



Agenda

Notice of a public meeting of **Audit Committee (Informal)**

To: Councillors Cliff Lunn (Chair), Karl Arthur, Margaret Atkinson (Vice-Chair), Robert Baker, Philip Broadbank, Jim Clark, David Hugill, Don MacKay, Mr Nick Grubb, Mr David Marsh and Mr David Portlock.

Date: Monday, 25th October, 2021

Time: 1.30 pm

Venue: Remote meeting held via Microsoft Teams

Under his delegated decision making powers in the Officers' Delegation Scheme in the Council's Constitution, the Chief Executive Officer has power, in cases of emergency, to take any decision which could be taken by the Council, the Executive or a committee. Following on from the expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed for committee meetings to be held remotely, the County Council resolved at its meeting on 21 July 2021 that, for the present time, in light of the continuing Covid-19 pandemic circumstances, remote live-broadcast committee meetings should continue (as informal meetings of the Committee Members), with any formal decisions required being taken by the Chief Executive Officer under his emergency decision making powers and after consultation with other Officers and Members as appropriate and after taking into account any views of the relevant Committee Members. This approach will be reviewed in November 2021.

The meeting will be available to view once the meeting commences, via the following link - www.northyorks.gov.uk/livemeetings Recordings of previous live broadcast meetings are also available there.

Business

1. **Apologies for Absence**
2. **Minutes of the informal meeting of the Committee held on 20 September 2021** (Pages 5 - 10)
3. **Declarations of Interest**
4. **Public Questions or Statements**
Members of the public may ask questions or make statements at this meeting if they have given notice (including the text of the question/statement) to Ruth Gladstone of Democratic Services (contact details at the foot of page 1) by midday on Wednesday 20

October. Each speaker should limit themselves to 3 minutes on any item. Members of the public who have given notice will be invited to speak:-

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

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

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|--------------|--|--------------------------|
| 5. | Progress on Issues Raised by the Committee | (Pages 11 - 12) |
| | Joint report of the Corporate Director – Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services) | |
| 6(a) | 2020/21 External Audit of the North Yorkshire Pension Fund | (To Follow) |
| | Report of Deloitte | |
| 6(b) | 2020/21 External Audit of North Yorkshire County Council | (To Follow) |
| | Report of Deloitte | |
| 7. | Report Following the Detailed Review of the draft Statement of Final Accounts for 2020/21 | (Pages 13 - 16) |
| | Report of the Members' Working Group | |
| 8. | Statement of Final Accounts for 2020/21 including Letter of Representation | (Pages 17 - 226) |
| | Report of the Corporate Director – Strategic Resources | |
| 9. | Annual Report of the Audit Committee | (Pages 227 - 236) |
| | Report of the Chair of the Audit Committee | |
| 10(a) | Business and Environmental Services Directorate - Internal Audit Work | (Pages 237 - 246) |
| | Report of the Head of Internal Audit | |
| 10(b) | Business and Environmental Services Directorate - Internal Control Matters | (Pages 247 - 268) |
| | Report of the Corporate Director – Business and Environmental Services | |
| 11. | Counter Fraud Policy Framework | (Pages 269 - 322) |
| | Report of the Head of Internal Audit | |
| 12. | Business Continuity - Update Report | (Pages 323 - 328) |
| | Report of the Head of Resilience and Emergencies | |
| 13. | Audit Committee Programme of Work 2020/21 | (Pages 329 - 330) |
| | Report of the Corporate Director – Strategic Resources | |
| 14. | Other business which the Chairman agrees should be considered as a matter of urgency because of special circumstances | |

Barry Khan
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
Northallerton

Friday, 15 October 2021

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North Yorkshire County Council

Audit Committee

Minutes of the remote informal meeting held on Monday, 20th September, 2021 commencing at 1.30 pm.

