## STRATEGIC DOCUMENTS

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

### 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.
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.
Transformation Plan for Children and Young People's Emotional and Mental Health	For children and young people's emotional and mental health, working in partnership with local clinical commissioning group.
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.
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.
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.
Let's Talk Less Rubbish Waste Strategy	This strategy sets out how waste in York and North Yorkshire will be dealt with in the next 20 years.

The County Council must also abide by the Freedom of Information Act 2000 – which intends to promote openness and accountability among public bodies by ensuring that people have rights of access to information that is held by them.

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

19. 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 2017 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 2017/18 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;
- 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 2016/17 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	823	130,340
Finance Payments	767	121,453
Operating Costs	<u>2,150</u>	<u>340,662</u>
Total	<u>3,740</u>	<u>592,455</u>

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

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

31st May 2017

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

Page reserved for independent Auditor's report



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## 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 2016/17 (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; and
- 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 previous 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 Unapplied 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; and
- 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 2017.

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 directorate 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 Traded Services largely on the basis of the estimated time spent by officers. 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.

## **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 and Capital Receipts 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; and
- 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; and
- administration expenses are the costs of running the Fund attributable to the Council.

In assessing liabilities for retirement benefits at 31st March 2017 for 2016/17 Statement of Accounts, the Actuary assumed a discount rate of 0.6% real (2.6% actual), a rate based upon the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. For the 2015/16 Statement of Accounts, the Actuary advised that a rate of 1.7% real (3.5% 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 2016/17, 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 2016/17.

### **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; and
- 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 (i.e. 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 2016/17 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 2017.

Gary Fielding  
Corporate Director – Strategic Resources  
31st May 2017

Co-signed by,  
Richard Flinton  
Chief Executive  
31st May 2017

### **CERTIFICATE OF THE AUDIT COMMITTEE**

I confirm that these Accounts were approved by the Audit Committee on 7th September 2017 following completion of the External Audit

Chair of the Audit Committee  
(to be signed at the 7th September 2017 Audit Committee Meeting)

## EXPENDITURE AND FUNDING ANALYSIS

	Net Expenditure £000	Further Movement to Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure £000
Children and Young People's Service	67,709	12,332	80,041	44,318	124,359
Business and Environmental Services	64,849	6,158	71,007	13,687	84,694
Health and Adult Services	145,982	3,957	149,939	3,417	153,356
Central Services	59,641	33	59,674	492	60,166
Corporate Miscellaneous	22,424	(19,208)	3,216	(14,411)	(11,195)
SmartSolutions	0	(480)	(480)	480	0
<b>Net Cost of Services</b>	<b>360,605</b>	<b>2,792</b>	<b>363,397</b>	<b>47,983</b>	<b>411,380</b>
Other Operating Income and Expenditure			0	57,013	57,013
Financing and Investment Income & Expenditure			0	26,706	26,706
Taxation and non specific income and Expenditure	(361,202)	632	(360,570)	(98,918)	(459,488)
<b>Surplus or (Deficit)</b>	<b>(597)</b>	<b>3,424</b>	<b>2,827</b>	<b>32,784</b>	<b>35,611</b>
<b>Opening General Fund Balance</b>			(219,813)		
<b>Less/Plus Surplus or (Deficit) on General Fund in Year</b>			2,827		
<b>Closing General Fund Balance at 31st March 2017</b>			<b>(216,986)</b>		
<b>General Working Balance</b>			(27,270)		
<b>Earmarked Reserves</b>			(189,716)		
			<b>(216,986)</b>		

The Expenditure and Funding Analysis demonstrates how the funding available to the County Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. This statement also shows how this expenditure is allocated for decision making purposes between the County Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Further details can be seen in Note 5 to the Core Financial Statements (page 47).

## EXPENDITURE AND FUNDING ANALYSIS FOR 2015/16

	Net Expenditure £000	Further Movement to Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure £000
Children and Young People's Service	70,900	(1,117)	69,783	63,482	133,265
Business and Environmental Services	76,185	(4,455)	71,730	13,567	85,297
Health and Adult Services	136,722	3,707	140,429	5,285	145,714
Central Services	61,213	(2,505)	58,708	327	59,035
Corporate Miscellaneous	40,734	(28,654)	12,080	(18,049)	(5,969)
SmartSolutions	0	(1,143)	(1,143)	1,143	0
<b>Net Cost of Services</b>	<b>385,754</b>	<b>(34,167)</b>	<b>351,587</b>	<b>65,755</b>	<b>417,342</b>
Other Operating Income and Expenditure	0	0	0	49,856	49,856
Financing and Investment Income & Expenditure	0	0	0	28,071	28,071
Taxation and non specific income and Expenditure	(363,811)	0	(363,811)	(99,462)	(463,273)
<b>Surplus or (Deficit)</b>	<b>21,943</b>	<b>(34,167)</b>	<b>(12,224)</b>	<b>44,220</b>	<b>31,996</b>
<b>Opening General Fund Balance</b>			(207,589)		
<b>Less/Plus Surplus or (Deficit) on General Fund in Year</b>			(12,224)		
<b>Closing General Fund Balance at 31st March 2016</b>			<b>(219,813)</b>		
<b>General Working Balance</b>			(27,270)		
<b>Earmarked Reserves</b>			(192,543)		
			<b>(219,813)</b>		

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016/17**

Year to 31st March 2016				Year to 31st March 2017		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
558,547	(425,282)	133,265	Children and Young Peoples Service	540,477	(416,118)	124,359
126,955	(41,658)	85,297	Business and Environmental Services	136,001	(51,307)	84,694
235,205	(89,491)	145,714	Health and Adult Services	240,026	(86,670)	153,356
65,208	(6,173)	59,035	Central Services	67,081	(6,915)	60,166
1,504	(7,473)	(5,969)	Corporate Miscellaneous	680	(11,875)	(11,195)
<u>987,419</u>	<u>(570,077)</u>	<u>417,342</u>	<b>Cost of Services</b>	<u>984,265</u>	<u>(572,885)</u>	<u>411,380</u>
			<b>Other Operating Expenditure</b>			
		49,255	Loss on Disposal of Property, Plant and Equipment (note 20)			56,390
		0	Impairment of Assets Held for Sale (note 27)			0
		<u>601</u>	Precepts of Local Precepting Authorities			<u>623</u>
		49,856				57,013
			<b>Financing and Investment Income and Expenditure</b>			
		14,544	Interest payable and similar charges (note 39b)			14,270
		(1,992)	Interest receivable and similar income (note 39b)			(2,019)
		(135)	Investment Properties; revaluation and impairment (note 25)			(33)
		(130)	(Surplus)/Deficit of trading activities (note 6)			(90)
		<u>15,784</u>	Net interest on the net defined pension benefit liability / (asset) (note 10)			<u>14,578</u>
		28,071				26,706
			<b>Taxation and Non-Specific Grant Income (Analysis)</b>			
		(245,116)	Council Tax Income (note 7)			(258,967)
		(59,578)	Non-Domestic Rates Income (note 8)			(62,180)
		(64,956)	Non-Ringfenced Government Grants (note 9)			(54,512)
		(93,623)	Capital Grants (note 9)			(83,829)
		<u>(463,273)</u>	Taxation and Non-Specific Grant Income			<u>(459,488)</u>
		<u><b>31,996</b></u>	<b>(Surplus) or Deficit on Provision of Services</b>			<u><b>35,611</b></u>

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)**

Year to 31st March 2016			Year to 31st March 2017			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
		<b>31,996</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>35,611</b>
		0	(Surplus) / Deficit on revaluation of Property, Plant and Equipment			0
		(7,665)	Impairment losses on non-current assets charged to the Revaluation Reserve			(33,162)
		(69,414)	Remeasurements of the Net Defined Benefit Liability			10,124
		<u>(77,079)</u>	<b>Other Comprehensive Income and Expenditure</b>			<u>(23,038)</u>
		<u>(45,083)</u>	<b>Total Comprehensive Income and Expenditure</b>			<u>12,573</u>

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 Unapplied Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000 (note 34)	Total Unusable Reserves £000 (note 35)	Total Authority Reserves £000
<b>Movement in Reserves during 2016/17</b>							
<b>Balance at 31st March 2016</b>	<b>(27,270)</b>	<b>(192,543)</b>	<b>0</b>	<b>(27,304)</b>	<b>(247,117)</b>	<b>(780,159)</b>	<b>(1,027,276)</b>
Comprehensive Expenditure and Income	35,611	0	0	0	35,611	(23,038)	12,573
Adjustments between accounting basis and funding basis under regulations	(32,784)	0	(1,618)	(8,326)	(42,728)	42,728	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>2,827</b>	<b>0</b>	<b>(1,618)</b>	<b>(8,326)</b>	<b>(7,117)</b>	<b>19,690</b>	<b>12,573</b>
Transfers (to) / from Earmarked Reserves	(2,827)	2,827	0	0	0	0	0
(Increase) / Decrease in Year	0	2,827	(1,618)	(8,326)	(7,117)	19,690	12,573
<b>Balance at 31st March 2017</b>	<b>(27,270)</b>	<b>(189,716)</b>	<b>(1,618)</b>	<b>(35,630)</b>	<b>(254,234)</b>	<b>(760,469)</b>	<b>(1,014,703)</b>

**MOVEMENT IN RESERVES STATEMENT (continued)**

	General Working Balance £000	Earmarked Reserves £000	Capital Receipts Unapplied Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000 (note 34)	Total Unusable Reserves £000 (note 35)	Total Authority Reserves £000
<b>Movement in Reserves during 2015/16</b>							
<b>Balance at 31st March 2015</b>	<b>(91,711)</b>	<b>(115,878)</b>	<b>0</b>	<b>(10,632)</b>	<b>(218,221)</b>	<b>(763,972)</b>	<b>(982,193)</b>
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
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(12,224)</b>	<b>0</b>	<b>0</b>	<b>(16,672)</b>	<b>(28,896)</b>	<b>(16,187)</b>	<b>(45,083)</b>
Transfers (to) / from Earmarked Reserves	76,665	(76,665)	0	0	0	0	0
(Increase) / Decrease in Year	64,441	(76,665)	0	(16,672)	(28,896)	(16,187)	(45,083)
<b>Balance at 31st March 2016</b>	<b>(27,270)</b>	<b>(192,543)</b>	<b>0</b>	<b>(27,304)</b>	<b>(247,117)</b>	<b>(780,159)</b>	<b>(1,027,276)</b>

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



**BALANCE SHEET AS AT 31ST MARCH 2017**

31st March 2016 £000		31st March 2017 £000
1,507,699	Property, Plant and Equipment (note 18)	1,498,112
34,731	Investment Property (note 25)	34,760
9,763	Intangible Assets (note 24)	8,616
3,518	Long Term Investments (note 29)	9,018
<u>21,420</u>	Long Term Debtors (note 30)	<u>16,053</u>
<b>1,577,131</b>	<b>Long Term Assets</b>	<b>1,566,559</b>
227,383	Short Term Investments (note 39a)	276,218
1,081	Inventories	1,695
64,137	Short Term Debtors (note 31)	77,381
69,013	Cash and Cash Equivalents (note 28)	49,260
<u>170</u>	Assets held for sale (note 27)	<u>170</u>
<b>361,784</b>	<b>Current Assets</b>	<b>404,724</b>
(57,566)	Short Term Borrowing (note 39a)	(100,454)
(83,904)	Short Term Creditors (note 32)	(90,233)
(272)	PFI Liability repayable within 12 months (note 12)	(193)
(8)	Finance Lease repayable within 12 months (note 13)	(9)
(1,996)	Provisions to be used within 12 months (note 33)	(2,599)
<u>(3,025)</u>	Capital Grant Receipts in Advance (note 9)	<u>(2,707)</u>
<b>(146,771)</b>	<b>Current Liabilities</b>	<b>(196,195)</b>
(3,073)	Long Term Creditors (note 23)	(3,004)
(4,181)	PFI Liability repayable in excess of 12 months (note 12)	(3,988)
(1,077)	Finance Lease repayable in excess of 12 months (note 13)	(1,068)
(5,750)	Provisions to be used in excess of 12 months (note 33)	(7,870)
(436,923)	Pensions Liability (note 10)	(463,951)
(308,975)	Long Term Borrowing (note 39a and 39d)	(277,531)
<u>(4,889)</u>	Capital Grant Receipts in Advance (note 9)	<u>(2,973)</u>
<b>(764,868)</b>	<b>Long Term Liabilities</b>	<b>(760,385)</b>
<b>1,027,276</b>	<b>Net Assets</b>	<b>1,014,703</b>

**BALANCE SHEET AS AT 31ST MARCH 2017 (continued)**

31st March 2016 £000		31st March 2017 £000
<b>Usable Reserves</b>		
27,270	General Working Balance (note 34a)	27,270
192,543	Earmarked Reserves (note 34b)	189,716
0	Capital Receipts Unapplied Reserve (note 34c)	1,618
27,304	Capital Grant Unapplied Reserve (note 34d)	35,630
<u>247,117</u>	<b>Total Usable Reserves</b>	<u>254,234</u>
<b>Unusable Reserves</b>		
260,831	Revaluation Reserve (note 35a)	274,354
4,675	Collection Fund Adjustment Account (note 35b)	5,614
0	Financial Instruments Adjustment Account (note 35c)	0
(7,606)	Accumulated Absences Account (note 35d)	(9,424)
(436,923)	Pension Reserve (note 35e)	(463,951)
959,182	Capital Adjustment Account (note 35f)	953,876
<u>780,159</u>	<b>Total Unusable Reserves</b>	<u>760,469</u>
<u>1,027,276</u>	<b>Total Reserves</b>	<u>1,014,703</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 2017**

31st March 2016 £000		31st March 2017 £000
<b>(31,996)</b>	<b>Net Surplus / (Deficit) on the Provision of Services - See Comprehensive Income and Expenditure Statement</b>	<b>(35,611)</b>
	<b>Adjust net surplus / (deficit) on the provision of services for non cash movements</b>	
53,404	Depreciation / Amortisation (note 34a)	51,517
40,580	Impairment and revaluations charged to the provision of services (note 34a)	20,604
6,974	Movement in Creditors (notes 23 and 32)	6,260
9,735	Movement in Debtors (notes 30 and 31)	(13,244)
319	Movement in Inventories	(614)
(1,343)	Movement in Provisions (note 33)	2,723
22,278	Pensions Liability (note 10)	16,904
56,604	Carrying Amount of Non-current Assets sold (note 34a)	65,364
<u>0</u>	Other non-cash items charged to the provision of services	<u>0</u>
<b>188,551</b>		<b>149,514</b>
	<b>Adjust for items included in the net deficit on the provision of services that are investing and financing activities</b>	
(93,623)	Grants received for investment purposes (note 9)	(83,829)
<u>(7,378)</u>	Proceeds from the sale of property and other assets (note 22a)	<u>(2,008)</u>
<b>(101,001)</b>		<b>(85,837)</b>
<u><b>55,554</b></u>	<b>Net cash flows from Operating Activities</b>	<u><b>28,066</b></u>

## CASH FLOW STATEMENT (continued)

31st March 2016 £000		31st March 2017 £000
<b>55,554</b>	<b>Net cash flows from Operating Activities</b>	<b>28,066</b>
	<b>Investing Activities</b>	
(93,644)	Purchase of Property, Plant and Equipment and Intangible Assets (note 22a)	(86,650)
(71,892)	Purchase of Short Term and Long Term investments	(54,335)
7,378	Proceeds from the Sale of Property (and other Assets) (note 22a)	2,008
0	Proceeds from Short Term and Long Term Investments	0
89,758	Other receipts for investing activities	86,962
<b>(68,400)</b>	<b>Net cash flows from Investing Activities</b>	<b>(52,015)</b>
	<b>Financing Activities</b>	
5,021	Cash receipts of Short and Long Term Borrowing	19,228
83	Other receipts from Financing Activities	(6,967)
(257)	Repayment of the outstanding liability of Finance Lease and similar arrangements (notes 12 and 13)	(280)
(3,174)	Repayment of Short and Long Term Borrowing	(7,612)
0	Other payments for Financing Activities	(173)
<b>1,673</b>	<b>Net cash flows for Financing Activities</b>	<b>4,196</b>
<b>(11,173)</b>	<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	<b>(19,753)</b>
80,186	Cash and Cash Equivalents at the beginning of the reporting period	69,013
69,013	Cash and Cash Equivalents at the end of the reporting period	49,260
<b>(11,173)</b>		<b>(19,753)</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Prior Period Adjustments

There have been no prior period adjustments.

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

At its meeting on 8th March 2017, CIPFA decided not to proceed with the introduction of the Highways Network Asset Code into the Financial Reporting requirements for Local Authorities. CIPFA determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for Local Authorities.

CIPFA are considering the implications of adopting IFRS16 – Leases but it is anticipated that this will not occur until 2019/2020.

### 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 2016/17. As a result of this impairment review, it has been concluded no material impairment has occurred;
- 14 schools transferred to Academy Status in 2016/17. 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 2017/18;
- 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 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 £464m 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 £30.0m;
- a +0.1%pa change in pension payments inflation would increase the deficit by £24.5m;
- a +0.1%pa pay growth would increase the deficit by £6.0m; and
- an additional 1 year increase in life expectancy would increase the deficit by £47.3m.

