

# ITEM 8 (d)

## NORTH YORKSHIRE COUNTY COUNCIL

20 July 2011

### STATEMENT OF THE FINANCIAL SERVICES PORTFOLIO HOLDER (Financial Services including Assets, IT and Procurement)

#### COUNTY COUNCILLOR JOHN WATSON OBE

This is my first report for this newly defined Portfolio. The nature of the portfolio means that there will be a number of things that I will wish to report to you that will follow the financial cycle. It is likely, therefore, that in future reports I will have more to report in some quarters than in others.

As well as issues arising within the County Council itself, I believe that Members need to be more aware of the performance of some of our subsidiary companies, and other situations in which we have a significant financial stake in a partnership arrangement. The most obvious example is the Yorkshire Purchasing Organisation.

#### **The overall financial position**

Details of the 2010/11 Revenue and Capital outturn are reported in the Executive section of the Council's papers for today. Suffice to say that both Revenue and Capital budgets have been well managed and in particular all savings targets have been met and there are no overspends.

Looking forward, the MTFs (approved in February) and Budget 2 are now in place. The One Council programme is gathering momentum. Progress on all of these will be monitored by the Executive, by Scrutiny Committees and by the Audit Committee, thus providing plenty of opportunity for all Members to become engaged with the process.

#### **Treasury Management matters**

The Treasury Management outturn position for 2010/11 was reported in detail to Executive on 21 June and copied to the Audit Committee on 30 June. In relation to 2011/12, the County Council's investment portfolio continues to be restricted to a very few 'high quality' organisations and the interest yield being achieved reflects the current historically low level of interest rates. On borrowing and external debt the County Council is currently funding its capital borrowing requirements internally by running down investments which is achieving revenue savings based on the differential between short term investment rates and long term borrowing rates. I continue to hold regular Treasury Management update meetings with the Corporate Director - Finance and Central Services and the Deputy Leader.

#### **Asset Management**

On the asset management side, I can report that we have now been joined by Peter Bright who will be the Assistant Director in Finance and Central Services responsible for all property related matters.

Judith Johnson, his predecessor retired in March 2011 and I would like to record thanks for her efforts over many years.

Peter joins us with experience in a range of authorities doing a variety of property related matters.

His immediate priorities will be to complete the Bright Office developments in Skipton (Belle Vue Mills) and Harrogate (Jesmond House) as well as develop similar proposals in those parts of the County, particularly Selby, that have not yet been through the Bright Office Strategy process.

## **ICT**

As Members will know, ICT features as a workstream in the One Council programme. Initially this relates to the need to rationalise the number of systems and software applications that have been accumulated over the years, many of which appear to do similar things. In addition, ICT will need to support the other workstreams if they require new systems to achieve their objectives.

Outside of the One Council programme, however, ICT continues to develop the corporate infrastructure of the County Council. The immediate priorities are to migrate from Novell to Microsoft as the operating platform, establish resilient disaster recovery facilities and to support, as far as technology can, the need to manage the security of e-data under the Information Governance banner. The threat of fines if there are significant breaches of data security is now very real for all local authorities.

## **Procurement**

The Council is today being asked to approve a new Corporate Procurement Strategy. I am sure you will agree that the one page format of this Strategy document helps to focus on the important things that we need to achieve in the period ahead. Officers have also developed a comprehensive Procurement Action Plan for the current year and some of the key priorities relate to ways in which we can improve the overall arrangements in the County Council for buying different types of goods and services, and for ensuring that there is tight contract management. This is very much in line with the underlying principles of the One Council approach. One of the workstreams covers procurement and contract management, and the approach to the workstream is being developed now. I expect to be in a position to report further on these matters at future meetings.

An important partner for the County Council in procurement is the Yorkshire Purchasing Organisation. Although many will see this as a commercial organisation, it is in fact a Joint Committee owned and managed by 13 authorities including this County Council. As part of my new portfolio, I will become a member of the Management Committee of YPO. There are challenges ahead for the organisation, as changed financial circumstances for its customers puts some of its business under threat, but raises significant opportunities to gain new business if it can show itself to be a market leader on price and service. A recent initiative has been to make price reductions on a range of its core services, particularly those used by our schools. As a member, we are entitled to a share of the surplus made by the organisation. In respect of the 2010 trading year, YPO had an invoice turnover of £105m and an operating surplus of £8.1m. This led to a dividend pot paid to member authorities and other customers of the organisation totalling £6.2m. This is paid out on the

basis of the amount of business that member and other organisations put through YPO. The County Council will receive in the autumn, a sum of £535k. £371k of this will be available to support the County Council's corporate budget. The balance of £164k will provide a welcome rebate to the school meals and cleaning traded services. In addition to this, and for the first time this year, as part of the YPO strategy to provide an incentive to all customers, a customer voucher scheme will also be available.

## **Subsidiary Companies**

The County Council has an equity interest in two companies whose activities fall into my portfolio viz NYnet and Veritau.

NYnet is a company which is 100% owned by the County Council. The trading result for the year ended 31st March shows a loss after taxation of £0.45m. The in year trading loss reflects the continuing operational costs associated with the start up of this company, bearing in mind that it needed to be established, and put in place its infrastructure, before it could market its services to customers with any credibility. Gross turnover for 2010/11 was £7m and the budgeted figure for 2011/12 is £8.2m. The company is budgeted to make a small profit in 2011/12 and thereafter recover the losses incurred in the previous years over the next 4 to 5 years.

The company has already developed a successful public sector network that is now used by most of the public sector organisations in North Yorkshire. It has also been increasingly successful in selling its broadband connectivity to industrial/business parks and is now managing the roll-out of a number of community broadband projects.

NYnet is also acting as the 'agent' for the County Council in the Connecting North Yorkshire project that has recently been announced. Under Connecting North Yorkshire, the County Council has attracted grants of approx £30m to pay for the roll-out high quality broadband into the rural areas of the County.

The procurement process for this is well underway. There will be the opportunity to learn more about the Connecting North Yorkshire initiative and NYnet's role in this in a member workshop session that is planned for later in the year.

Veritau is the company established with the City of York Council to deliver internal audit and related services. Each council holds 50% of the shares. In respect of 2010/11, the company made a profit after tax of £141k on a turnover of £1.46m. Negotiations are well advanced with 5 of the District Councils for their existing audit partnership to be 'taken over' by Veritau in 2012/13. This will not only provide a cost effective and resilient service for the Districts but also create opportunities within Veritau to improve efficiency, develop opportunities for staff etc.

I will continue to use this report to provide Members with details of how these companies are progressing because both are making valuable contributions to the performance and achievements of this County Council.

**11 July 2011**