Present: County Councillor Cliff Lunn in the Chair plus County Councillors Karl Arthur, Margaret Atkinson, Robert Baker, Philip Broadbank, Jim Clark, David Hugill and Don MacKay, Mr Nick Grubb, Mr David Marsh and Mr David Portlock.

In attendance: County Councillor Carl Les.

Officers present: Gary Fielding, Stuart Carlton, Howard Emmett, Jon Holden, Neil Irving, John Raine, Fiona Sowerby and Ruth Gladstone.

Other Attendees: Nicola Wright and Nick Rayner (Deloitte) and Ian Morton (Veritau).

Copies of all documents considered are in the Minute Book

213 Minutes of the informal meeting of the Committee held on 28 June 2021

Resolved –

That the Minutes of the informal meeting held on 28 June 2021 be agreed as an accurate record.

214 Declarations of Interest

There were no declarations of interest.

215 Public Questions or Statements

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

216 Progress on Issues Raised by the Committee

Considered –

The joint report of the Corporate Director – Strategic Resources and the Assistant Chief Executive (Legal and Democratic Services) which advised of progress made on issues which the Committee had raised at previous meetings and Treasury Management matters that had arisen since the Committee's last meeting.

Gary Fielding (Corporate Director – Strategic Resources) and John Raine (Head of Technical Finance) introduced the report and responded to Members' questions.

Resolved –

That the report be noted.

217 (a) 2020/21 External Audit of the North Yorkshire Pension Fund

Considered –

The report of Deloitte which summarised the key findings arising from the 2020/21 external audit of North Yorkshire Pension Fund.

Nicola Wright (Audit Partner, Deloitte) introduced the report and responded to Members' questions. During debate:-

- It was noted that this audit had not yet been completed. Members agreed to discuss this in further detail during consideration of the next item of business at this meeting.
- Nicola Wright undertook to revise the phrase "the Fund became part of the Border to Coast Pension Partnership ('BCPP') in the prior year", as set out on page 27 of the Deloitte report.
- Nicola Wright undertook to check whether Deloitte's IT staff were aware of the cyber security report issued during the previous few months by NYCC's Technology and Change.

Resolved –

That the report be noted.

217 (b) 2020/21 External Audit of North Yorkshire County Council

Considered –

The report of Deloitte which summarised the key findings arising from the 2020/21 external audit of North Yorkshire County Council.

Nicola Wright (Audit Partner, Deloitte) and Nick Rayner (Senior Manager, Deloitte) introduced the report.

Nicola Wright highlighted that Deloitte were unable yet to sign-off their 2020/21 audit of the County Council. This was because the Financial Reporting Council's (FRC's) Audit Quality Team had carried out an inspection of Deloitte's file for the 2019/20 audit of the County Council and had issued a report on 13 August 2021 which identified key findings in three areas in which FRC's Audit Quality Team felt Deloitte should have done further work, namely:- Other Service Expenditure; Property Valuations; and Pensions. Nicola Wright advised that she and her staff were now remediating the work on the 2019/20 audit and would report to the Committee if any issues arose from that work. However, in the meantime, she was unable to sign-off on the 2020/21 audit because issues might arise from the 2019/20 remediation which might potentially impact on the 2020/21 audit. She was proposing to report to the Committee's meeting on 25 October 2021 and for the 2020/21 accounts to be signed at that time.

Members expressed disappointment to hear that Deloitte were not in a position, at this time, to sign-off their 2020/21 audit of the County Council. Members highlighted that the County Council was missing a deadline for issuing its signed accounts due to an issue which did not concern it. Nicola Wright responded that the quality of audit was paramount and Deloitte had to respond appropriately to the findings of its Regulator.

Members commented that they found it difficult to understand, or accept, that County Council officers had done everything required of them, yet they were going to have to accept the disappointment of councillors and the public at large for not meeting a publication deadline.