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. Expenditure and Funding Analysis (further details)

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>				
Children and Young People's Service	46,184	173	(2,039)	44,318
Business and Environmental Services	21,877	157	(8,347)	13,687
Health and Adult Services	3,509	363	(455)	3,417
Central Services	1,135	438	(1,081)	492
Corporate Miscellaneous	132	1,000	(15,543)	(14,411)
SmartSolutions	14	195	271	480
<b>Net Cost of Services</b>	<b>72,851</b>	<b>2,326</b>	<b>(27,194)</b>	<b>47,983</b>
Other Operating Income and Expenditure	56,390	0	623	57,013
Financing and Investment Income and Expenditure	0	14,578	12,128	26,706
Taxation and non specific income and Expenditure	0	0	(98,918)	(98,918)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>129,241</b>	<b>16,904</b>	<b>(113,361)</b>	<b>32,784</b>

## Comparative Movements in 2015/16

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>				
Children and Young People's Service	69,435	2,205	(8,158)	63,482
Business and Environmental Services	21,581	484	(8,498)	13,567
Health and Adult Services	4,318	1,338	(371)	5,285
Central Services	721	1,101	(1,495)	327
Corporate Miscellaneous	65	1,366	(19,480)	(18,049)
SmartSolutions	14	0	1,129	1,143
<b>Net Cost of Services</b>	<b>96,134</b>	<b>6,494</b>	<b>(36,873)</b>	<b>65,755</b>
Other Operating Income and Expenditure	49,255	0	601	49,856
Financing and Investment Income and Expenditure	0	15,784	12,287	28,071
Taxation and non specific income and Expenditure	0	0	(99,462)	(99,462)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>145,389</b>	<b>22,278</b>	<b>(123,447)</b>	<b>44,220</b>

## Segmental Income

Income received on a segmental basis is analysed below:-

	2016/17 £000	2015/16 £000
Services		
Children and Young People's Service	(410,969)	(419,523)
Business and Environmental Services	(40,312)	(35,390)
Health and Adult Services	(87,908)	(90,002)
Central Services	(12,990)	(15,135)
Corporate Miscellaneous	(32,364)	(19,899)
SmartSolutions	(54,144)	(49,671)
Total income analysed on a segmental basis	<u>(638,687)</u>	<u>(629,620)</u>



## Expenditure and Income Analysed by Nature

	2016/17 £000	2015/16 £000
<b>Expenditure</b>		
Employee benefits expenses	473,227	452,456
Other services expenses	431,228	441,545
Depreciation, amortisation, Impairment	95,111	112,465
MRP	0	0
Interest payments	14,989	15,488
Precepts and levies	623	601
Loss on the disposal of assets	56,390	49,255
Total expenditure	<u>1,071,568</u>	<u>1,071,810</u>
<b>Income</b>		
Fees, charges and other service income	(136,693)	(125,044)
Interest and investment income	(2,738)	(2,936)
Income from council tax, non domestic rates income	(321,147)	(304,694)
Government grants and contributions	(575,224)	(604,404)
Investment Properties	(155)	(2,736)
Total income	<u>(1,035,957)</u>	<u>(1,039,814)</u>
(Surplus) or Deficit on the Provision of Services	<u>35,611</u>	<u>31,996</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:-

Service	2016/17			2015/16		
	Total Cost £'000	Total Income £'000	Net Profit / Loss £'000	Total Cost £'000	Total Income £'000	Net Profit / Loss £'000
Broadband	1,458	1,186	(272)	2,106	2,106	0
Building Cleaning Services	7,716	7,761	45	7,257	7,370	113
County Caterers Service	17,315	17,645	330	16,921	17,068	147
Maintenance and Servicing Scheme	3,740	3,844	104	3,627	3,885	258
Music Service	2,078	2,004	(74)	2,233	2,111	(122)
Property	3,257	3,260	3	0	0	0
Outdoor Learning Service	2,436	2,495	59	2,300	2,298	(2)
Schools ICT Service	3,929	4,049	120	3,733	3,701	(32)
Staff Absence Scheme	4,001	3,962	(39)	3,525	4,301	776
Other Services (< £2 Million individually)	7,680	7,938	258	6,815	6,831	16
<b>Total Results for Trading Units</b>	<b>53,610</b>	<b>54,144</b>	<b>534</b>	<b>48,517</b>	<b>49,671</b>	<b>1,154</b>

During 2016/17, 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 2017 £000	31st March 2016 £000
Net surplus included within Cost of Services	444	1,024
Net surplus / (deficit) credited to Financing and Investment Income and Expenditure	90	130
Net surplus / (deficit) on trading operations	<u>534</u>	<u>1,154</u>

## 7. Council Tax Income

Council Tax Income totalled £259.0m (£245.1m in 2015/16) consisting of:-

	2016/17 £000	2015/16 £000
Precept Income for year	256,499	241,796
Collection Fund surplus from previous years	3,480	2,726
Collection Fund Adjustment	<u>(1,012)</u>	<u>594</u>
	<u>258,967</u>	<u>245,116</u>

The precept income from Council Tax is equivalent to a basic amount of £1,143.86 for an average band D property.

## 8. Non-Domestic Rates

	2016/17 £000	2015/16 £000
Non-Domestic Rating Income for year from Districts	18,331	18,705
Collection Fund deficit from previous years	(1,045)	(1,222)
Business Rates Retention Scheme funding from Government	42,943	42,588
Collection Fund Adjustment	<u>1,951</u>	<u>(493)</u>
	<u>62,180</u>	<u>59,578</u>

## 9. 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	2016/17		2015/16	
	£000	£000	£000	£000
Government Revenue Support Grant		37,372		59,218
Other Government Funding				
- Rural Services Delivery Grant	8,234		0	
- Transitional Grant	2,992		0	
- New Homes Bonus	2,708		2,198	
- Business Rates Reliefs	2,043		2,299	
- Private Finance Initiative	704		704	
- Local Services Support	315		335	
- Returned New Homes Bonus Topslice	144	17,140	202	5,738
		<u>54,512</u>		<u>64,956</u>

Capital Grants	2016/17	2015/16
	£000	£000
Local Transport Plan	31,406	33,738
Basic Need Grant	18,554	17,749
Other Capital Grants / Contributions	9,718	17,978
Local Growth Deal Grant	14,060	2,900
School Condition Grant	10,091	8,904
Bedale Bypass Section 31	0	12,354
Total	<u>83,829</u>	<u>93,623</u>

Revenue Grants Credited to Services	2016/17	2015/16
	£000	£000
Dedicated Schools Grant	329,804	341,014
Public Health	23,095	20,873
Education Funding Agency	15,118	16,289
Pupil Premium	14,428	15,411
Education Services Support	6,309	7,251
Universal Infant Free School Meals	6,412	6,660
Care Act Grant	0	3,325
Partners in Practice Grant	3,969	0
Skills Funding Agency	3,198	3,316
Physical Education & School Sport	2,562	2,631
Other Grants	9,731	12,724
Total	<u>414,626</u>	<u>429,494</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 2017 £000	31st March 2016 £000
<b>To be used within 1 year</b>		
Bedale Aiskew Leeming Bypass	295	3,021
Other	2,412	4
Total	<u>2,707</u>	<u>3,025</u>
<b>To be used in excess of 1 year</b>		
PSS Capital Grant	0	1,817
Private Contributions	1,479	1,578
Schools Devolved Capital Grant	1,494	1,494
Total	<u>2,973</u>	<u>4,889</u>

### Capital Grants Credited to Services

	31st March 2017 £000	31st March 2016 £000
Local Growth Fund	17,702	12,400
Basic Need Grant	0	1,419
Other	2,158	1,298
School Condition Grant	2,400	1,214
Total	<u>22,260</u>	<u>16,331</u>

## 10. 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 2016/17 were £76k (2015/16 £43k).

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 2016/17:-

	Local Government Pension Scheme		Teachers' Pension Scheme		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>						
Net Cost of Service						
Current Service Cost	43,306	43,828	0	0	43,306	43,828
Past Service Cost (including curtailments)	225	680	0	0	225	680
Settlement Costs	0	0	0	0	0	0
Financing and Investment Income and Expenditure						
Net Interest Expense	14,245	15,442	333	342	14,578	15,784
<b>Total post employment Benefits charged to the (Surplus) / Deficit on the Provision of Services</b>	<b>57,776</b>	<b>59,950</b>	<b>333</b>	<b>342</b>	<b>58,109</b>	<b>60,292</b>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>						
Remeasurement of the net defined benefit liability	8,562	(68,392)	1,562	(1,022)	10,124	(69,414)
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>66,338</b>	<b>(8,442)</b>	<b>1,895</b>	<b>(680)</b>	<b>68,233</b>	<b>(9,122)</b>
<b>Movement in Reserves Statement</b>						
Reversal of Net Charge to the (Surplus) / Deficit on Provision of Services	(57,776)	(59,950)	(333)	(342)	(58,109)	(60,292)
<b>Actual amount charged against the General Fund Balance in the Year</b>						
Employers' contributions payable to scheme	40,424	37,107				
Retirement benefits payable to pensioners			781	907		
					41,205	38,014

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 £3,888k higher than the amount charged against the General Fund. This is as a result of the following:

- The County Council's contributions of £40,424k to the Local Government Pension Scheme being replaced with a current service cost of £42,531k. This (£2,107k) adjustment equates to a 5.2% 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 (£781k) is removed from the net cost of services as it relates to periods of service prior to 2016/17;
- a past service cost including curtailments and settlements of £225k relating to decisions taken on in previous financial years; and
- administration expenses of £775k.

### 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	
	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m
Opening balance at 1st April	(1,360.3)	(1,395.1)	(9.9)	(11.5)
Current Service Cost	(43.3)	(43.8)	0.0	0.0
Interest Cost	(47.0)	(46.9)	(0.3)	(0.3)
Contributions by scheme participants	(11.4)	(11.1)	0.0	0.0
Remeasurement liabilities	(192.5)	98.7	(1.6)	1.0
Benefits Paid	43.0	38.6	0.8	0.9
Settlements / Curtailments	(0.2)	(0.7)	0.0	0.0
Closing Balance at 31st March	<u>(1,611.7)</u>	<u>(1,360.3)</u>	<u>(11.0)</u>	<u>(9.9)</u>

Reconciliation of the fair value of the scheme assets

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		Discretionary Benefits	
	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m
Opening balance at 1st April	933.3	922.5	0.0	0.0
Interest on Plan Assets	32.8	31.5	0.0	0.0
Remeasurement assets	183.9	(30.3)	0.0	0.0
Employer Contributions	40.4	37.1	0.8	0.9
Contributions by scheme participants	11.4	11.1	0.0	0.0
Settlements	0.0	0.0	0.0	0.0
Benefits Paid	(43.0)	(38.6)	(0.8)	(0.9)
Closing Balance at 31st March	<u>1,158.8</u>	<u>933.3</u>	<u>0.0</u>	<u>0.0</u>

The actual return on the scheme assets in the year was £216.7m (2015/16 £1.2m).



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 £464.0m has a sustained impact on the net worth of the County Council.

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 AON, an independent firm of actuaries and the main assumptions used in their calculations have been:-

	31st March 2017 %	31st March 2016 %
Rate of CPI inflation	2.0	1.8
Rate of increase in salaries	3.3	3.3
Rate of increase in pensions	2.0	1.8
Rate for discounting schemes liabilities	2.6	3.5
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	25.0	25.6
- Female future pensioner aged 65 in 20 years' time	28.6	28.1
- Male current Pensioner aged 65	22.8	23.3
- Female current Pensioner aged 65	26.3	25.8

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 £1,158.8m at 31st March 2017 (£933.3m at 31st March 2016). 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 2017 %	31st March 2016 %
Equity investments	65.4	62.2
Government Bonds	14.2	14.1
Corporate Bonds / Other Bonds	3.1	5.4
Property	8.5	7.3
Other	8.7	10.2
Cash / Liquidity Assets	<u>0.1</u>	<u>0.8</u>
	<u>100.0</u>	<u>100.0</u>

### Surplus / (Deficit) in the Scheme

	2016/17 £m	2015/16 £m	2014/15 £m	2013/14 £m	2012/13 £m
Present Value of defined benefit obligations	(1,622.7)	(1,370.2)	(1,406.6)	(1,110.4)	(1,311.3)
Fair Value of Scheme Assets	<u>1,158.8</u>	<u>933.3</u>	<u>922.5</u>	<u>(792.9)</u>	<u>752.2</u>
Deficit in the Scheme	<u>(463.9)</u>	<u>(436.9)</u>	<u>(484.1)</u>	<u>(1,903.3)</u>	<u>(559.1)</u>

### Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2016/17 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2017:-

	2016/17		2015/16		2014/15		2013/14		2012/13	
	£m	%	£m	%	£m	%	£m	%	£m	%
Experience adjustments on scheme assets	183.9	15.9	(30.3)	3.3	88.7	9.6	(1.4)	(0.2)	73.9	9.8
Experience adjustments on scheme liabilities	(129.5)	(8.0)	(16.3)	1.2	0.0	0.0	107.8	9.8	0.0	0.0
	<u>54.4</u>		<u>(46.6)</u>		<u>88.7</u>		<u>106.4</u>		<u>73.9</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 2017/18 financial year is £40m.

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 2016/17 the County Council paid £24.2m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents an average 16.4% of teachers' pensionable pay. The figures for 2015/16 were £23.6m and 16.4% from September 2015 (14.4% between April and August 2015).

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.

**11. Audit Fees**

In 2016/17 the County Council incurred the following fees relating to external audit:-

	2016/17 £000	2015/16 £000
Fees payable to the External Auditor with regard to :-		
External audit service carried out by appointed auditor (KPMG)	94	94
Certification of grant claims and returns (Deloitte LLP)	0	7
Certification of grant claims and returns (KPMG)	10	3
Other Services (KPMG)	3	0
	107	104

**12. 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.

Brotherton and Byram CPS 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.

Two of the schools, Kirby Hill CEPS and Ripon Cathedral CEPS, 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 that of Barlby CPS.

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

## Value of PFI Assets

	2016/17 £000	2015/16 £000
Opening Balance	3,223	4,110
Depreciation	(196)	(156)
Additions	0	0
Revaluations	1,117	283
Disposals	0	(1,015)
Closing Balance	<u>4,144</u>	<u>3,222</u>

Forming part of the above balance are the two voluntary controlled schools which have a net book value of £2,182k (£1,814k 2015/16). 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 of the two voluntary controlled schools revert to the trustees of the those schools.

## Value of PFI Liabilities

	2016/17 £000	2015/16 £000
Opening Balance	4,453	4,703
Payments/Repayments	(272)	(250)
Additions	0	0
Closing Balance	<u>4,181</u>	<u>4,453</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>193</u>	<u>378</u>	<u>111</u>	<u>462</u>	<u>1,144</u>
more than 1 year					
within 2 - 5 years	1,439	1,260	0	1,875	4,574
within 6 - 10 years	2,549	721	111	2,337	5,718
within 11 - 15 years	0	0	0	0	0
Total	<u>3,988</u>	<u>1,981</u>	<u>111</u>	<u>4,212</u>	<u>10,292</u>
Prior Year 2015/16					
within 1 year	<u>272</u>	<u>402</u>	<u>0</u>	<u>469</u>	<u>1,143</u>
more than 1 year	<u>4,181</u>	<u>2,360</u>	<u>222</u>	<u>4,675</u>	<u>11,438</u>
	<u>4,453</u>	<u>2,762</u>	<u>222</u>	<u>5,144</u>	<u>12,581</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.

## 13. 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 (£169k in 2015/16).

The County Council had commitments at the 31st March 2017 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 2017 £000	31st March 2016 £000
Within 1 year	9	8
Between 2 - 5 years	45	41
Later than 5 years	<u>1,023</u>	<u>1,036</u>
	<u>1,077</u>	<u>1,085</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 £2,581k (£2,679k in 2015/16) of finance costs over the remaining life of the lease that would fall due in the following years:

	Minimum Lease Payments	
	31st March 2017 £000	31st March 2016 £000
Within 1 year	105	105
Between 2 - 5 years	420	420
Later than 5 years	<u>3,134</u>	<u>3,239</u>
	<u>3,659</u>	<u>3,764</u>

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

	£000	£000
Property	<u>1,044</u>	<u>1,060</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 £1,037k (£1,238k in 2015/16) in respect of Land and Building leases and £2,746k for Vehicles, Plant and Equipment (£2,445k in 2015/16).

The County Council had commitments at the 31st March 2017 to make payments under operating leases in future financial years, comprising the following elements:-

	31st March 2017 £000	31st March 2016 £000
Within 1 year	2,591	3,170
Between 2 - 5 years	5,003	5,717
Later than 5 years	6,215	6,386
	<u>13,809</u>	<u>15,273</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 £540k (£1,450k in 2015/16).

#### 14. 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. During 2016/17, funding of £499,735 was provided to organisations in which three members 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 members 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 2016/17. 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        |
| - NY Property Services Limited | - owning 100% of the share capital        |
| - SJB Recycling Limited        | - owning 78% of the issued share capital  |
| - Veritau Limited              | - owning 50% of the share capital         |
| - Yorwaste Limited             | - owning 78% of the issued share capital. |

The transactions between the County Council and those companies where a material group relationship has been identified are eliminated in the Group Accounts financial statements.

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 2016/17 to the County Council was £3,025k (£3,108k in 2015/16), and at 31st March 2017 the trading creditor balance was £54k (£NIL in 2015/16).

The County Council provided services to NYnet Limited totalling £99k (£69k in 2015/16), of which £NIL was outstanding as at 31st March 2017.

The County Council provided a loan facility to NYnet Limited of up to £10m in 2016/17 of which £1,947k was taken up at 31st March 2017. Interest of £138k on this loan was paid to the County Council in 2016/17. The loan balance at 31st March 2016 was £7,295k.

£5,589k due to the County Council from NYnet which relates to unspent funding is included in outstanding Debtors as at 31 March 2017.

**NY Property Services Limited:**

The total value of services provided by NY Property Services Limited in 2016/17 to the County Council was £676k (£NIL in 2015/16), and at 31st March 2017 the trading creditor balance was £77k (£NIL in 2015/16). The County Council provided services to NY Property Services Limited totalling £45k (£NIL in 2015/16) of which £NIL was outstanding as at 31st March 2017.

The County Council provided a loan facility to NY Property Services Limited of up to £500k of which £NIL was taken up at 31st March 2017 and therefore £NIL interest was paid to the County Council in 2016/17.

**SJB Recycling Limited:**

There have been no transactions between SJB Recycling Limited and the County Council during 2016/17.

**Veritau Limited:**

The total value of services provided by Veritau Limited in 2016/17 to the County Council was £535k (£693k in 2015/16), and at 31st March 2017 the trading creditor balance was £NIL.

The County Council provided services to Veritau Limited totalling £10k (£54k in 2015/16), and at 31st March 2017, £1k was outstanding.

**Yorwaste Limited:**

The total value of services, including landfill tax provided by Yorwaste Limited in 2016/17 was £24,490k (£18,023k in 2015/16), and as at 31st March 2017 the trading creditor balance was £4,782k (£4,312k in 2015/16).

The County Council provided services to Yorwaste Limited totalling £693k (£369k in 2015/16) of which £586k (£95k in 2015/16) was outstanding as at 31st March 2017.

The County Council provided a loan to Yorwaste Limited of £3,700k of which interest was received by the County Council of £161k in 2016/17. The loan balance has remained the same since April 2008.

Yorwaste Limited did not pay the County Council a dividend in 2016/17 (£Nil in 2015/16).

**Yorkshire Purchasing Organisation (YPO):**

The County Council made payments to YPO in 2016/17 totalling £17.7m (£23.5m in 2015/16).