During further questioning:-

- Nicola Wright advised that she recognised the Committee's disappointment but highlighted that her plans aimed to cause the least amount of disruption to the County Council's finance staff. She explained that Deloitte's capacity to both remediate and finish the 2020/21 audit was a challenge and they were therefore planning to complete work on the audit to the original timescale of 30 September 2021 and thereafter do the remediation and sign-off.
- Members asked Nicola Wright to confirm that the County Council's 2020/21 accounts would be available for signing by the end of October 2021. Nicola Wright responded that that was her intention, although much depended on the outcome of remediation work and some support might be required from the County Council's finance staff. She acknowledged that she expected the Committee to hold her to account if the work was not finished by the end of October 2021.
- Members highlighted that, given the reorganisation of local government in North Yorkshire currently taking place, the sooner County Council accountancy staff had finished supporting the External Auditor's remediation work, the better it would be for other work currently required of County Council staff.
- Nicola Wright felt it unlikely that the remediation work currently underway would result in any significant change to the County Council's accounts for 2019/20.
- Nicola Wright confirmed that the costs of dealing with the FRC would fall on Deloitte. Gary Fielding added that, as County Council finance staff resource would be needed to assist in the remediation, part of the cost would also be borne by the County Council.
- Members expressed surprise about Deloitte's potential additional fees for 2020/21 in connection with the new Value for Money reporting requirements. Members highlighted that the additional fees for 2020/21 were potentially up to around a third of the fee for auditing the whole Council; that Deloitte had undertaken Value for Money audit work as part of their audits in previous years; Deloitte had already carried out Value for Money work in connection with 2020/21 and that their findings included "we have not identified to date any risks of significant weakness in arrangements for secure economy, efficiency and effectiveness in the use of resources".

Gary Fielding expressed frustration with the review process which the FRC had put in place, which required its Quality Audit Team to go backwards in time, as well as forwards. He felt it would be more sensible only to look forward in making improvements.

The Chairman summarised that Members continued to have confidence in the County Council's accounts and had noted that some enhancements were needed in the External Audit's processes. Members looked forward to hearing more at the Committee's next meeting.

Resolved –

That the report be noted.

218 Report Following the Detailed Review of the draft Statement of Final Accounts for 2020/21

Considered –

The report of the Members' Working Group concerning issues identified during the detailed review of the draft Statement of Final Accounts (SoFA) and the Annual Governance Statement (AGS) for 2020/21, the actions taken as a result of issues being identified, and offering an opinion on the draft SoFA and draft AGS for 2020/21.

Mr David Portlock introduced the report and highlighted that the Members' Working Group had not had sight of the External Audit report at the time of preparation of their report. Having subsequently seen the External Auditor's report, and noted the discussion during the previous item of business, he stood by the Members' Working Group's recommendation that the SoFA and the AGS for 2020/21 should be approved as he believed nothing had emerged today or through discussions with Deloitte. However, he accepted that the Committee was not at the position, at this meeting, to consider that recommendation.

Mr David Portlock, on behalf of the Members' Working Group, asked that the Minutes record the Group's thanks and appreciation for the professionalism and willingness that officers had demonstrated in responding to the Group's queries. Mr David Marsh expressed thanks to Mr David Portlock for the excellent and in-depth work he undertook on behalf of the Committee. The Chairman supported both comments.

Gary Fielding advised that the officers would keep the Members' Working Group updated with any incremental changes and that the officers found the contributions of the Members' Working Group to be very helpful.

Resolved –

That the recommendations of the Members' Work Group, together with an update from the Group, be submitted to Audit Committee's meeting on 25 October 2021.

219 Statement of Final Accounts for 2020/21 including Letter of Representation

Gary Fielding (Corporate Director – Strategic Resources) recommended verbally that consideration of this item of business should be deferred to the Committee's meeting on 25 October 2021 for the reasons discussed earlier in this meeting.

Resolved –

That consideration of the Statement of Final Accounts for 2020/21, including the Letter of Representation, be deferred until the Committee's meeting on 25 October 2021.

220 Progress on 2021/22 Internal Audit Plan

Considered –

The report of the Head of Internal Audit which advised of progress made in delivering the 2021/22 Internal Audit programme of work and the other services delivered to the County Council by Veritau, and highlighted any issues likely to impact on the programme of work throughout the remainder of the year.

Ian Morton (Assistant Director – Audit Assurance, Veritau) introduced the report and responded to Members' questions.

During discussion, a Member asked whether, by marking audits as “Do Later”, which might mean such audits slipped into the following year, there was a danger that Veritau might complete insufficient work in order for the Head of Internal Audit to give an annual audit opinion. Ian Morton responded that the Head of Internal Audit was aware of this and would take measures to ensure that that did not occur.

Resolved –

That the progress made in delivering the 2021/22 Internal Audit programme of work, and other assurance related services provided by Veritau, be noted.

221 (a) Children and Young People's Services Directorate - Internal Audit Work

Considered –

The report of the Head of Internal Audit which advised of the internal audit work performed during the period 1 November 2020 to 31 August 2021 for the Children and Young People's Services Directorate.

Ian Morton (Assistant Director – Audit Assurance, Veritau) introduced the report and responded to Members' questions.

Resolved –

That it be noted that the Committee, having considered the report of the Head of Internal Audit, is satisfied that the internal control environment operating in the Children and Young People's Services Directorate is both adequate and effective.

221 (b) Children and Young People's Services Directorate - Internal Control Matters

Considered –

The report of the Corporate Director – Children and Young People's Services which outlined some of the key service risks and governance related issues within the Directorate and provided details of the Directorate's updated Risk Register.

Stuart Carlton (Corporate Director – Children and Young People's Services) and Howard Emmett (Assistant Director – Strategic Resources) introduced the report and responded to Members' questions.

Resolved –

That the report, including the updated Risk Register of the Children and Young People's Services Directorate, be noted.

222 Annual Report on Partnership Governance 2020/21

Considered –

The report of the Assistant Director Policy, Partnerships and Communities concerning the governance of partnerships involving the County Council during the financial year 2020/21.

Neil Irving (Assistant Director Policy, Partnerships and Communities) introduced the report and responded to Members' questions.

Resolved –

- (a) That the annual report on partnership governance be noted.
- (b) That the arrangements in place to ensure good governance and reporting of partnership activity be noted.
- (c) That the contents of the schedule of partnerships that were within the scope of the report as at 31 March 2021, as set out at Appendix 1 to the report, be noted.

223 Property Procedure Rules

Considered –

The report of the Corporate Director – Strategic Resources which informed Members of the outcome of a review of the Property Procedure Rules and presented proposed changes.

Jon Holden (Head of Property Service) presented the report. Jon Holden and Gary Fielding responded to Members' questions and provided confirmation that the County Council's Property Procedure Rules related only to the County Council for the period ending 31 March 2023.

Resolved –

That the following be proposed to the Chief Executive Officer for consideration under his emergency delegated powers:–

That the following recommendation be submitted to the Executive, and ultimately full Council at its meeting on 19 November 2021 for approval – That the suggested amendments to the Property Procedure Rules as set out at Appendix 2 to the report, and the suggested consequential amendments to the Executive Members' Delegation Scheme as set out at Appendix 3 to be report, be approved, subject to:-

- (a) the references to compliance with EU law being revised;
- (b) the reference to "2.4" within paragraph 2.2 of Appendix 2 being checked and revised if appropriate; and
- (c) the reference to "9.6" within paragraph 9.6 of Appendix 2 being checked and revised if appropriate.

224 Programme of Work

Considered –

The Committee's programme of work which identified items of business scheduled for consideration at each of the Committee's forthcoming meetings.

Gary Fielding (Corporate Director – Strategic Resources) introduced the programme of work and responded to Members' questions.

Resolved –

That the Committee's Programme of Work be noted, subject to the inclusion of the draft SoFA for 2020/21 for the Committee's meeting on 25 October 2021.