A dividend of £612k (£680k in 2015/16) in relation to YPO's 2016 trading activities is reflected in the County Council's 2016/17 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 £18.0m (£17.7m in 2015/16) and made payments totalling £1.8m (£1.7m 2015/16).

The County Council provided the North Yorkshire Pension Fund administrative and support services totalling £1.2m in 2016/17.

## 15. 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.

The Intermediate Care (Whole Systems) Pooled Fund and Equipment Pooled Fund have not been itemised below as their values do not materially impact on the overall position.

### 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 2016/17	Total 2015/16
	£000	£000	£000	£000	£000	£000
<b>Contributions</b>	36,268	470	3,538	0	40,276	46,727
<b>Expenditure</b>						
Schemes/Additional Costs	23,185	152	0	0	23,337	24,412
Protection of Social Care	0	12,000	0	0	12,000	17,000
Disabled Facilities Grant	0	0	0	3,538	3,538	2,033
Social Care Grant	0	0	0	0	0	1,350
Care Act	0	1,401	0	0	1,401	1,932
Total Expenditure	<u>23,185</u>	<u>13,553</u>	<u>0</u>	<u>3,538</u>	<u>40,276</u>	<u>46,727</u>

## 16. 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 (£)	2016/17			2015/16		
	Teachers	Other	Total	Teachers	Other	Total
50,000 - 54,999	134	73	207	137	56	193
55,000 - 59,999	103	26	129	102	38	140
60,000 - 64,999	48	16	64	48	9	57
65,000 - 69,999	30	6	36	27	6	33
70,000 - 74,999	16	5	21	15	6	21
75,000 - 79,999	9	6	15	9	1	10
80,000 - 84,999	3	1	4	3	4	7
85,000 - 89,999	2	3	5	1	3	4
90,000 - 94,999	0	0	0	2	1	3
95,000 - 99,999	2	0	2	0	1	1
100,000 - 104,999	3	3	6	4	3	7
105,000 - 109,999	2	0	2	1	1	2
110,000 - 114,999	0	1	1	3	0	3
115,000 - 119,999	1	2	3	0	3	3
120,000 - 124,999	1	1	2	0	0	0
125,000 - 129,999	0	0	0	0	1	1
130,000 - 134,999	0	1	1	0	0	0
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	0	0	0
145,000 - 149,999	0	0	0	0	0	0
150,000 - 154,999	0	0	0	0	0	0
155,000 - 159,999	0	0	0	0	0	0
160,000 - 164,999	0	0	0	0	0	0
165,000 - 169,999	0	0	0	0	1	1
170,000 - 174,999	0	1	1	0	0	0
	<u>354</u>	<u>145</u>	<u>499</u>	<u>352</u>	<u>134</u>	<u>486</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 2016/17 or 2015/16.

Role	2016/17				2015/16				
	Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total Remuneration	Salary, Fees and Allowances	Expense Allowances	Compromise Agreements	Pension Contributions	Total Remuneration
Chief Executive (Richard Flinton)	170,756	0	24,589	195,345	168,691	0	0	24,414	193,105
Corporate Director of Children and Young People's Services	130,574	0	18,894	149,468	129,007	0	0	18,577	147,584
Corporate Director of Business and Environmental Services	119,266	0	17,263	136,529	117,825	0	0	17,070	134,895
Corporate Director of Health and Adult Services	120,527	0	17,356	137,883	119,086	0	0	17,148	136,234
Corporate Director (Strategic Resources)	119,266	0	17,240	136,506	117,825	0	0	17,042	134,867
Director of Public Health	102,920	0	14,764	117,684	101,080	0	0	14,237	115,317
Assistant Chief Executive (Business Support)	103,204	115	14,608	117,927	101,956	579	0	13,822	116,357
Assistant Chief Executive (Legal and Democratic Services)	103,204	0	14,861	118,065	101,956	0	0	14,740	116,696
* Director - Strategic Projects	0	0	0	0	8,496	0	60,000	1,233	69,729
** Assistant Chief Executive (Customer Services)	13,730	0	1,732	15,462	38,067	0	0	4,835	42,902

\* This post was vacated from 30th April 2015

\*\* This post was created in partnership with Selby District Council from 28th October 2013. The post holder vacated the post on 31st July 2017. The post represents 40% of the partnership costs at an annualised salary of £39,884 for NYCC. This post has been held vacant for the remainder of 2016/17.

## 17. 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
0-19,999	34	12	187	64	221	76	1,421	516
20,000-39,999	4	3	25	20	29	23	742	656
40,000-59,999	1	0	3	7	4	7	189	342
60,000-79,999	0	0	0	3	0	3	0	200
80,000-99,999	0	1	0	1	0	2	0	181
	<u>39</u>	<u>16</u>	<u>215</u>	<u>95</u>	<u>254</u>	<u>111</u>	<u>2,352</u>	<u>1,895</u>

## 18. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2016/17.

	Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation</b>						
As at 1st April 2016	940,776	106,032	737,984	6,358	3,890	1,795,040
Additions	10,585	2,296	63,339	0	0	76,220
Disposals	(62,009)	0	(9,784)	(3,354)	0	(75,147)
Transferred to Assets Held for Sale	3,674	0	0	216	(3,890)	0
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	36,760	0	0	1,237	0	37,997
Recognised in Provision of Services	(36,301)	0	0	(195)	0	(36,496)
<b>As at 31st March 2017</b>	<b>893,485</b>	<b>108,328</b>	<b>791,539</b>	<b>4,262</b>	<b>0</b>	<b>1,797,614</b>
<b>Depreciation and Impairments</b>						
As at 1st April 2016	(29,062)	(95,263)	(162,821)	(195)	0	(287,341)
Charge for the Year	(25,355)	(4,068)	(20,625)	(132)	0	(50,180)
Disposals	0	0	9,784	0	0	9,784
Transferred to Assets Held for Sale	7	0	0	(7)	0	0
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	2,132	0	0	0	0	2,132
Recognised in Provision of Services	25,909	0	0	195	0	26,104
<b>As at 31st March 2017</b>	<b>(26,369)</b>	<b>(99,331)</b>	<b>(173,662)</b>	<b>(139)</b>	<b>0</b>	<b>(299,501)</b>
<b>Balance Sheet Net Amount as at 31st March 2017</b>	<b>867,116</b>	<b>8,997</b>	<b>617,877</b>	<b>4,123</b>	<b>0</b>	<b>1,498,113</b>
<b>Balance Sheet Net Amount as at 31st March 2016</b>	<b>911,714</b>	<b>10,769</b>	<b>575,163</b>	<b>6,163</b>	<b>3,890</b>	<b>1,507,699</b>

Comparative Movements in 2015/16.

	Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation</b>						
As at 1st April 2015	1,017,294	102,943	680,700	18,080	6,534	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	9,229	0	0	(3,263)	(5,966)	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)
<b>As at 31st March 2016</b>	<b>940,776</b>	<b>106,032</b>	<b>737,984</b>	<b>6,358</b>	<b>3,890</b>	<b>1,795,040</b>
<b>Depreciation and Impairments</b>						
As at 1st April 2015	(29,724)	(89,007)	(153,492)	(565)	0	(272,788)
Charge for the Year	(26,620)	(6,256)	(19,044)	(179)	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
<b>As at 31st March 2016</b>	<b>(29,062)</b>	<b>(95,263)</b>	<b>(162,821)</b>	<b>(195)</b>	<b>0</b>	<b>(287,341)</b>
<b>Balance Sheet Net Amount as at 31st March 2016</b>	<b>911,714</b>	<b>10,769</b>	<b>575,163</b>	<b>6,163</b>	<b>3,890</b>	<b>1,507,699</b>
<b>Balance Sheet Net Amount as at 31st March 2015</b>	<b>987,570</b>	<b>13,936</b>	<b>527,208</b>	<b>17,515</b>	<b>6,534</b>	<b>1,552,763</b>

During 2016/17 the County Council recognised impairment losses of £20.6m 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.

	2016/17 £000	2015/16 £000
Impairment losses recognised within the (Surplus) / Deficit on Provision of Services	10,363	29,546
Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	10,241	11,446
	<u>20,604</u>	<u>40,992</u>

## 19. 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 2016 by NY Property Services Limited, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Primary Schools were revalued in 2016/17 in accordance with the five year rolling programme. Furthermore, those properties not considered as part of the rolling programme in 2016/17 were subject to a desktop review by NY Property Services Limited:-

	Land and Buildings £000	Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	0	8,996	617,878	0	626,874
Valued at current value in :-					
2016/17	365,807	0	0	4,123	369,930
2015/16	345,541	0	0	0	345,541
2014/15	19,349	0	0	0	19,349
2013/14	68,776	0	0	0	68,776
2012/13	67,642	0	0	0	67,642
Total Tangible Fixed Assets	<u>867,115</u>	<u>8,996</u>	<u>617,878</u>	<u>4,123</u>	<u>1,498,112</u>

## 20. Disposal of Property, Plant and Equipment

Fourteen Schools gained Academy status during 2016/17. As a consequence the Land and Building assets of £59.2m relating to the schools was 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 £59.2m loss is purely notional and does not impact on the County Council's General Working Balance or Council Tax levy.

Other disposals in the year resulted in a net profit of £2.8m.

## 21. Major Areas of Capital Spending

Major areas of capital spending, over £2m during 2016/17 were:-

	Actual £000
Structural Maintenance of Roads & Bridges	48,231
Local Growth Deal	17,702
Basic Need Grant Funded Schemes	12,406
School Condition Schemes - Modernisation	5,703
Bedale-Aiskew-Leeming Bar Major Scheme	4,171
Children and Young People's Service Capitalised Maintenance Programme	<u>3,945</u>
	92,158
All spending in areas below £2m	<u>17,983</u>
Total Capital Spending in 2016/17	<u>110,141</u>

### Committed Capital Expenditure

The County Council has an approved Capital Plan for 2017/18 of £103.1m. Of this £90.8m is committed expenditure as at 1st April 2017. It should be noted, however, that this figure includes a significant element (£43.3m) relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2017.

The remaining £47.5m consisted of the following:-

	Actual £000
Basic Need Schemes	17,801
Modernisation Schemes	16,900
Extra Care Schemes	2,950
ICT Infrastructure	2,359
Waste Procurement Project	1,272
Portable Classroom Unit Replacements	1,024
Older Peoples Resource Centre	1,000
Waste Management Service	814
New and Replacement Road Lighting Columns	800
Children's Centres and Early Years	744
School Reorganisation	693
Bedale Aiskew Leeming Bar Major Scheme	616
Other Schemes	409
Super Fast Broadband Scheme	70
	<u>47,452</u>

## 22. 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**

	2016/17 £000	2015/16 £000
<b>Capital Investment</b>		
Property, Plant and Equipment and Loans	86,960	95,451
Investment Properties	0	0
Intangible Assets	190	1,014
Revenue Expenditure Funded from Capital under Statute	<u>22,990</u>	<u>18,481</u>
	<u>110,140</u>	<u>114,946</u>
<b>Sources of Finance</b>		
Capital receipts	7,356	7,378
Government grants and other contributions	97,763	93,282
Direct Revenue Contributions	11,332	13,901
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	<u>(6,311)</u>	<u>385</u>
	<u>110,140</u>	<u>114,946</u>

The difference between the £110.1m capital investment above and the £76.2m additions in note 18 relates to expenditure of £0.2m on Intangible Fixed Assets, 23.0m on Revenue Expenditure Funded from Capital Under Statute, £10.2m of capital expenditure which resulted in no value being added to the County Council's asset base and £0.5m in relation to investment of share capital in NY Property Services.

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

	2016/17		2015/16	
	£000	£000	£000	£000
<b>Opening Capital Financing requirement</b>		352,629		366,904
<b>Movement in year</b>				
Increase in underlying need to borrow		(6,311)		385
MRP				
- capital spending funded by borrowing	(18,798)		(14,403)	
- PFI contracts	(272)		(250)	
- Finance leases	<u>(8)</u>	(19,078)	<u>(7)</u>	(14,660)
Assets acquired under PFI contracts		0		0
Assets acquired under Finance leases		<u>0</u>		<u>0</u>
<b>Closing Capital Financing Requirement</b>		<u>327,240</u>		<u>352,629</u>
<b>Decrease in Capital Financing Requirement</b>		<u>25,389</u>		<u>14,275</u>
<b>Closing CFR consists of</b>				
Capital spending funded by borrowing		321,982		347,091
PFI contracts		4,181		4,453
Finance leases		<u>1,077</u>		<u>1,085</u>
<b>CFR at 31st March</b>		<u>327,240</u>		<u>352,629</u>



## 23. Long Term Creditors

	31st March 2017		31st March 2016	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	0		0	
Other Local Authorities	7		35	
NHS Bodies	<u>0</u>	7	<u>0</u>	35
General Creditors (including Public Corporations and Trading Funds)		2,885		2,942
Income in Advance		<u>112</u>		<u>96</u>
Total Long Term Creditors		<u>3,004</u>		<u>3,073</u>

## 24. 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 2016/17 are as follows:-

	31st March		Charge to	
	2017	2016/17	Revenue	Capitalised
	£000	£000	£000	£000
Extra Care and Older Peoples Resources	5,342	(416)	0	5,758
Other	<u>3,274</u>	<u>(921)</u>	<u>190</u>	<u>4,005</u>
	<u>8,616</u>	<u>(1,337)</u>	<u>190</u>	<u>9,763</u>

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

	2016/17	2015/16
	£000	£000
Balance at start of year		
Gross carrying amount	21,479	20,465
Accumulated amortisation	<u>(11,716)</u>	<u>(10,411)</u>
	9,763	10,054
Additions	190	1,014
Amortisation	<u>(1,337)</u>	<u>(1,305)</u>
Balance at end of year	<u>8,616</u>	<u>9,763</u>
Comprising		
Gross carrying amount	21,670	21,479
Accumulated amortisation	<u>(13,054)</u>	<u>(11,716)</u>
	<u>8,616</u>	<u>9,763</u>

## 25. 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.

	2016/17 £000	2015/16 £000
Balance at start of year	34,731	36,699
Additions (subsequent expenditure)	0	0
Disposals	0	(2,380)
Net gain from revaluations	29	412
Balance at end of year	<u>34,760</u>	<u>34,731</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:-

	2016/17 £000	2015/16 £000
Rental Income from Investment Property	(155)	(327)
Direct operating expenses	151	633
Profit on disposal	0	(29)
Net gain from revaluation	(29)	(412)
Total transactions relating to Investment Property	<u>(33)</u>	<u>(135)</u>

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

## 26. 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.

An annual review is undertaken across the County Council to identify any Heritage Assets.

The County Council's Records Office hold a large number of archive collections, which are owned by the County Council, which 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.

## 27. 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.

	2016/17 £000	2015/16 £000
Balance at start of year	170	2,125
Reclassification as held for sale	0	0
Net (loss) from revaluations	0	0
Disposals	0	(1,955)
Balance at end of year	<u>170</u>	<u>170</u>

## 28. 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 2017 £000	31st March 2016 £000
Bank current accounts and cash held by the County Council	21,282	26,911
Short term / call deposits	<u>27,978</u>	<u>42,102</u>
Total Cash and Cash Equivalents	<u>49,260</u>	<u>69,013</u>

## 29. Long Term Investments

The County Council holds long term investments in local authority owned companies as follows:-

	Shareholding		Dividends
	%	£000	£000
NYnet Limited	100.00	0	0
NY Property Services Limited	100.00	500	0
SJB Recycling Limited	77.73	0	0
Veritau Limited	50.00	0	0
Yorwaste Limited	77.73	3,518	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 2016/1. 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 two companies and they have therefore been incorporated into its Group Accounts on pages 97 to 113.

Brief details of these Companies are as follows:-

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

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

	NYnet Limited		Yorwaste Limited	
	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000
Net Assets / (Liabilities)	(7,739)	(8,029)	9,729	9,147
Loans from NYCC	1,947	7,296	3,700	3,700
Dividend Payable	0	0	0	0
Profit / (Loss) for the year :-				
Before Tax and Dividends	290	941	856	(660)
After Tax and Dividend	290	941	582	(607)

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

In addition, under its Treasury Management Strategy, the County Council has made one investment for greater than one year which falls into the category of long term investments. This investment is as follows:-

	31st March 2017 £000	31st March 2016 £000
Northumberland County Council	<u>5,000</u>	<u>0</u>
	5,000	0
Yorwaste Limited	3,518	3,518
NY Property Services Limited	<u>500</u>	<u>0</u>
Total Long Term Investments	<u>9,018</u>	<u>3,518</u>

### 30. Long Term Debtors

	31st March 2017 £000	31st March 2016 £000
Car Loans	0	6
Loans to Subsidiary Companies	5,647	10,996
Loans to Growing Places Schemes	4,147	5,766
Long Term Payments in Advance	137	2,000
Long Term Debtors	<u>6,122</u>	<u>2,652</u>
	16,053	21,420
Less: Bad Debts Provision	<u>0</u>	<u>0</u>
	<u>16,053</u>	<u>21,420</u>

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

### 31. Short Term Debtors

	31st March 2017		31st March 2016	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	9,611		11,392	
Other Local Authorities	14,829		13,980	
NHS Bodies	<u>9,928</u>	34,368	<u>4,456</u>	29,828
General Debtors (including Public Corporations and Trading Funds)		43,326		35,446
Payments in Advance		<u>9,591</u>		<u>7,813</u>
		87,285		73,087
Less: Bad Debts Provision		<u>(9,904)</u>		<u>(8,950)</u>
Total Short Term Debtors		<u>77,381</u>		<u>64,137</u>

### 32. Short Term Creditors

	31st March 2017		31st March 2016	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	11,889		10,845	
Other Local Authorities	10,568		4,120	
NHS Bodies	<u>2,962</u>	25,419	<u>3,661</u>	18,626
General Creditors (including Public Corporations and Trading Funds)		53,509		56,383
Income in Advance		<u>11,305</u>		<u>8,895</u>
Total Short Term Creditors		<u>90,233</u>		<u>83,904</u>

### 33. Provisions

	Balance as	Changes during the year			Balance as	To be used		Total
	at 31st	Provision	Provision	Provision	at 31st	Within 1	In excess	
	March	Made	Used	Written	March	year	of 1 year	
	2016			Down	2017			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance	4,484	3,610	(1,421)	0	6,673	2,224	4,449	6,673
Highways								
Advance	2,140	1,520	(575)	0	3,085	0	3,085	3,085
Payments								
Other	1,122	0	(411)	0	711	375	336	711
	<u>7,746</u>	<u>5,130</u>	<u>(2,407)</u>	<u>0</u>	<u>10,469</u>	<u>2,599</u>	<u>7,870</u>	<u>10,469</u>

#### Comparative Movements in 2015/16

	Balance as	Changes during the year			Balance as	To be used		Total
	at 31st	Provision	Provision	Provision	at 31st	Within 1	In excess	
	March	Made	Used	Written	March	year	of 1 year	
	2015			Down	2016			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance	4,569	1,340	(1,425)	0	4,484	1,571	2,913	4,484
Highways								
Advance	2,523	720	(1,103)	0	2,140	0	2,140	2,140
Payments								
Other	1,997	100	(722)	(253)	1,122	425	697	1,122
	<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>

#### 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.

#### Insurance (Claims & Liability)

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.

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.

### 34. 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

	2016/17 £000	2015/16 £000
<b>General Working Balance at Start of Period</b>	<b>(27,270)</b>	<b>(91,711)</b>
Comprehensive Income and Expenditure charged to the General Balance	<b>35,611</b>	<b>31,996</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>		
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Capital Adjustment Account		
Amortisation of Intangible Assets	(1,337)	(1,305)
Charges for depreciation and impairment of non current assets	(50,180)	(52,099)
Revaluation losses on Property, Plant and Equipment	(10,363)	(29,546)
Impairment from Non Enhancing Capital Expenditure	(10,241)	(11,446)
Movements in the value of Investment Properties	0	412
Capital Grants and Contributions	106,089	109,954
Revenue Expenditure Funded from Capital under Statute	(22,990)	(18,481)
Carrying Value of non current assets written off on disposal	(65,364)	(56,604)
Pension Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(58,109)	(60,292)
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	939	101
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	(1,818)	1,133
<b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Capital Adjustment Account		
Statutory Provision for the financing of capital investment	19,079	14,660
Capital Expenditure charged against the General Working Balance	11,332	13,901
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	7,356	7,378
Pension Reserve		
Employer pension contributions payable in the year	41,205	38,014
Capital Receipts Reserve	1,618	0
<b>Total of adjustments between accounting basis and funding basis under regulations</b>	<b>(32,784)</b>	<b>(44,220)</b>
Transfers from Earmarked Reserves	(2,827)	76,665
<b>General Working Balance at Period End</b>	<b>(27,270)</b>	<b>(27,270)</b>

**(b) Earmarked Reserves**

	Balance 31st March 2017 £000's	Movement in year 2016/17 £000's	Balance 31st March 2016 £000's	Movement in year 2015/16 £000's	Balance 31st March 2015 £000's
<b>Earmarked for Schools</b>					
Local Management of Schools	24,510	(9,367)	33,877	2,987	30,890
Schools Block / DSG	6,233	(4,617)	10,850	(2,517)	13,367
	<u>30,743</u>	<u>(13,984)</u>	<u>44,727</u>	<u>470</u>	<u>44,257</u>
<b>Retained for Specific Initiatives</b>					
Strategic Resources	46,217	10,200	36,017	36,017	0
Highways Maintenance	6,842	(3,263)	10,105	10,105	0
Investments	10,000	0	10,000	10,000	0
Insurance	5,773	(1,789)	7,562	891	6,671
T&C Strategy and Infrastructure	4,788	(1,170)	5,958	1,248	4,710
Superfast Broadband	11,463	6,823	4,640	4,640	0
Pending Issues Provision	0	(4,319)	4,319	4,319	0
Redundancy	2,334	(1,703)	4,037	(586)	4,623
Extra Care	6,763	3,363	3,400	3,400	0
Bedale, Aiskew and Leeming Bar Bypass	1,519	(1,444)	2,963	2,488	475
Stronger Communities	2,710	(198)	2,908	2,908	0
Health and Social Care Transfer Monies	1,325	(1,054)	2,379	(6,929)	9,308
NY2020 Programme Support	3,193	1,031	2,162	1,361	801
Equalisation (CTax & BR)	2,434	2,434	0	0	0
2020 Property Projects	4,369	4,369	0	0	0
Other Individual Reserves <£2m	12,015	(2,753)	14,768	1,572	13,196
	<u>121,745</u>	<u>10,527</u>	<u>111,218</u>	<u>71,434</u>	<u>39,784</u>
<b>Reserves of Trading and Service Units Smart Solutions</b>					
Trading Reserves	4,768	1,317	3,451	701	2,750
Insurances	3,451	258	3,193	1,103	2,090
	<u>8,219</u>	<u>1,575</u>	<u>6,644</u>	<u>1,804</u>	<u>4,840</u>
<b>Revenue Grants and Contributions Reserve</b>					
Public Health	7,809	(1,573)	9,382	(40)	9,422
CYPS Miscellaneous Grants	9,975	2,517	7,458	702	6,756
Civil Parking Enforcement	3,845	(989)	4,834	76	4,758
Care Act	4,383	891	3,492	3,492	0
Other Individual Reserves <£2m	2,997	(1,791)	4,788	(1,273)	6,061
	<u>29,009</u>	<u>(945)</u>	<u>29,954</u>	<u>2,957</u>	<u>26,997</u>
<b>TOTAL Earmarked Reserves</b>	<b><u>189,716</u></b>	<b><u>(2,827)</u></b>	<b><u>192,543</u></b>	<b><u>76,665</u></b>	<b><u>115,878</u></b>



### (c) Capital Receipts Unapplied Reserve

The Capital Receipts Unapplied 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 2017 £000	31st March 2016 £000
Opening Balance	0	0
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	8,974	7,378
Use of the Capital Receipts Unapplied Reserve to finance new expenditure	<u>(7,356)</u>	<u>(7,378)</u>
Closing Balance	<u>1,618</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.

	2016/17 £000	2015/16 £000
Opening Balance	27,304	10,632
<b>Adjustments between accounting basis and funding basis under regulation</b>		
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	106,089	109,954
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	<u>(97,763)</u>	<u>(93,282)</u>
Closing Balance	<u>35,630</u>	<u>27,304</u>

## 35. Unusable Reserves

### (a) Revaluation Reserve

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

	2016/17 £000	2015/16 £000
Opening Balance	260,831	270,666
Asset Revaluation within Other Comprehensive Income and Expenditure Statement including Addition of assets	40,129	7,665
Adjustment between current value depreciation and historic cost depreciation	<u>(6,741)</u>	<u>(5,980)</u>
Write out of revaluation on disposal; Property, Plant and Equipment	<u>(19,865)</u>	<u>(11,520)</u>
Closing Balance	<u>274,354</u>	<u>260,831</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 2017 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 2017;
- Provision for bad debts of Debtors in relation to Council Tax and Non- Domestic Rates arrears as at 31st March 2017;
- Income in advance from Council Tax and Non-Domestic Rates payers who have paid their bills early as at 31st March 2017; 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 2016/17.

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 2016/17, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2016/17. 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 2015/16 and 2016/17 and can be calculated as follows:-

	31st March 2017 £000	31st March 2016 £000
Council Tax		
Debtors	10,320	10,115
Provision for Doubtful Debts	(5,069)	(4,819)
Creditors for Pre-payments and Over-payments	(4,875)	(4,636)
Net Debtors to the Billing Authority	4,193	4,921
Net Creditors to the Billing Authority	<u>0</u>	<u>0</u>
	<u>4,569</u>	<u>5,581</u>
Non-Domestic Rates		
Debtors	542	664
Provision for Doubtful Debts	(261)	(281)
Provision for Appeals	(1,486)	(1,663)
Creditors for Pre-payments and Over-payments	(418)	(240)
Net Debtors / (Creditors) to the Billing Authority	<u>2,668</u>	<u>614</u>
	<u>1,045</u>	<u>(906)</u>
Collection Fund surplus	<u>5,614</u>	<u>4,675</u>
Movement in Year		
Council Tax	(1,012)	594
Non-Domestic Rates	<u>1,951</u>	<u>(493)</u>
	<u>939</u>	<u>101</u>

**(c) 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.

	2016/17 £000	2015/16 £000
Balance Brought Forward	(7,606)	(8,739)
Movement in Year	<u>(1,818)</u>	<u>1,133</u>
Closing Balance	<u>(9,424)</u>	<u>(7,606)</u>

**(d) 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.

	2016/17 £000	2015/16 £000
Opening Balance	(436,923)	(484,059)
Remeasurements of the Net Defined Benefit Liability (Actuarial gains / (losses) on pension assets/liabilities)	(10,124)	69,414
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(58,109)	(60,292)
Employers pension contributions payable in year	41,205	38,014
Closing Balance	<u>(463,951)</u>	<u>(436,923)</u>

#### (e) 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.

	2016/17 £000	2015/16 £000
Opening Balance	959,182	981,530
<b>Adjustments between accounting basis and funding basis under regulations</b>		
Amortisation of Intangible Assets	(1,337)	(1,305)
Charges for depreciation and impairment of non current assets	(50,180)	(52,099)
Revaluation losses on Property, Plant and Equipment	(10,392)	(29,546)
Impairment from Non Enhancing Capital Expenditure	(10,241)	(11,446)
Movements in the value of Investment Properties	29	412
Capital Grants and Contributions	97,763	93,282
Revenue Expenditure Funded from Capital under Statute	(22,990)	(18,481)
Carrying Value of non current assets written off on disposal	(65,364)	(56,604)
Statutory Provision for the financing of capital investment	19,079	14,660
Capital Expenditure charged against the General Working Balance	11,332	13,901
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	7,356	7,378
Re-payment of long term loans	(6,967)	0
<b>Other Reserve Movements</b>		
Adjustment between current value depreciation and historic cost depreciation	6,741	5,980
Write out of revaluation on disposal; Property, Plant and Equipment	19,865	11,520
Closing Balance	<u>953,876</u>	<u>959,182</u>

#### 36. 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.

## **37. 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 2016/17 was authorised for issue by 31st May 2017 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 7th September 2017.

Since the Balance Sheet date two schools have converted to Academy status. Land and building asset values totalling £2.8m will be transferred off the Council's balance sheet in 2017/18 and the Council will no longer receive Dedicated School Grant of around £1.4m.

### 38. 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 2016/17 are detailed below:-

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2016/17 before Academy recoupment			392,807
Academy figure recouped for 2016/17			<u>(62,945)</u>
Total DSG after Academy recoupment for 2016/17			<u>329,862</u>
Brought forward from 2015/16			10,850
Post year end adjustment			<u>327</u>
Carry-forward to 2017/18 agreed in advance			<u>11,177</u>
Agreed initial budgeted distribution in 2016/17	44,492	285,370	329,862
In year adjustments		<u>(385)</u>	<u>(385)</u>
Final budgeted distribution for 2016/17	<u>44,492</u>	<u>284,985</u>	<u>329,477</u>
Less Actual central expenditure	(48,310)		(48,310)
Less Actual ISB deployed to schools		<u>(286,111)</u>	<u>(286,111)</u>
Net Carry-forward in year	<u>(3,818)</u>	<u>(1,126)</u>	<u>(4,944)</u>
Net Carry-forward to 2017/18			<u>6,233</u>

In 2016/17, £329,804k has been credited against the Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The net overspend in 2016/17 of £4,617k 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 £6,233k overall will be used exclusively in support of the Schools Budget in 2017/18 and subsequent years.

### 39. 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 95 (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 2017 £000	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000
<b>Investments</b>				
Loans and Receivables	9,018	3,518	276,218	227,383
Loans to Limited Companies	5,647	10,996	0	0
Loans to Growing Places Schemes	4,147	5,766	0	0
Other Debtors	6,259	4,658	0	64,137
	<u>25,071</u>	<u>24,938</u>	<u>276,218</u>	<u>291,520</u>
<b>Borrowings</b>				
PWLB Loans	(267,531)	(288,975)	(24,036)	(10,279)
Market LOBO Loans	(10,000)	(20,000)	(10,046)	(48)
Temporary Loans from External Bodies				
- North Yorkshire Pension Fund	0	0	(8,685)	(3,917)
- Selby District Council	0	0	(36,583)	(25,935)
- North Yorkshire Fire and Rescue Authority	0	0	(9,087)	(6,815)
- North York Moors National Park	0	0	(2,404)	(2,086)
- Yorkshire Dales National Park	0	0	(2,396)	(2,128)
- Peak District National Park	0	0	(7,099)	(6,224)
- National Parks England	0	0	(118)	(134)
	<u>(277,531)</u>	<u>(308,975)</u>	<u>(100,454)</u>	<u>(57,566)</u>
<b>Other Liabilities</b>				
PFI and Finance Leases	<u>5,056</u>	<u>(5,257)</u>	<u>202</u>	<u>(281)</u>
Creditors	<u>(3,004)</u>	<u>(3,073)</u>	<u>(91,962)</u>	<u>(83,904)</u>

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

	Financial Liabilities measured at amortised cost		Financial Assets Loans and receivables	
	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000
Interest expense	14,270	14,544	630	852
Impairment of Assets held for Sale	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	14,270	14,544	630	852
Interest and similar Income	0	0	(2,196)	(2,245)
Dividends Received	<u>0</u>	<u>0</u>	<u>(453)</u>	<u>(599)</u>
	0	0	(2,649)	(2,844)
Net (gain) / loss for the year	<u>14,270</u>	<u>14,544</u>	<u>(2,019)</u>	<u>(1,992)</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 2017		31st March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Maturity Loans	279,184	364,621	284,848	346,462
PWLB Annuity Loans	11,753	13,493	14,406	16,743
Market LOBO Loans	20,046	29,587	20,048	23,796
Financial Liabilities	<u>310,983</u>	<u>407,701</u>	<u>319,302</u>	<u>387,001</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 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £378.0m 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 £291.6m would be valued at £378.0m. 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 £434.5m.

## Investment Activities

	31st March 2017		31st March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans less than 1 year	276,218	276,309	227,383	227,507
Money Market Loans more than 1 year	<u>5,000</u>	<u>5,041</u>	<u>0</u>	<u>0</u>
Financial Liabilities	<u>281,218</u>	<u>281,350</u>	<u>227,383</u>	<u>227,507</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 2017) attributable to the commitment to receive interest above current market rates.

In addition the financial assets representing the shareholding in Yorwaste Limited (£3,518k), NY Property Services Ltd (£500k), 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](http://www.northyorks.gov.uk).

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

These limits can be summarised as follows:-

Maximum Investment Limit	Criteria
£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 2017 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2017, 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 2017 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2017 %
Deposits for less than 1 year:-			
Other Local Authorities	70,620	0.0	0.0
Institutions with Fitch Rating Long Term AA- and Short Term F1+	1	0.0	0.0
Institutions with Fitch Rating Long Term A+ and Short Term F1	40,030	0.0	0.0
Institutions with Fitch Rating Long Term A- and Short Term F1	13,028	0.0	0.0
Institutions with Fitch Rating Long Term A and Short Term F1	72,384	0.0	0.0
Part Nationalised Banks with Fitch Rating Long Term A+ and Short Term F1	85,155	0.0	0.0
	<u>281,218</u>		
Debtors	<u>77,381</u>		

No breaches of the credit rating criteria occurred during 2016/17 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 2017	Amount at 31st March 2017 £000
UK	AA	281,217
Sweden	AAA	<u>1</u>
		<u>281,218</u>

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2017, which are included within the £77.3m Short Term Debtors, can be analysed by past-due and age status as follows:-

	31st March 2017 £m
Less than 1 month	18.4
1 to 2 months	1.2
3 months or more	6.9
	<u>26.5</u>

It is considered that £6.9m of the £26.5m 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 32.

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 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 2017 £000	31st March 2016 £000
Less than one year		
Public Works Loan Board	(24,036)	(10,279)
Market LOBO Loans	(10,046)	(48)
Temporary Loans from External Bodies		
- North Yorkshire Pension Fund	(8,685)	(3,917)
- Selby District Council	(36,583)	(25,935)
- North Yorkshire Fire and Rescue Authority	(9,087)	(6,816)
- North York Moors National Park	(2,404)	(2,086)
- Yorkshire Dales National Park	(2,396)	(2,128)
- Peak District National Park	(7,099)	(6,224)
- National Parks England	(118)	(133)
	<u>(100,454)</u>	<u>(57,566)</u>
Greater than one year		
Public Works Loan Board	(267,531)	(288,975)
Market LOBO Loans	(10,000)	(20,000)
	<u>(277,531)</u>	<u>(308,975)</u>
Analysis of loans by Maturity		
Between one and two years	(2,452)	(31,443)
Between two and five years	(73,240)	(61,564)
Between five and ten years	(23,339)	(37,468)
Between ten and fifteen years	(24,700)	(7,500)
Between fifteen and twenty five years	0	(17,200)
Between twenty five and forty years	(138,800)	(138,800)
More than forty years	(15,000)	(15,000)
	<u>(277,531)</u>	<u>(308,975)</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	2,569
Increase in government grant receivable for financing costs	0
Impact on Comprehensive Income and Expenditure Account	<u>2,569</u>
Decrease in fair value of fixed rate investment assets	<u>(787)</u>
Decrease in fair value of fixed rate borrowing liabilities	<u>(118,534)</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, £0.5m NY Property Services 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 29 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 2016/17, it has a group relationship with six bodies (including their subsidiaries where appropriate):-

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

#### **(a) NYnet Limited**

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

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

The Company is limited by shares, which are 100% owned by the County Council and is managed by a Board of Directors appointed by the County Council.

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 2017 being £5.3m. 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) NY Property Services Limited**

The County Council owns 100% of the issued share capital of NY Property Services Limited; a company established in 2016 whose principal activities are architectural and property consultancy services. The County Council has provided a loan facility to NY Property Services Limited for £500,000.

NY Property Services Limited has not been consolidated into North Yorkshire County Council's Group Accounts as its values do not materially impact on the group financial position.

**(c) 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 not been included in the 2016/17 Group Accounts as their values do not materially impact on the group financial position.

**(d) Veritau Limited**

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

The company is wholly owned by both councils, with each council holding 50% of the shares. Veritau Limited has responsibility for carrying out all internal audit, information governance and counter fraud services for the two councils.

Veritau Limited has not been included in the 2016/17 Group Accounts as their values do not materially impact on the group financial position.

**(e) 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 £113.9m resulting in an operating surplus for 2016 of £7.4m. A member's cash dividend was agreed for the year 2016 totalling £7.9m. The County Council received £612k in dividends, calculated on the basis of sales to each local authority. The Organisation has net assets of £11.2m with a general fund working balance in 2016 of £28.8m.

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.

**(f) 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 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.

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 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 2016/17 or 2015/16.

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

## **FINANCIAL STATEMENTS AND RESULTS**

3. The Group Accounts for the County Council are based upon the consolidation of the County Council, NYnet Limited and Yorwaste 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 the two bodies. These companies do not report under IFRS, rather as small unlisted companies, and their accounts are produced under UK GAAP, incorporating FRS 102 in their 2016/17 accounts.

**EXPENDITURE AND FUNDING ANALYSIS FOR 2016/17**

	Net Expenditure £000	Movement to Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children and Young People's Service	67,709	12,332	80,041	44,318	124,359
Business and Environmental Services	64,849	6,158	71,007	13,687	84,694
Health and Adult Services	145,982	3,957	149,939	3,417	153,356
Central Services	59,641	33	59,674	492	60,166
Corporate Miscellaneous	22,424	(19,208)	3,216	(14,411)	(11,195)
Smart Solutions	0	(480)	(480)	480	0
Nynet Limited	(428)		(428)		(428)
Yorwaste Limited	(1,434)		(1,434)		(1,434)
<b>Net Cost of Services</b>	<b>358,743</b>	<b>2,792</b>	<b>361,535</b>	<b>47,983</b>	<b>409,518</b>
Other Operating Income and Expenditure	0		0	57,013	57,013
Financing and Investment Income & Expenditure	715		715	26,706	27,421
Taxation and non specific income and Expenditure	(361,202)	632	(360,570)	(98,918)	(459,488)
Tax Expenses	275		275		275
<b>Surplus or Deficit</b>	<b>(1,469)</b>	<b>3,424</b>	<b>1,955</b>	<b>32,784</b>	<b>34,739</b>
<b>Opening Group Balance</b>			(217,413)		
<b>Less/Plus Surplus or (Deficit) on Group in Year</b>			1,955		
<b>Closing Group Balance at 31 March 2017</b>			<b>(215,458)</b>		
<b>General Working Balance</b>			(27,270)		
<b>Earmarked Reserves</b>			(189,716)		
<b>Group Reserves</b>			1,528		
			<b>(215,458)</b>		

**EXPENDITURE AND FUNDING ANALYSIS FOR 2015/16**

	Net Expenditure £000	Movement to Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children and Young People's Service	70,900	(1,117)	69,783	63,482	133,265
Business and Environmental Services	76,185	(4,455)	71,730	13,567	85,297
Health and Adult Services	136,722	3,707	140,429	5,285	145,714
Central Services	61,213	(2,505)	58,708	327	59,035
Corporate Miscellaneous	40,734	(28,654)	12,080	(18,049)	(5,969)
Smart Solutions	0	(1,143)	(1,143)	1,143	0
Nynet Limited	70	0	70	0	70
Yorwaste Limited	(1,152)	0	(1,152)	0	(1,152)
<b>Net Cost of Services</b>	<b>384,672</b>	<b>(34,167)</b>	<b>350,505</b>	<b>65,755</b>	<b>416,260</b>
Other Operating Income and Expenditure	0	0	0	49,856	49,856
Financing and Investment Income & Expenditure	801	0	801	28,071	28,872
Taxation and non specific income and Expenditure	(363,811)	0	(363,811)	(99,462)	(463,273)
Tax Expenses	(53)	0	(53)	0	(53)
<b>Surplus or (Deficit)</b>	<b>21,609</b>	<b>(34,167)</b>	<b>(12,558)</b>	<b>44,220</b>	<b>31,662</b>
<b>Opening Group Balance</b>			(204,855)		
<b>Less/Plus Surplus or (Deficit) on Group in Year</b>			(12,558)		
<b>Closing Group Balance at 31 March 2016</b>			<b>(217,413)</b>		
<b>General Working Balance</b>			(27,270)		
<b>Earmarked Reserves</b>			(192,543)		
<b>Group Reserves</b>			2,400		
			<b>(217,413)</b>		

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

Year to 31st March 2016				Year to 31st March 2017		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
558,547	(425,282)	133,265	Children and Young People's Service	540,477	(416,118)	124,359
126,955	(41,658)	85,297	Business and Environmental Services	136,001	(51,307)	84,694
235,205	(89,491)	145,714	Health and Adult Services	240,026	(86,670)	153,356
65,208	(6,173)	59,035	Central Services	67,081	(6,915)	60,166
1,504	(7,473)	(5,969)	Corporate Miscellaneous	680	(11,875)	(11,195)
21,337	(21,267)	70	Yorwaste	12,282	(13,716)	(1,434)
11,833	(12,985)	(1,152)	NYnet Limited	890	(1,318)	(428)
<b>1,020,589</b>	<b>(604,329)</b>	<b>416,260</b>	<b>Cost of Services</b>	<b>997,437</b>	<b>(587,919)</b>	<b>409,518</b>
			<b>Other Operating Expenditure</b>			
		49,255	Loss on Disposal of Property, Plant and Equipment			56,390
		0	Impairment of Assets Held for Sale			0
		601	Precepts of Local Precepting Authorities			623
		0	Exceptional Items			0
		<u>49,856</u>				<u>57,013</u>
			<b>Financing and Investment Income and Expenditure</b>			
		14,974	Interest payable and similar charges			14,696
		(1,621)	Interest receivable and similar income			(1,730)
		(135)	Investment Properties; revaluation and impairment			(33)
		(130)	Deficit / (Surplus) on trading activities			(90)
		<u>15,784</u>	Net interest on the net defined pension benefit liability (asset)			<u>14,578</u>
		<u>28,872</u>				<u>27,421</u>
			<b>Taxation and Non-Specific Grant Income (Analysis)</b>			
		(245,116)	Council Tax Income (note 7)			(258,967)
		(59,578)	Non-Domestic Rates Income			(62,180)
		(64,956)	Non-Ringfenced Government Grants			(54,512)
		<u>(93,623)</u>	Capital Grants (note 9)			<u>(83,829)</u>
		<u>(463,273)</u>				<u>(459,488)</u>
		<b>31,715</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>34,464</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)

Year to 31st March 2016			Year to 31st March 2017		
Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
		<b>31,715</b>			34,464
					275
		(53)			
		0			
		<u>31,662</u>			<u>34,739</u>
					0
		0			
		(7,665)			(33,162)
		(69,414)			10,124
		<u>(77,079)</u>			<u>(23,038)</u>
		<u>(45,417)</u>			<u>11,701</u>

## GROUP MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000	County Council's Share of Subsidiaries £000	Minority Share of Reserves £000	Total Group Reserves £000
<b><u>Movement in Reserves during 2016/17</u></b>						
<b>Balance at 31st March 2016</b>	<b><u>(247,117)</u></b>	<b><u>(780,159)</u></b>	<b><u>(1,027,276)</u></b>	<b><u>4,437</u></b>	<b><u>(2,037)</u></b>	<b><u>(1,024,876)</u></b>
Total Comprehensive Expenditure and Income	35,611	(23,038)	12,573	(742)	(130)	11,701
Adjustments between accounting basis and funding basis under regulations	(42,728)	42,728	0	0	0	0
<b>Net (Increase) / Decrease before Transfers</b>	<b><u>(7,117)</u></b>	<b><u>19,690</u></b>	<b><u>12,573</u></b>	<b><u>(742)</u></b>	<b><u>(130)</u></b>	<b><u>11,701</u></b>
<b>Balance at 31st March 2017</b>	<b><u>(254,234)</u></b>	<b><u>(760,469)</u></b>	<b><u>(1,014,703)</u></b>	<b><u>3,695</u></b>	<b><u>(2,167)</u></b>	<b><u>(1,013,175)</u></b>
<b><u>Movement in Reserves during 2015/16</u></b>						
<b>Balance at 31st March 2015</b>	<b><u>(218,221)</u></b>	<b><u>(763,972)</u></b>	<b><u>(982,193)</u></b>	<b><u>3,279</u></b>	<b><u>(2,639)</u></b>	<b><u>(981,553)</u></b>
Total Comprehensive Expenditure and Income	31,996	(77,079)	(45,083)	1,158	602	(43,323)
Adjustments between accounting basis and funding basis under regulations	(60,892)	60,892	0	0	0	0
<b>Net (Increase) / Decrease before Transfers</b>	<b><u>(28,896)</u></b>	<b><u>(16,187)</u></b>	<b><u>(45,083)</u></b>	<b><u>1,158</u></b>	<b><u>602</u></b>	<b><u>(43,323)</u></b>
<b>Balance at 31st March 2016</b>	<b><u>(247,117)</u></b>	<b><u>(780,159)</u></b>	<b><u>(1,027,276)</u></b>	<b><u>4,437</u></b>	<b><u>(2,037)</u></b>	<b><u>(1,024,876)</u></b>



**GROUP BALANCE SHEET AS AT 31ST MARCH 2017**

31st March 2016 £000		31st March 2017 £000
1,522,465	Property, Plant and Equipment (note 3)	1,511,875
34,731	Investment Property	34,760
9,763	Intangible Assets	8,616
0	Long Term Investments	5,500
9,104	Long Term Debtors	4,817
<b>1,576,063</b>	<b>Long Term Assets</b>	<b>1,565,568</b>
227,697	Short Term Investments	276,516
170	Assets held for sale	170
1,327	Inventories	1,949
73,798	Short Term Debtors (note 5)	85,364
76,761	Cash and Cash Equivalents (note 4)	57,250
263	Current Tax Assets	314
<b>380,016</b>	<b>Current Assets</b>	<b>421,563</b>
(57,566)	Short Term Borrowing	(100,454)
(93,984)	Short Term Creditors (note 6)	(98,928)
(272)	PFI Liability repayable within 12 months	(193)
(1,996)	Provisions to be used within 12 months	(2,599)
(8)	Finance Lease repayable within 12 months	(9)
(3,025)	Capital Grant Receipts in Advance	(2,707)
<b>(156,851)</b>	<b>Current Liabilities</b>	<b>(204,890)</b>
(3,073)	Long Term Creditors	(3,004)
(4,181)	PFI Liability repayable in excess of 12 months	(3,988)
(1,077)	Finance Lease payable in excess of 12 months	(1,068)
(436,923)	Pensions Liability	(463,951)
(14,234)	Provisions to be used in excess of 12 months	(15,551)
(309,975)	Long Term Borrowing	(278,531)
(4,889)	Capital Grant Receipts in Advance	(2,973)
<b>(774,352)</b>	<b>Long Term Liabilities</b>	<b>(769,066)</b>
<b>1,024,876</b>	<b>Net Assets</b>	<b>1,013,175</b>
247,117	Usable Reserves	254,234
780,159	Unusable Reserves	760,469
(2,400)	Reserves - Group Entities	(1,528)
<b>1,024,876</b>	<b>Total Reserves</b>	<b>1,013,175</b>

## GROUP CASH FLOW STATEMENT

31st March 2016 £000		31st March 2017 £000
<b>(31,662)</b>	<b>Net Surplus / (Deficit) on the Provision of Services</b>	<b>(34,739)</b>
	<b>Adjust Net Surplus / (Deficit) on the Provision of Services for non cash movements</b>	
57,683	Depreciation / Amortisation	54,867
40,704	Impairment and revaluations charged to the provision of services	20,827
98	Movement in Creditors	4,664
10,868	Movement in Debtors	(11,687)
319	Movement in Inventories	(622)
(1,339)	Movement in Provisions	1,434
22,278	Pensions Liability	16,904
56,604	Carrying Amount of Non-current Assets sold	65,364
<u>(1,029)</u>	Other non-cash items charged to the provision of services	<u>672</u>
<b><u>186,186</u></b>		<b><u>152,423</u></b>
	<b>Adjust for items included in the Net Surplus / (Deficit) on the Provision of Services that are investing and financing activities</b>	
(93,623)	Grants received for investment purposes	(83,829)
<u>(7,378)</u>	Proceeds from the sale of property and other assets	<u>(2,008)</u>
<b><u>(101,001)</u></b>		<b><u>(85,837)</u></b>
0	Equity Dividends Paid	0
<u>(256)</u>	Taxation	<u>5</u>
<b><u>53,267</u></b>	<b>Net cash flows from Operating Activities</b>	<b><u>31,852</u></b>
	<b>Investing Activities</b>	
(95,959)	Purchase of Property, Plant and Equipment and Intangible Assets	(89,312)
(71,892)	Purchase of Short Term and Long Term investments	(54,335)
7,766	Proceeds from the Sale of Property (and other Assets)	2,206
0	Proceeds from Short Term and Long Term Investments	0
<u>89,758</u>	Other receipts for investing activities	<u>86,962</u>
<b><u>(70,327)</u></b>	<b>Net cash flows from Investing Activities</b>	<b><u>(54,479)</u></b>
	<b>Financing Activities</b>	
8,484	Cash receipts of Short and Long Term Borrowing	18,148
83	Other receipts from Financing Activities	(6,967)
(257)	Repayment of the outstanding liability of Finance Lease and similar arrangements	(280)
(3,174)	Repayment of Short and Long Term Borrowing	(7,612)
0	Other payments for Financing Activities	(173)
<u>5,136</u>	<b>Net cash flows for Financing Activities</b>	<u>3,116</u>
<b><u>(11,924)</u></b>	<b>Net Increase / (decrease) in Cash and Cash Equivalents</b>	<b><u>(19,511)</u></b>
88,685	Cash and Cash Equivalents at the beginning of the reporting period	76,761
<u>76,761</u>	Cash and Cash Equivalents at the end of the reporting period	<u>57,250</u>
<b><u>(11,924)</u></b>		<b><u>(19,511)</u></b>

## NOTES TO THE GROUP STATEMENTS

### 1. Expenditure and Funding Analysis (Further Analysis)

**2016/17**

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>				
Children and Young People's Service	46,184	173	(2,039)	44,318
Business and Environmental Services	21,877	157	(8,347)	13,687
Health and Adult Services	3,509	363	(455)	3,417
Central Services	1,135	438	(1,081)	492
Corporate Miscellaneous	132	1,000	(15,543)	(14,411)
Smart Solutions	14	195	271	480
Nynet Limited	0	0	0	0
Yorwaste Limited	0	0	0	0
<b>Net Cost of Services</b>	<b>72,851</b>	<b>2,326</b>	<b>(27,194)</b>	<b>47,983</b>
Other Operating Income and Expenditure	56,390	0	623	57,013
Financing and Investment Income and Expenditure	0	14,578	12,128	26,706
Taxation and non specific income and Expenditure	0	0	(98,918)	(98,918)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>129,241</b>	<b>16,904</b>	<b>(113,361)</b>	<b>32,784</b>

2. 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 2017

	NYCC £000	NYnet Limited £000	Yorwaste Limited £000	Consolidation Adjustments £000	Group £000
<b>Cost of Service</b>	411,380	(428)	(1,434)	0	409,518
<b>Other Operating Expenditure</b>					
Loss on Disposal of Property, Plant and Equipment	56,390	0	0	0	56,390
Impairment of Assets Held for Sale	0	0	0	0	0
Precepts of Local Precepting Authorities	623	0	0	0	623
	<u>57,013</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,013</u>
<b>Financing and Investment Income and Expenditure</b>					
Interest payable and similar charges	14,270	138	586	(298)	14,696
Interest receivable and similar income	(2,019)	0	(9)	298	(1,730)
Investment Properties; revaluation and impairment	(33)	0	0	0	(33)
Surplus of trading activities	(90)	0	0	0	(90)
Net interest on the defined benefit liability (asset)	14,578	0	0	0	14,578
	<u>26,706</u>	<u>138</u>	<u>577</u>	<u>0</u>	<u>27,421</u>
Taxation and Non-Specific Grant Income	(459,488)	0	0	0	(459,488)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>35,611</b>	<b>(290)</b>	<b>(857)</b>	<b>0</b>	<b>34,464</b>
Tax Expenses	0	0	275	0	275
<b>Group (Surplus) / Deficit</b>	<b>35,611</b>	<b>(290)</b>	<b>(582)</b>	<b>0</b>	<b>34,739</b>
(Surplus) / Deficit on Revaluation of Fixed Assets	(33,162)	0	0	0	(33,162)
Remeasurements of the Net Defined Benefit Liability	10,124	0	0	0	10,124
<b>Other Comprehensive Income and Expenditure</b>	<b>(23,038)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(23,038)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>12,573</b>	<b>(290)</b>	<b>(582)</b>	<b>0</b>	<b>11,701</b>

Balance Sheet as at 31st March 2017

	NYCC £000	NYnet Limited £000	Yorwaste Limited £000	Consolidation Adjustments £000	Group £000
Property, Plant and Equipment	1,498,112	1,914	11,849	0	1,511,875
Investment Property	34,760	0	0	0	34,760
Intangible Assets	8,616	0	0	0	8,616
Long Term Investments	9,018	0	0	(3,518)	5,500
Long Term Debtors	16,053	0	0	(11,236)	4,817
Long Term Assets	<b>1,566,559</b>	<b>1,914</b>	<b>11,849</b>	<b>(14,754)</b>	<b>1,565,568</b>
Short Term Investments	276,218	0	298	0	276,516
Inventories	1,695	254	0	0	1,949
Short Term Debtors	77,381	1,730	11,621	(5,368)	85,364
Cash and Cash Equivalents	49,260	8	7,982	0	57,250
Assets held for sale	170	0	0	0	170
Current Tax Assets	0	0	314	0	314
Current Assets	<b>404,724</b>	<b>1,992</b>	<b>20,215</b>	<b>(5,368)</b>	<b>421,563</b>
Short Term Borrowing	(100,454)	0	0	0	(100,454)
Short Term Creditors	(90,233)	(4,109)	(9,954)	5,368	(98,928)
PFI Liability repayable within 12 months	(193)	0	0	0	(193)
Finance Lease repayable within 12 months	(9)	0	0	0	(9)
Provisions to be used within 12 months	(2,599)	0	0	0	(2,599)
Capital Grant Receipts in Advance	(2,707)	0	0	0	(2,707)
Current Liabilities	<b>(196,195)</b>	<b>(4,109)</b>	<b>(9,954)</b>	<b>5,368</b>	<b>(204,890)</b>
Long Term Creditors	(3,004)	(5,589)	0	5,589	(3,004)
PFI Liability repayable in excess of 12 months	(3,988)	0	0	0	(3,988)
Finance Lease repayable in excess of 12 months	(1,068)	0	0	0	(1,068)
Provisions to be used in excess of 12 months	(7,870)	0	(7,681)	0	(15,551)
Pensions Liability	(463,951)	0	0	0	(463,951)
Long Term Borrowing	(277,531)	(1,947)	(4,700)	5,647	(278,531)
Capital Grant Receipts in Advance	(2,973)	0	0	0	(2,973)
Long Term Liabilities	<b>(760,385)</b>	<b>(7,536)</b>	<b>(12,381)</b>	<b>11,236</b>	<b>(769,066)</b>
Net Assets	<b>1,014,703</b>	<b>(7,739)</b>	<b>9,729</b>	<b>(3,518)</b>	<b>1,013,175</b>
Usable Reserves	254,234	0	0	0	254,234
Unusable Reserves	760,469	0	0	0	760,469
Reserves - Group Entities	0	(7,739)	9,729	(3,518)	(1,528)
Total Reserves	<b>1,014,703</b>	<b>(7,739)</b>	<b>9,729</b>	<b>(3,518)</b>	<b>1,013,175</b>

### 3. Movement in Property, Plant and Equipment

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration £000	Total £000
<b>Cost of Valuation</b>					
As at 1st April 2016	960,614	130,020	737,984	35,363	1,863,981
Effect Re-Profiling				104	104
Additions	12,522	2,981	63,339	40	78,882
Disposals	(65,363)	(113)	(9,784)	0	(75,260)
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	37,997	0	0	0	37,997
Recognised in Provision of Services	(36,496)	0	0	0	(36,496)
<b>As at 31st March 2017</b>	<b>909,274</b>	<b>132,888</b>	<b>791,539</b>	<b>35,507</b>	<b>1,869,208</b>
<b>Depreciation and</b>					
As at 1st April 2016	(36,756)	(112,857)	(162,821)	(29,082)	(341,516)
Charge for the year	(25,618)	(6,030)	(20,625)	(1,256)	(53,529)
Disposals	0	0	9,784	0	9,784
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	2,132	0	0	0	2,132
Recognised in Provision of Services	26,104	0	0	0	26,104
Yorwaste Asset Impairment		(308)			(308)
<b>As at 31st March 2017</b>	<b>(34,138)</b>	<b>(119,195)</b>	<b>(173,662)</b>	<b>(30,338)</b>	<b>(357,333)</b>
<b>Balance Sheet Net Amount at 31st March 2017</b>	<b>875,136</b>	<b>13,693</b>	<b>617,877</b>	<b>5,169</b>	<b>1,511,875</b>
<b>Balance Sheet Net Amount at 31st March 2016</b>	<b>923,858</b>	<b>17,163</b>	<b>575,163</b>	<b>6,281</b>	<b>1,522,465</b>

## Comparative Movements in 2015/16

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration Costs £000	Total £000
<b>Cost of Valuation</b>					
As at 1st April 2015	1,051,498	126,190	680,700	34,741	1,893,129
Effect Re-Profiling	0	0	0	307	307
Additions	11,099	5,089	66,998	315	83,501
Disposals	(52,290)	(1,259)	(8,563)	0	(62,112)
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)
<b>As at 31st March 2016</b>	<b>960,614</b>	<b>130,020</b>	<b>737,984</b>	<b>35,363</b>	<b>1,863,981</b>
<b>Depreciation and</b>					
As at 1st April 2015	(37,401)	(104,500)	(153,492)	(27,031)	(322,424)
Charge for the year	(26,924)	(8,357)	(19,044)	(2,051)	(56,376)
Disposals	21	0	8,564	0	8,585
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	22,076	0	1,151	0	23,227
Yorwaste Asset Impairment	(261)	0	0	0	(261)
<b>As at 31st March 2016</b>	<b>(36,756)</b>	<b>(112,857)</b>	<b>(162,821)</b>	<b>(29,082)</b>	<b>(341,516)</b>
<b>Balance Sheet Net Amount at 31st March 2016</b>	<b>923,858</b>	<b>17,163</b>	<b>575,163</b>	<b>6,281</b>	<b>1,522,465</b>

#### 4. Cash and Cash Equivalents

	31st March 2017 £000	31st March 2016 £000
Bank current accounts and cash held by the County Council	21,282	26,911
Short term / call deposits, inc. Cash Balances held by Group Entities	<u>35,968</u>	<u>49,850</u>
Total Cash and Cash Equivalents	<u>57,250</u>	<u>76,761</u>

#### 5. Short Term Debtors

	31st March 2017		31st March 2016	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	9,772		11,570	
Other Local Authorities	14,930		15,044	
NHS Bodies	<u>9,928</u>	34,630	<u>4,456</u>	31,070
General Debtors (including Public Corporations and Trading Funds)		48,997		41,605
Payments in Advance		<u>11,641</u>		<u>10,073</u>
		95,268		82,748
Less: Bad Debts Provision		<u>(9,904)</u>		<u>(8,950)</u>
Total Short Term Debtors		<u>85,364</u>		<u>73,798</u>

#### 6. Short Term Creditors

	31st March 2017		31st March 2016	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	11,889		15,404	
Other Local Authorities	9,834		89	
NHS Bodies	<u>3,340</u>	25,063	<u>3,661</u>	19,154
General Creditors (including Public Corporations and Trading Funds)		62,492		65,866
Income in Advance		<u>11,374</u>		<u>8,964</u>
Total Short Term Creditors		<u>98,929</u>		<u>93,984</u>



## 7. Provisions

	Balance as at 31st March 2016 £'000	Changes during the year			Balance as at 31st March 2017 £'000	To be used			Total £'000
		Provision Made £'000	Provision Used £'000	Provision Written Down £'000		Within 1 year £'000	In excess of 1 year £'000		
Insurance	4,484	3,610	(1,421)	0	6,673	2,224	4,449	6,673	
Highways Advance Payments	2,140	1,520	(575)	0	3,085	0	3,085	3,085	
Other	1,122	0	(411)	0	711	375	336	711	
	<u>7,746</u>	<u>5,130</u>	<u>(2,407)</u>	<u>0</u>	<u>10,469</u>	<u>2,599</u>	<u>7,870</u>	<u>10,469</u>	
Yorwaste Limited - Restoration	3,523	102	(911)	(113)	2,601	0	2,601	2,601	
Yorwaste Limited - Aftercare	4,961	496	(378)	0	5,079	0	5,079	5,079	
	<u>16,230</u>	<u>5,728</u>	<u>(3,696)</u>	<u>(113)</u>	<u>18,149</u>	<u>2,599</u>	<u>15,550</u>	<u>18,149</u>	

### Comparative Movements in 2015/16

	Balance as at 31st March 2015 £'000	Changes during the year			Balance as at 31st March 2016 £'000	To be used			Total £'000
		Provision Made £'000	Provision Used £'000	Provision Written Down £'000		Within 1 year £'000	In excess of 1 year £'000		
Insurance	4,569	1,340	(1,425)	0	4,484	1,571	2,913	4,484	
Highways Advance Payments	2,523	720	(1,103)	0	2,140	0	2,140	2,140	
Other	1,997	100	(722)	(253)	1,122	425	697	1,122	
	<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	
	<u>17,569</u>	<u>2,467</u>	<u>(3,553)</u>	<u>(253)</u>	<u>16,230</u>	<u>1,996</u>	<u>14,234</u>	<u>16,230</u>	

**NORTH YORKSHIRE PENSION FUND**  
**FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2017**

2015/16 £000		2017/18 £000	£000
<b>CONTRIBUTIONS AND BENEFITS</b>			
<b>Contributions</b>			
57,626	Employers - Normal	58,793	
25,765	- Deficit	38,953	
2,572	- Early Retirement Costs Recharged	3,091	
25,492	Employees - Normal	26,226	
233	- Additional Voluntary	187	
111,688	<b>Total Contributions Receivable (note 7)</b>		127,250
8,680	<b>Transfers in (note 8)</b>		11,959
<b><u>Less</u></b>			
<b>Benefits</b>			
(73,274)	Pensions	(76,846)	
(23,176)	Commutation and Lump Sum Retirement Benefits	(23,693)	
(2,282)	Lump Sums Death Benefits	(3,664)	
(98,732)	<b>Total Benefits Payable (note 9)</b>		(104,203)
<b>Leavers</b>			
(364)	Refunds to Members Leaving Service	(267)	
0	Payments for Members Joining State Scheme	0	
(3,603)	Transfers Out	(9,280)	
(3,967)	<b>Total Payments on Account of Leavers (note 10)</b>		(9,547)
(1,829)	<b>Management Expenses (note 11)</b>		(2,168)
15,840	<b>Net additions from dealings with Members</b>		23,291
 <b>RETURNS ON INVESTMENTS</b>			
16,963	Investment income (note 12)		19,375
(290)	Taxation (note 13)		265
(7,968)	Investment Management Cost (note 11)		(14,853)
(6,581)	Change in market value of investments (note 14a)		589,445
2,124	<b>Net returns on investments</b>		594,232
17,964	<b>Net increase in the Fund during the year</b>		617,523
2,399,869	<b>Opening Net Assets of the Fund</b>		2,417,833
2,417,833	<b>Closing Net Assets of the Fund</b>		3,035,356

## NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2016 £000		31st March 2017 £000
	<b>INVESTMENT ASSETS (note 15 and 16)</b>	
341,598	Fixed Interest Securities	422,864
488,055	Equities	587,799
1,391,947	Pooled Investments	1,742,033
176,463	Pooled Property Investments	252,966
<u>82</u>	Private Equity	<u>55</u>
<u>2,398,145</u>		<u>3,005,717</u>
8,339	Cash Deposits	10,126
<u>13,584</u>	Investment Debtors	<u>6,234</u>
<u>2,420,068</u>	<b>TOTAL INVESTMENT ASSETS</b>	<u>3,022,077</u>
	<b>INVESTMENT LIABILITIES (note 15 and 16)</b>	
0	Derivate Contracts - Forward Currency Contracts	(182)
<u>(10,771)</u>	Investment Creditors	<u>(1,670)</u>
<u>(10,771)</u>	<b>TOTAL INVESTMENT LIABILITIES</b>	<u>(1,852)</u>
<u>2,409,297</u>	<b>NET INVESTMENT ASSETS</b>	<u>3,020,225</u>
	<b>CURRENT ASSETS</b>	
7,612	Contributions due from employers	7,878
903	Other Non-Investment Debtors	313
<u>3,780</u>	Cash	<u>8,683</u>
<u>12,295</u>	<b>TOTAL CURRENT ASSETS</b>	<u>16,874</u>
	<b>CURRENT LIABILITIES</b>	
<u>(3,759)</u>	Non-Investment Creditors	<u>(1,743)</u>
<u>(3,759)</u>	<b>TOTAL CURRENT LIABILITIES</b>	<u>(1,743)</u>
<u>2,417,833</u>	<b>TOTAL NET ASSETS (note 17)</b>	<u>3,035,356</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 2017**

**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 2016/17 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 2016

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 2017 there were 140 contributing employer organisations within NYPF including the County Council itself, and over 87,000 individual members, as detailed below

**95 Scheduled Bodies incl 52 Academies**

Ainsty 2008 Internal Drainage Board  
Askham Bryan College  
Chief Constable NYP  
City of York Council  
Craven College  
Craven District Council  
Easingwold Town Council  
Field Town Council

**Academy Trusts**

**Bishop Wheeler Academy Trust Bodies**

- Mary's RC School
- St Stephen's RC School
- St. Joseph's School

**Craven Education Trust**

- The Skipton Academy

**Ebor Academy Trust**

- Brotherton and Byram School

Foss 2008 Internal Drainage Board	- Haxby Road Academy
Fulford Parish Council	- Staynor Hall
Glusburn Parish Council	- Filey School Academy
Great Ayton Parish Council	- Camblesworth CP School
Hambleton District Council	- Robert Wilkinson Primary Academy
Harrogate Borough Council	<u>Enquire Learning Trust</u>
Haxby Town Council	- Roseberry Academy
Hunmanby Parish Council	- East Whitby C.P.
Knaresborough Town Council	- Stokesley C.P.
Malton Town Council	<u>Hope Learning Trust</u>
North York Moors National Park	- Manor Academy
North Yorkshire County Council	- Poppleton Ousebank School
North Yorkshire Fire and Rescue	- Burton Green Primary
North Yorkshire Police and Crime	- Forest of Galtres
Comissioner	<u>Northern Star Academy Trust</u>
Northallerton & Romanby JBB	- Harrogate High
Northallerton Town Council	- Hookstone Chase Primary School
Norton on Derwent Town Council	- New Park Academy
Pickering Town Council	- Skipton Girls High School
Richmond Town Council	<u>Pathfinder Academy Trust</u>
Richmondshire District Council	- Archbishop Holgate
Ripon City Council	- Badger Hill
Ryedale District Council	- Hempland Primary
Scarborough Borough Council	- Heworth Primary
Scarborough Sixth Form College	<u>Red Kite Learning Trust</u>
Selby College	- Harrogate Grammar
Selby District Council	- Oatlands Junior School
Selby Town Council	- Western CP School
Skipton Town Council	<u>Rodillian Multi Academy Trust</u>
Sutton in Craven Parish Council	- Brayton High School
Tadcaster Town Council	<u>Scalby Learning Trust</u>
Thornton (Vale of Pickering) IDB	- Scalby School
Whitby Town Council	<u>South Bank Multi Academy Trust</u>
York College	- Knavesmire
Yorkshire Dales National Park	- Millthorpe
University Technical College	- Scarcroft
Scarborough	<u>South Craven Academy Trust</u>
Great Smeaton Academy Primary	- South Craven School
School	<u>Vale of York Academy Trust</u>
Huntington Primary Academy	- Canon Lee
Norton College	<u>YA Collaboration Trust</u>
Outwood Academy	- Askwith School
Rossett School	- Bilton Grange School
Stokesley School Academy	- Lothersdale Schools
The Grove Academy	<u>Yorkshire Causeway Trust</u>
The Woodlands Academy	- Richard Taylor School
Thomas Hinderwell Primary Academy	- St Aidans CE School
	- Oatlands Infant School
	- Pannal Primary School
	- St Peter's CE Primary School

## 45 Admission Bodies

Be Independent	Mellors
Betterclean Services	Northern Care (Whistledawn)
Bulloughs Cleaning Ltd	North Yorkshire Property Services
Catering Academy Ltd	OCS Group UK Ltd
Caterservice Ltd	Richmondshire Leisure Trust
Chartwells Compass	Ringway Operatives
Churchill	Sanctuary Housing Association
Everyone Active (SLM Scarborough)	Schools Plus
Consultant Services Group	Sewell Facilities Management
Dolce Ltd	Sheffield International Venues
Enterprise	Springfield Home Care
Explore York Libraries and Archives	Streamline Taxis
Grosvenor Facilities Management	Superclean Services Group
Harrogate International Centre	University of Hull
Housing 21	Veritau Ltd
Human Support Group Ltd	Veritau North Yorks
Hutchison Catering	Welcome to Yorkshire
Independent Cleaning Services	Wigan Leisure & Culture Trust
Interserve	York Archaeological Trust
ISS Mediclean Ltd	York Museums & Gallery Trust
Joseph Rowntree Trust	York St John University
Lifeways Community Care Ltd	Yorkshire Coast Homes
Make It York	

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

	31st March 2017 No.	31st March 2016 No.
Number of Employers with Active Members	140	125
Employees in the Fund		
NYCC	19,528	20,497
Other employers	14,031	13,493
Total	<u>33,559</u>	<u>33,990</u>
Pensioners		
NYCC	11,017	10,623
Other employers	9,424	9,087
Total	<u>20,441</u>	<u>19,710</u>
Deferred Pensioners		
NYCC	20,318	19,560
Other employers	12,829	12,409
Total	<u>33,147</u>	<u>31,969</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 2017. Employee contributions are

matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 that set the contribution rates for 2017/18, 2018/19, 2019/20; details of the rates for individual employers are available on the Fund's website. The contribution rates in 2016/17 were set at the 2013 Valuation.

#### **(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 updated 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 2016/17 financial year and its year end position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 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 Transfers In (see 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) Management expenses**

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).



## **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.

## **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
- Hermes Investment Management- UK Property
- Bluebay- Private Debt
- Permira- Private Debt

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund accounts.

## **Net Assets Statement**

### **(g) 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.

### **(h) 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.

### **(i) 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 purpose (see note 15)

### **(j) 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.

## **(k) 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.

## **(l) 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.

## **(m) 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(1)(b) of the LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

## **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 2017 was £55k (31 March 2016, £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 Note 19. 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 2017 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 1.9%, a 0.1% increase in inflation would increase liabilities by 1.9%, and an increase in life expectancy of one year would increase liabilities by 2.9%.

## 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

By category

	2016/17 £000	2015/16 £000
Employees' Contributions	26,413	25,725
Employers' Contributions		
Normal contributions	58,793	57,626
Deficit recovery contributions	38,953	25,765
Early Retirement Recharges	2,602	2,572
Compensatory Added Years Recharges	489	0
Total Employers' Contributions	<u>127,250</u>	<u>111,688</u>

By authority

	2016/17 £000	2015/16 £000
Contributions Receivable		
North Yorkshire County Council	52,208	49,156
Other Scheduled Bodies	68,944	55,521
Admitted Bodies	<u>6,098</u>	<u>7,011</u>
	<u>127,250</u>	<u>111,688</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

	2016/17 £000	2015/16 £000
Benefits Payable		
North Yorkshire County Council	44,144	42,069
Other Scheduled Bodies	53,056	49,115
Admitted Bodies	<u>7,003</u>	<u>7,548</u>
	<u>104,203</u>	<u>98,732</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

	2016/17 £000	2015/16 £000
Administrative Costs	1,516	1,412
Investment Management Costs	14,853	7,968
Oversight and Governance Costs	652	417
	<u>17,021</u>	<u>9,797</u>

Investment Management Costs includes £1,990K (2015/16: £3,947K) in respect of performance related fees payable to the Fund's investment managers and £2,638k in respect of transaction costs (2015/16 £644k).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of acquisitions and in the proceeds from the sales of investments (see Note 14a).

## 11A. Investment Management Expenses

	2016/17 £000	2015/16 £000
Management Fees	9,219	
Performance Related Fees	1,990	
Custody Fees	81	
Transactions Costs	2,638	
Other	925	
	<u>14,853</u>	

## 12. Investment Income

	2016/17 £000	2015/16 £000
Income from Bonds	2,830	2,301
Income from Equities	12,985	12,683
Pooled Property Investments	2,877	1,265
Pooled Investments - Other Managed Funds	0	63
Interest on Cash Deposits	3	81
Other	680	570
	<u>19,375</u>	<u>16,963</u>

## 13. Taxes on Income

	2016/17 £000	2015/16 £000
Withholding Tax on Dividends	<u>(265)</u>	<u>290</u>

## 14. Investments

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

	Value at 31st March 2017 £000	Change in market value at 31st March 2017 £000	Sale proceeds & derivate receipts £000	Purchases at cost and derivative payments £000	Value as at 1st April 2016 £000
Fixed Interest Securities	422,865	83,870	(1,233,264)	1,230,661	341,598
Equities	587,799	108,496	(284,776)	276,024	488,055
Pooled Investments	1,742,033	383,962	(51,263)	17,387	1,391,947
Pooled Property	252,966	13,299	(146,577)	209,781	176,463
Private Equity	55	0	(27)	0	82
Derivative Contracts	(182)	(182)	0	0	0
Total Invested	<u>3,005,536</u>	<u>589,445</u>	<u>(1,715,907)</u>	<u>1,733,853</u>	<u>2,398,145</u>
Cash Deposits	10,126				8,339
Net Investment Debtors	<u>4,563</u>	<u>1,750</u>			<u>2,813</u>
Net Investment Assets	<u>3,020,225</u>	<u>591,195</u>			<u>2,409,297</u>

	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 Securities	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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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>

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

	2016/17 £000	2015/16 £000
Fixed Interest Securities		
UK Public Sector Quoted	<u>422,682</u>	<u>341,598</u>
Equities		
UK Quoted	308,717	274,721
Overseas Quoted	<u>279,082</u>	<u>213,334</u>
	<u>587,799</u>	<u>488,055</u>
Pooled Investments		
UK Equity	70,283	65,403
UK Property	252,966	176,463
UK Fixed Income	0	0
Overseas Equity	1,328,818	950,427
Overseas Fixed Income	<u>93,095</u>	<u>129,395</u>
	<u>1,745,162</u>	<u>1,321,688</u>
Diversified Growth Funds - UK	<u>249,837</u>	<u>246,722</u>
Private Equity - UK	<u>55</u>	<u>82</u>
Total Investments (excl Derivatives)	<u>3,005,536</u>	<u>2,398,145</u>
Cash Deposits	10,126	8,339
Net Investment Debtors	4,563	2,813
Net Investment Assets	<u>3,020,225</u>	<u>2,409,297</u>

**(c) Investments analysed by Fund Manager**

Investment Manager	31st March 2017		31st March 2016	
	£000	%	£000	%
Baillie Gifford & Co. - Global Alpha	604,424	19.9	445,906	18.4
Baillie Gifford & Co. - LTGG	418,471	13.8	303,055	12.5
Fidelity International	340,419	11.2	259,850	10.7
Standard Life Investments - Equities	312,208	10.3	279,634	11.6
Standard Life Investments - DGF	138,060	4.5	137,312	5.7
ECM Asset Management	93,095	3.1	129,394	5.4
Hermes Property Unit Trust	32,866	1.1	32,113	1.3
Legal & General	62,453	2.1	60,029	2.5
Threadneedle	158,237	5.2	84,911	3.5
M&G Investments	427,134	14.1	342,475	14.2
Newton Investments	111,778	3.7	109,409	4.5
Dodge & Cox	153,007	5.0	104,730	4.3
Veritas	154,599	5.1	120,397	5.0
Bluebay	7,570	0.2	0	0.0
Permira	5,850	0.2	0	0.0
Currency Hedging	0	0.0	(1)	0.0
Yorks and Humber Equity Fund	55	0.0	82	0.0
Internally Managed (cash and net debtors)	15,130	0.5	8,537	0.4
	<u>3,035,356</u>	<u>100.0</u>	<u>2,417,833</u>	<u>100.0</u>

The investments with Baillie Gifford, Threadneedle and Veritas 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**

**Futures**

Type	Expires	Economic Exposure £000	Market Value 31 March 2016 £000	Economic Exposure £000	Market Value 31 March 2017 £000
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**Liabilities**

UK Fixed Interest	Less than 1 year	-	-	(182)	(182)
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**16. Fair Value – Basis of Valuation**

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided <sup>32</sup>
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Futures and options in UK bonds</b>	Level 1	Published exchange prices at the year-end	Not required	Not required
<b>Exchange traded pooled investments</b>	Level 1	Closing bid value on published exchanges	Not required	Not required
<b>Unquoted bonds</b>	Level 2	Average of broker prices	Evaluated price feeds	Not required
<b>Forward foreign exchange derivatives</b>	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required

<b>Overseas bond options</b>	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
<b>Pooled investments – overseas unit trusts and property funds</b>	Level 2	Closing bid price where bid and offer prices are published  Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
<b>Pooled investments – hedge funds</b>	Level 3	Closing bid price where bid and offer prices are published  Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts  Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.
<b>Notes to the Ellebeau Pension Fund Account for the year ended 31 March 2017 Page 31 Description of asset</b>	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided <sup>32</sup>
<b>Freehold and leasehold properties</b>	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Finley FRICS of independent valuers Carrott-Jones LLP in accordance with the RICS Valuation Standards (9th Edition)	Existing lease terms and rentals  Independent market research  Nature of tenancies  Covenant strength for existing tenants	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices



			Assumed vacancy levels Estimated rental growth Discount rate	
<b>Unquoted equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

	Value at 31 March 2017 £000	Value on Increase £000	Value on decrease £000
Assessed valuation range (+/-)			
Pooled investments – hedge funds	0	0	0
Freehold and leasehold property	0	0	0
Unquoted overseas equity	0	0	0
Private equity	55	0	0
Total	<u>55</u>	<u>0</u>	<u>0</u>

### 16a. Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

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

## Level 2

Assets and liabilities 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.

## Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2017				
Financial assets at fair value through profit and loss	3,038,896	0	55	3,038,951
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	3,595	0		3,595
Net investment assets	<u>3,035,301</u>	<u>0</u>	<u>55</u>	<u>3,035,356</u>

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Values at 31 March 2016				
Financial assets at fair value through profit and loss	2,432,281	0	82	2,432,363
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	14,530	0		14,530
Net investment assets	<u>2,417,751</u>	<u>0</u>	<u>82</u>	<u>2,417,833</u>

## 17. 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 2016			31st March 2017		
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
<b>Assets</b>					
341,598	0	0	Fixed Interest Securities	422,864	0
488,055	0	0	Equities	587,799	0
1,145,224	0	0	Pooled Investments	1,492,196	0
176,463	0	0	Pooled Property	252,966	0
246,722	0	0	Diversified Growth Funds	249,837	0
82	0	0	Private Equity	55	0
0	0	0	Derivative Contracts	0	0
0	12,120	0	Cash	0	18,809
13,584	0	0	Investment Debtors	6,234	0
0	8,515	0	Non Investment Debtors	0	8,191
<u>2,411,728</u>	<u>20,635</u>	<u>0</u>		<u>3,011,951</u>	<u>27,000</u>
<b>Liabilities</b>					
0	0	0	Derivate Contracts	182	0
10,771	0	0	Investment Creditors	1,670	0
0	0	3,759	Non Investment Creditors	0	1,743
<u>10,771</u>	<u>0</u>	<u>3,759</u>		<u>1,852</u>	<u>1,743</u>
<u>2,400,957</u>	<u>20,635</u>	<u>(3,759)</u>		<u>3,010,099</u>	<u>(1,743)</u>

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

	2016/17 £000	2015/16 £000
Fair Value Through Profit & Loss	589,445	(6,581)
Loans and Receivables	37	(20,489)
	<u>589,482</u>	<u>(27,070)</u>

**18. 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 advisers, the council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period.

Asset Type	Potential Market
	Movements (+/-) %
Cash and Cash Equivalents	1.0
UK Bonds	9.0
UK Equities	19.0
Overseas Equities	20.5
UK Pooled Equity	19.0
Overseas Pooled Equity	20.5
UK Pooled Bonds	9.0
Overseas Pooled Bonds	11.0
Pooled Property Investments	12.5
Diversified Growth Funds	10.5
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 shown below).

Asset Type	Value as at 31st March 2017 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	10,126	101	10,227	10,025
UK Bonds	422,864	38,058	460,922	384,806
UK Equities	308,717	58,656	367,373	250,061
Overseas Equities	279,082	57,212	336,294	221,870
UK Pooled Equity	70,283	13,354	83,637	56,929
Overseas Pooled Equity	1,328,818	272,408	1,601,226	1,056,410
UK Pooled Bonds	0	0	0	0
Overseas Pooled Bonds	93,095	10,240	103,335	82,855
Pooled Property Investments	252,966	31,621	284,587	221,345
Diversified Growth Funds	249,837	26,233	276,070	223,604
Private Equity	55	15	70	40
Derivatives	(182)	0	(182)	(182)
Non Investment Debtors / Creditors	6,448	0	6,448	6,448
Total Assets	<u>3,022,109</u>		<u>3,530,007</u>	<u>2,514,211</u>

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	<u>4,756</u>	0	<u>4,756</u>	<u>4,756</u>
Total Assets	<u>2,411,240</u>		<u>2,801,544</u>	<u>2,020,936</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 2017 and 31 March 2016 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2016/17 £000	2015/16 £000
Cash and Cash Equivalents	10,126	8,339
Fixed Interest Securities	<u>422,864</u>	<u>341,598</u>
	<u>432,990</u>	<u>349,937</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 £4,332k and for 2015/16 asset values, £3,499k.

### 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 +/-9.8%. 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 9.8% 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 2017 £000	Value on 9.8% Increase £000	Value on 9.8% Decrease £000
Overseas Equities	1,607,900	1,765,474	1,450,326
Overseas Bonds	93,095	102,218	83,972
Total Assets	<u>1,700,995</u>	<u>1,867,693</u>	<u>1,534,297</u>

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>

## (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 2017 was £8.6m (31 March 2016, £3.8m) and was held with the following institutions:

	Credit Rating	31st March 2017 £000	31st March 2016 £000
<b>Call Accounts</b>			
Barclays	A / F1	552	569
Santander UK	A / F1	227	15
<b>Fixed Term Deposit Notice Accounts</b>			
Bank of Scotland	A+ / F1	2,396	1,208
Leeds BS	A- / F1	366	71
Nationwide	A / F1	1,127	569
Svenska Handelsbanken	AA / F1+	0	114
Santander UK	A/F1	900	554
Goldman Sachs	A/F1	1,127	426
Lancashire County Council	-	282	142
Leicester FRA	-	0	0
London Borough of Enfield	-	0	71
Salford City Council	-	141	0
Falkirk Council	-	0	71
Fife Council	-	141	0
Hambleton District Council	-	155	0
Isle of Wight Council	-	282	0
West Berkshire District Council	-	113	0
West Dunbartonshire Council	-	310	0
Warrington Borough Council	-	282	0
Woking Borough Council	-	141	0
Northumberland County Council	-	141	0
		<u>8,683</u>	<u>3,810</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 2017 the value of illiquid assets was £55k, which represented less than 0.1% of total Fund assets (31 March 2016, £82k, which represented less than 0.1% of total Fund assets).

All liabilities at 31 March 2017 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.



## 19. 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 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
- 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

At the 2016 Valuation the aim was to achieve 100% solvency over a period of 24 years from April 2017 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 2016 Triennial Valuation the Fund was assessed as 90% funded (73% at the 2013 Valuation). This reflected a deficit of £283m (£668m at the 2013 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 2016/17 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 2016 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	4.40%	per annum
Inflation	2.00%	per annum
Salary Increases	3.25%	per annum
Pensions Increases	2.00%	per annum

Future life expectancy based on the Actuary's Fund specific mortality review was:

	Male	Female
Current Pensioners	22.7 years	26.2 years
Future Pensioners (assumed current age 45)	24.9 years	28.5 years

### 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.

## 20. Actuarial Present Value of Promised Retirement Benefits

In addition to the Triennial Funding Valuation, the Actuary also undertakes a valuation of pension fund liabilities on an IAS19 basis every year using the same base data as the Valuation, rolled forward to the current financial year, taking account of changes in membership numbers and using updated assumptions. A statement prepared by the Actuary is attached as an Appendix.

## 21. Current Assets

	2016/17 £000	2015/16 £000
<b>Debtors</b>		
<b>Investment Debtors</b>		
Investment Transactions	2,490	9,676
Accrued Dividends	2,058	2,122
Withholding Taxes Recoverable	1,686	1,786
	<u>6,234</u>	<u>13,584</u>
<b>Other Debtors</b>		
Contributions due from Scheduled (Government) Bodies	7,449	7,137
Contributions due from Admitted Bodies	429	475
Pensions Rechargeable	301	253
Interest on Deposits	0	107
Other	12	543
	<u>8,191</u>	<u>8,515</u>
	<u>14,425</u>	<u>22,099</u>

## 22. Current Liabilities

	2016/17 £000	2015/16 £000
<b>Creditors</b>		
Investment Creditors	1,670	10,771
Sundry Other Creditors	1,743	3,759
	<u>3,413</u>	<u>14,530</u>

## 23. Additional Voluntary Contributions (AVCs)

	Market Value 30th March 2017 £000	Market Value 31st March 2016 £000
Prudential	<u>19,958</u>	<u>19,644</u>

AVC contributions of £1,846k were paid directly to Prudential during the year (£2,036k in 2015/16).

## **24. Agency Services**

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

## **25. 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 £1,231K (£1,136k in 2015/16) 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 £52.2m to the Fund in 2016/17 (£49.2m in 2015/16).

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 2017 the Fund had an average investment balance of -£2.4m (£16.8m during 2015/16) paid interest of £15.1k (£107.5k received in 2015/16) on these funds.

### **Governance**

As at 31 March 2017 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.

## **26. Contingent Liabilities and Contractual Commitments**

The Fund had no material contingent liabilities or contractual commitments at the year end (£nil in 2015/16).

## **27. Contingent Assets**

Two 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.

## **28. Impairment Losses**

The Fund had no material impairment losses at the year-end (£nil in 2015/16).

## North Yorkshire Pension Fund

### Statement of the Actuary for the year ended 31 March 2017

#### 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 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

#### Actuarial Position

1. The valuation as at 31 March 2016 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 £2,417.8M) covering 90% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre-1 April 2014 membership for 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 2017 was:
  - 17.8% 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 (the primary rate).

#### 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 24 years, amounting to £13.6M in 2017/18, and increasing by 3.25% p.a. thereafter.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health 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. The approach, and the recovery period used for each employer, were agreed with the Administering Authority reflecting the Employers' circumstances.
  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 periods in service	
Scheduled body / subsumption funding target	4.4% p.a.
Orphan body funding target	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body / subsumption funding target	4.4% p.a.
Orphan body funding target	2.5% p.a.
Rate of pay increases (service up to 31 March 2014 only) (in addition to promotional increases)	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition, the discount rate for orphaned employers (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% in-service and left-service.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation are 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 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
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 Aon Hewitt Limited as at 31 March 2016. 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

24 May 2017



**North Yorkshire**  
County Council

**Draft**

# **Annual Governance Statement**

## **2016/17**

**June 2017**

# Contents

## Section

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2. The Purpose of the Governance Framework
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## 1.0 INTRODUCTION AND SCOPE OF RESPONSIBILITY

- 1.1 Regulation 6(1)(a) of the *Accounts and Audit Regulations 2015* requires the Council to conduct a review at least once in a year of the effectiveness of its governance arrangements and its system of internal control and include an Annual Governance Statement reporting on the review with any published Statement of Accounts.
- 1.2 The preparation and publication of this Annual Governance Statement is in accordance with *CIPFA/Solace Delivering Good Governance in Local Government: Framework (2016)* and fulfils the statutory requirements to conduct a review at least once in each financial year of the effectiveness of its governance arrangements and its system of internal control, and to include a Statement reporting on the review with its Statement of Accounts.
- 1.3 North Yorkshire County Council is responsible for ensuring that resources are directed in accordance with agreed policy and according to priorities and, that there is sound and inclusive decision making. There is also clear accountability to the public for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.4 A key focus of North Yorkshire County Council's governance processes and structure is the attainment of sustainable economic, societal, and environmental outcomes. Outcomes have a central role in the Council's governance arrangements. The focus on sustainability and the links between governance and public financial management are crucial. Furthermore, the Council in exercising its responsibilities takes into account the impact of current decisions and actions on future generations.
- 1.5 This Annual Governance Statement is linked to the Council's **Local Code of Corporate Governance** through the seven Principles in the Local Code. The Local Code is also consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)* and is reviewed annually. The current version was approved by the Audit Committee in June 2016 and adopted by the County Council in November 2016. A copy of the Code can be obtained from the office of the Corporate Director – Strategic Resources (telephone 01609 533304 or email [gary.fielding@northyorks.gov.uk](mailto:gary.fielding@northyorks.gov.uk) . The Audit Committee also reviewed the County Council's corporate governance arrangements on 23 June 2016 and recommended the Local Code of Corporate Governance to the County Council for approval. Following the issue of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*, there is a revised Local Code.. The revised Local Code was presented to the Audit Committee in June for approval and subsequent adoption by the County Council.
- 1.6 This Annual Governance 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**.
- 1.7 This Annual Governance 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 (2015)*.



## North Yorkshire Pension Fund

- 1.8 The governance arrangements and Final Accounts of the North Yorkshire Pension Fund (NYPF) are 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 Annual Governance 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 Annual Governance Statement as they relate only to the governance of the NYPF. For further details of the specific governance arrangements of the NYPF please refer to the NYPF website ([www.nypf.org.uk](http://www.nypf.org.uk)).
- 1.9 NYPF is participating with a number of other Pension Funds as part of the Borders to Coast Pension Pool in response to the Government's drive for pooling of pensions' investments. Arrangements are not yet finalised but will have significant impact upon governance arrangements relating to investments. Administration and investment strategy will remain within the remit of each sovereign Pension Fund within the Pool. It is anticipated that arrangements will commence no earlier than April 2018.

## 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 2017 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts on **7 September 2017**.

## 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) Developing codes of conduct which define standards of behaviour for Members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
  - b) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
  - c) Documenting a commitment to openness and acting in the public interest.
  - d) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
  - e) Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
  - f) Translating the vision into courses of action for the County Council, its partnerships and collaborations.
  - g) Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

- h) Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.
- i) Defining and documenting the roles and responsibilities of Members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- j) Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2015)* and, where they do not, explain why and how they deliver the same impact.
- k) Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.
- l) Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.
- m) Providing induction and identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.
- n) Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- o) Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the *Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*.
- p) Ensuring an effective scrutiny function is in place.
- q) Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of *the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact.
- r) Undertaking the core functions of an audit committee, as identified in *Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2013)*.
- s) Ensuring that the County Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- t) Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the County Council's overall governance structures.

### 3.2 The main features of each of these are as follows –

- a) Developing codes of conduct which define standards of behaviour for Members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

- 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 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
  - 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.
- b) 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 or is represented, 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
  - the requirements of the **Data Protection** and **Freedom of Information** legislation are co-ordinated by an Information Governance Team 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 re-certification to ISO/IEC 20000 in November 2016. ISO 20000 provides quality assurance to the processes, policies and procedures operated in the delivery of ICT Services to the County 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 County Council is also certified to the **Public Sector Network (PSN) Code of Connection** version 2.7. The certifications have enabled the County 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 Health and Safety Executive guidance relating to the management of health and safety and sets out the key responsibilities of staff. To coincide with the introduction of the Policy, work has been carried out to identify the key risks that the County Council faces in order to develop and implement suitable controls. Action plans are ongoing to ensure that health and safety risks are appropriately managed across the County Council.
- the **Equality and Diversity Policy Statement** is reviewed annually and revised when necessary. 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) and the County Council's Audit Charter. 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 2016/17, 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.
- c) Documenting a commitment to openness and acting in the public interest.
- It is important to the County Council to present itself in an open and accessible manner to ensure that matters are dealt with transparently, in so far as the need for confidentiality allows.
  - a Council Plan and a Statement of Final Accounts are published annually to inform stakeholders and services users of the previous year's achievements and outcomes.
  - a Medium Term Financial Strategy is also published and consulted on each year on the Annual Revenue Budget and its impact on Council Tax.
  - effective channels of communication which reach all groups within the community and other stakeholders are maintained as well as offering a range of consultation methods; to this end the County Council has a Communications Strategy to support the 2020 North Yorkshire Programme and an Engagement Promise that are regularly reviewed and updated.
  - there is also a variety of opportunities for the public to engage effectively with the County Council including attending meetings, opportunity to ask questions at meetings, written consultations, surveys, web chats with the Leader and Chief Executive. This all contributes to a commitment to openness, acting in the public interest and are documented where appropriate.
- d) 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
  - using social media to inform and engage with residents for example, on development of services, provision of information, responding to concerns and issues
  - 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 newspaper publisher Johnston Press 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
- e) Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
- 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 ongoing 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 the Constitution as required on an ongoing basis and conduct a formal review of the whole Constitution every four years.
- f) Translating the vision into courses of action for the County Council, its partnerships and collaborations.

- 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.
- g) Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
- as explained in **paragraph 3.2(i) below**, 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 for example, the detailed Contract, Financial and Property Procedure Rules, Schemes of Delegation, Codes of Conduct. These are reviewed and updated when the need arises 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
  - **Partnership Arrangements** – the County Council's Constitution and Finance Procedure Rules covers the issues to be considered before the County Council becomes involved in a partnership.
- h) Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and 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.
- improved **comprehensive budgeting systems** are applied across all Directorates. These systems were reviewed and improved as part of the 2020 Finance Programme which included greater use of systems by budget managers and stakeholders into a more consolidated service. The Finance function was also reviewed and improved simultaneously.
- 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. 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 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’ and 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 fewer 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 Committee Chairs
- i) Defining and documenting the roles and responsibilities of Members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- 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, Schemes 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
  - 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 Leader allocates executive functions and maintains 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 County Council

- 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. 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 (non-executive 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.
- j) Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2015)* and, where they do not, explain why and how they deliver the same impact.
- 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 (at 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 Assistant Director 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

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 on the Role of the Chief Financial Officer in *Local Government (2015)*
- 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 (Veritau is a company that was established in April 2009 to provide internal audit and a range of related services to both the City of York Council and the County Council. Both authorities own a share of the company with existing staff and facilities

- transferring to the company on that date. For governance purposes, Veritau reports to the Audit Committee in the same way as an in-house function). The Head of Internal Audit is the CEO of 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.

- k) 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.
- l) 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.
- m) Providing induction and identifying the development needs of Members and senior officers 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.
- n) Reviewing the effectiveness of the framework for identifying and managing risks and for performance 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 2015 and are due to be reviewed again during 2018. 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 Basic Need – monitoring and reviewing the need for school places). 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 reduction actions 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.
  - the **Performance Management framework** includes "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.

- o) Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the *Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*.
- 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.
- p) Ensuring an effective Scrutiny function is in place.
- 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 **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 County Council

- 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 and the Overview and Scrutiny Procedure Rules
- q) Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the *Role of the Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact.
- 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.
- r) Undertaking the core functions of an audit committee, as identified in *Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2013)*.
- a separate Audit Committee, which includes external independent Members, has been in operation since April 2006. (**see section 6 below for activities during 2016/17**). 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.



- s) Ensuring that the County Council provides timely support, information and responses to External Auditors and properly considers audit findings and recommendations.
- the County Council's appointed **External Auditor** is KPMG
  - each year the External Auditor provides an External Audit Plan which sets out their key objectives for the year which can include a review and report on Financial Statements including the Annual Governance Statement; providing an opinion on the Financial Statements and also the use of resources by the County Council.
  - The External Auditor publishes an External Audit Report 2016/17 on the completion of their audit.
  - Throughout the year the County Council's Members and Officers work with the External Auditor to address any concerns and risks highlighted by the external auditor.
  - Findings and recommendations made by the External Auditor receive an appropriate management response on how to deal with such recommendations and areas of concern.
- t) Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the County Council's overall governance structures.
- the County Council's Constitution and Finance Procedure Rules contain a number of issues 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** (eg NYnet, Veritau, Yorwaste, SJB Recycling, NY Property Services , North Yorkshire Development ) 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 1.7** 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 County Council 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 Service
- ➔ 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 reviewed their service areas in relation to the governance and internal control procedures. Significant governance issues are provided in section 7.

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 2016/17 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 2015/16

- ➔ considered the arrangements made by the County Council in securing value for money
- ➔ reviewed and approved the Contract, Finance, and Property Procedure Rules of the County Council
- ➔ considered the Treasury Management arrangements of the County Council
- ➔ 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
- ➔ reviewed and approved the Statement of Final Accounts submitted by the Corporate Director – Strategic Resources following detailed work by a sub group of the Committee
- ➔ reviewed arrangements in respect of procurement and contract management
- ➔ initiated a review of the effectiveness of the Audit Committee with a view to shaping training and arrangements for the Audit Committee following County Council elections in May 2017.
- ➔ reviewed its Terms of Reference
- ➔ reviewed arrangements for Corporate Governance within the Council including approval of changes to the Council's Local Code of Corporate Governance
- ➔ received training on relevant topics
- ➔ considered the corporate governance arrangements in respect of the North Yorkshire Pension Fund.

6.2 All this work has been used in supporting the preparation of the County Council's (ie this) Annual Governance Statement for 2016/17.

## 7.0 SIGNIFICANT GOVERNANCE ISSUES

7.1 The governance and internal control arrangements can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the County Council's objectives have been mitigated.

7.2 On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be fit for purpose and the overall governance framework was effective during the financial year 2016/17. **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 2015/16 Annual Governance Statement. Some of these issues were not fully resolved in 2016/17, but some of these "incomplete" issues have been

restated by Corporate Directors. Therefore, the items included in the table below represent the list of key issues requiring attention in 2017/18.

Ref	Issue requiring improvement	Action taken to date / planned in 2017/18
A1	Modernising of the Council to ensure preparedness for 2020 and beyond.	<ul style="list-style-type: none"> <li>a) Complete the roll-out of ICT equipment across the council following user workshops to ensure good fit and productivity is further improved by October 2017.</li> <li>b) The rationalisation of property plans are further developed including for Northallerton in 2017. Approvals will be required from Programme Board and Executive during 2017/18.</li> <li>c) A Commercial Strategy is produced and approved by summer 2017. An action plan is also produced that sets out commercial activity across the Council by late summer 2017 which will include specific deliverables.</li> <li>d) Commercial challenge sessions will be held to monitor progress against commercial targets in Autumn and at the end of the financial year.</li> </ul>
A2	Ensure good governance over significant projects	<ul style="list-style-type: none"> <li>a) On-going monitoring of key major projects including Extra Care Programme, Waste Management Teckal, 2020 NY Programme; and potential new major Highway schemes in line with their respective timetables.</li> <li>b) Commercial investment opportunities are identified and appropriate due diligence is carried out as and when. This includes the production of sound business cases which articulate the benefits of investment decisions.</li> <li>c) Liaison with Overview &amp; Scrutiny Committees throughout the year to establish more complex projects that may merit greater levels of scrutiny.</li> </ul>
A3	Sustainable Economic Growth <ul style="list-style-type: none"> <li>• Enable, facilitate and deliver sustainable economic growth including through implementation of the County Council's Growth Plan.</li> <li>• Taking advantage of any</li> </ul>	<ul style="list-style-type: none"> <li>a) Embed the Growth Plan through the preparation of an annual action plan by Q3 2017/18.</li> <li>b) Implement enhanced collaborative working arrangements with Districts with bi annual meetings agreed in respect of delivering the Growth Plan by Q3 2017/18.</li> </ul>

Ref	Issue requiring improvement	Action taken to date / planned in 2017/18
	<p>opportunities that might arise through the devolution agenda.</p> <ul style="list-style-type: none"> <li>• Providing strategic leadership for the further development of the YNYERH Spatial Framework, influencing Local Plans.</li> <li>• Targeting investment in our natural capital assets.</li> </ul>	<ul style="list-style-type: none"> <li>c) Additional contribution to neighbouring Local Development Plan Documents, as and when consultations are issued, promoting economic growth for the benefit of North Yorkshire. Review action in Q2 2017/18.</li> <li>d) Deliver the natural capital investment strategy environmental enhancement project via the Local Nature Partnership by the end of Q4 2017/18</li> <li>e) On-going monitoring of the devolution agenda and communication with stakeholders to maximise any opportunities for North Yorkshire.</li> </ul>
<b>A4</b>	<p>The Council is seeking to work more closely with Partners in Health to deliver better outcomes for shared customers. This includes BCF; development of co-commissioning; and new delivery models.</p>	<ul style="list-style-type: none"> <li>a) Regular financial and scheme delivery monitoring and evaluation takes place in joint Locality Boards based and through the commissioner forum. This will include quarterly BCF stocktake of schemes formally reported.</li> <li>b) Quarterly formal monitoring (supplemented by internal monthly monitoring and actions) of agreed delayed transfers of care target to DTOC Project Board and HAS Leadership Team.</li> <li>c) Investigate emerging financial and operational models elsewhere and build on good practice.</li> <li>d) Co-operative working (such as link with Directors of Finance) in addition to formal governance to ensure that escalation is avoided and that potential funding issues are addressed e.g. before the start of the financial year</li> <li>e) Development of co-commissioning strategies with NY CCGs. Discussions with CCGs to identify plans to move forward by late summer 2017</li> <li>f) Proposals considered and implemented if felt appropriate to deliver community services alongside GPs in some areas. Timescales dictated by individual CCG plans and decision framework.</li> <li>g) Plans to be produced on implementation of additional Adult Social Care monies. Discussions to take place with Partners subsequently from summer 2017 onwards.</li> </ul>
<b>A5</b>	<p>The Council needs to ensure that</p>	<ul style="list-style-type: none"> <li>a) Review and update service information</li> </ul>

Ref	Issue requiring improvement	Action taken to date / planned in 2017/18
	<p>information security risks continue to be managed. The overall governance framework has been strengthened but continued vigilance is required to minimise external threats (cybercrime). Ongoing monitoring of internal processes is also required to ensure continued compliance with information governance policies by employees, contractors and volunteers, including where sensitive information is shared with partner organisations.</p>	<p>asset registers in line with policy guidelines by end of October 2017.</p> <ul style="list-style-type: none"> <li>b) Ensure information asset owners understand and properly discharge their responsibilities by end of October 2017. Subsequently work within services in a prioritised order to ensure information is held, processed and transferred securely.</li> <li>c) Ensure individual information sharing agreements are completed for each data sharing activity (some agreements are already in place and this work will continue dependent on other organisations involved in the Sharing arrangements)</li> <li>d) Continue to raise awareness of information risks and communicate with staff to ensure good Information Governance practices are followed.</li> <li>e) Investigate reported breaches and implement mitigations to prevent any further occurrence</li> <li>f) Complete privacy impact assessments as and when service changes take place. PIAs can reduce the risks of harm to individuals through the misuse of their personal information and can also assist in designing more efficient and effective processes for handling personal data. They only need to be completed for new projects as part of the planning process.</li> </ul>
<b>A6</b>	<p>The MTFS was refreshed in February 2017 and identified a funding gap in the range of £3.3m to £9.8m in the period from 2017 up to 2020. There continues to be a need to identify an extension to the 2020 North Yorkshire Programme that generates further potential savings ideas/ proposals of circa £9.8m for the MTFS period.</p> <p>Strategic resources will continue to provide leadership and support for the programme; the Programme Management Office will continue to track delivery against planned savings and ensure that benefits are fully realised.</p>	<ul style="list-style-type: none"> <li>a) New savings proposals were developed as part of the 2017/18 budget and those proposals need to be taken forward as part of the 2020 North Yorkshire programme. Need to set out a framework/ approach to generate new ideas and options to bridge the £9.8m funding gap. Approach/ framework to be developed by July 2017 and firm savings ideas/ options to be developed for February 2018.</li> <li>b) Undertake financial modelling and scenario planning given economic uncertainty and national review of business rates retention and “needs review” for local government funding. Respond to consultation in May 2017 and ongoing review.</li> <li>c) Continue good practice in production of business cases, ensure that cashable benefits logs are tracked and issues</li> </ul>

Ref	Issue requiring improvement	Action taken to date / planned in 2017/18
		<p>flagged early – September 2017</p> <p>d) Review resources across the 2020 North Yorkshire Programme and ensure that resources are deployed in line with biggest challenges and highest priority projects. Resources paper by July 2017.</p>
<b>A7</b>	<p>Failure or cost pressure in the Council supply chain due to social and economic issues, inflationary pressures – for example, emerging pressures from care sector providers, SEN transport etc</p>	<p>a) Ongoing review of inflation and cost pressures to take place as part of annual budget process and issues highlighted through Q reporting (e.g. higher costs in Health &amp; Adult Services due to new funding, demographic pressure, national living wage).</p> <p>b) Investigate and produce proposals by no later than autumn 2017 for investment in a new market improvement team to reduce the risk of care provider failure and increase our activity around quality monitoring. This will include details regarding how we will support providers when they do fail. Action will then follow to support sustainable providers e.g. by supporting employee benefits or help with business management.</p> <p>c) Develop and implement Category Sourcing Strategies (People, Place and Professional) including approach to market intelligence in terms of monitoring and management by 30 November 2017.</p>
<b>A8</b>	<p>School and education funding uncertainty has arisen given proposals to implement a new national funding formula. Reshaping of educational provision within government policy continues to have an impact locally with some schools converting to academy status, new free schools, potential changes in high needs funding and a proposed white paper on the role and responsibilities of the LA in school improvement. The recent general election has further compounded the timescale for reform and we await further intentions from Whitehall.</p>	<p>a) Monitor financial impact of proposed national funding formula on schools and NYCC budgets as and when DfE responds to the consultation outcome (expected summer 2017)</p> <p>b) Support schools in more efficient working and organisation as they face financial pressures. This will include a range of support measures including setting out clear permissions and processes for governing bodies setting deficit budgets (by June 2017), supporting one-off costs incurred by schools changing organisational structures (ongoing) and providing officer support to schools who are modelling budget and structural options.</p> <p>c) Continue to model and lobby central government to achieve a fairer funding deal for schools and Early Years settings in</p>

Ref	Issue requiring improvement	Action taken to date / planned in 2017/18
		North Yorkshire. This will include working with F40 and local MPs.



## 8.0 SUMMARY

- 8.1 The governance framework operating during 2016/17 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 2017/18. 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 7 September 2017) was satisfied, on the basis of the information available to it, that this Annual Governance Statement for 2016/17 has been prepared and approved after due and careful enquiry.

Cllr ??

Chairman of the Audit Committee insert  
name

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.

**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 2017.

**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 2017 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.

**EFA**

Expenditure & Funding Analysis

**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 2016/17 relating to services to be delivered in 2017/18.

**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 2016/17 that relates to goods and services not received until 2017/18.

**Provisions**

Provisions represent sums set aside for any liabilities of uncertain amount or timing that have been incurred.

**PWLB**

Public Works Loan Board. The Government agency set up to provide loans to Local Authorities to finance capital expenditure.

**REFCUS (Revenue Expenditure funded from Capital under Statute)**

Expenditure which may be properly capitalised, but which does not result in the creation of any fixed asset.

**REOTAS**

Reintegration in Education other than in Schools.

**Reserves**

There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements.

**Revenue Expenditure**

Revenue expenditure is spending on the day to day running costs of the County Council. It includes expenditure on employees, premises, transport and supplies and services.

**RICS**

Royal Institution of Chartered Surveyors.

**RSG**

Revenue Support Grant. Central Government grant support towards local government expenditure.

**SEN**

Special educational needs.

**SEND**

Special educational needs and disability.

**SDT**

Standard Desktop.

**Section 151 Officer**

The Officer designated to assume overall responsibility for the administration of the financial affairs of the County Council and for the preparation of the Council's Statement of Accounts.

**Settlements and Curtailments**

Settlements and liabilities settled at a cost materially different to the IAS 19 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

**Simple Investment**

The reporting authority's interest does not qualify the entity as a subsidiary, associate or a joint venture because the reporting authority has limited influence or its interest is not long term.

**SIF**

Special Investment Fund.

**SIP**

Statement of Investment Principles.

**Subsidiary**

An entity is a subsidiary of a reporting authority if the authority is able to exercise control over the operating and financial policies of the entity and is able to gain benefits / be exposed to risk of potential losses from this control.

**Surplus Properties**

Those properties that are not used in service delivery but neither do they meet the classification of investment properties or assets held for sale.

**T&C**

Technology and Change.

**Term Deposit**

A deposit held in a financial institution for a fixed term at a fixed rate.

**TMP**

Treasury Management Practices.

**TMPS**

Treasury Management Policy Statement.

**VAT**

Value Added Tax.

**Veritau Limited**

A company providing Internal Audit, Counter fraud and Information Governance Services.

**Work in Progress**

The value of rechargeable work which has not been recharged at the end of the financial year.

**YDHTP**

Yorkshire Dales and Harrogate Tourism Partnership.

**Yorwaste Limited**

A subsidiary waste disposal company.

**YPO**

Yorkshire Purchasing Organisation.