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 October 2021

PROGRESS ON ISSUES RAISED BY THE COMMITTEE

**Joint Report of the Corporate Director – Strategic Resources
and the Assistant Chief Executive (Legal and Democratic Services)**

1.0	PURPOSE OF THE REPORT
1.1	To advise Members of <ul style="list-style-type: none"> (i) progress on issues which the Committee has raised at previous meetings (ii) other matters that have arisen since the last meeting and that relate to the work of the Committee

2.0 BACKGROUND

2.1 This report is submitted to each meeting listing the Committee’s previous Resolutions and / or when it requested further information be submitted to future meetings. The table below represents the list of issues which were identified at previous Audit Committee meetings and which have not yet been resolved. The table also indicates where the issues are regarded as completed and will therefore not be carried forward to this agenda item at the next Audit Committee meeting.

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
20.12.19	159 – Audit Committee Work Programme	That, in respect of training sessions held immediately prior to the Committee’s meetings:- <ul style="list-style-type: none"> i. Governance of the Highways Teckal be scheduled for 26 October 2020 ii. Pensions Governance be scheduled for 27 March 2020 iii. A session about Beyond 2020 including Property Rationalisation be organised for the External Members only 	<p>Governance of external companies is also to be added.</p> <p>As agreed at the last meeting training sessions will recommence in 2021.</p> <p style="color: red;">A proposed schedule of training / briefings be brought to the 13 Dec 2021 meeting.</p>	X
22.03.21	200 – Programme of Work	Training about the governance of the external companies could be held as a follow- up session and be combined with a	To be included as above	X

Date	Minute number and subject	Audit Committee Resolution	Comment	Complete?
		more detailed session about commercial investments.		
20.09.21	218 – Report following the Detailed Review of the draft SoFA for 2020/21	That the recommendations of the Members' Work Group, together with an update from the Group, be submitted to Audit Committee's meeting on 25 October 2021		✓
20.09.21	219 – Statement of Final Accounts for 2021/21 including Letter of Representation	That consideration of the Statement of Final Accounts for 2020/21, including the Letter of Representation, be deferred until the Committee's meeting on 25 October 2021	This has been deferred to 25 October 2021	✓

3.0 TREASURY MANAGEMENT

3.1 The County Council's Treasury Advisors, Link, have revised their Interest Rate forecasts and are now projecting increases in Bank Rate to 0.25% in June 2022, to 0.50% in June 2023 and a further increase to 0.75% in March 2024. Previous estimates had forecasted the first increase to be in 2023 at the earliest. This decision follows steady rises in Gilt yields and PwLB rates in response to the September MPC meeting, which brought forward the likelihood of earlier increases in Bank Rate.

4.0 RECOMMENDATION

4.1 That the Committee considers whether any further follow-up action is required on any of the matters referred to in this report.

GARY FIELDING
Corporate Director – Strategic Resources

BARRY KHAN
Assistant Chief Executive
(Legal and Democratic Services)

County Hall
NORTHALLERTON

25 October 2021

Background Documents: Report to, and Minutes of, Audit Committee meetings held on 20 September 2021

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 October 2021

Report following the detailed review of the draft Statement of Final Accounts (incorporating the Annual Governance Statement) for 2020/21

1.0 Purpose of the Report

- 1.1 To advise members of the Audit Committee on:
- i. Issues identified during the detailed review of the draft Statements of Final Accounts (SoFA) and the draft Annual Governance Statement (AGS) for 2020/21;
 - ii. Actions taken as a result of issues being identified;
 - iii. Offering an opinion on the draft SoFA and draft AGS for 2020/21 in advance of the Audit Committee being asked to approve them.

2.0 Background

- 2.1 On 28 June the Audit Committee considered a report which provided a draft Statement of Final Accounts (SOFA) for 2020/21. The SOFA also included a draft Annual Governance Statement (AGS) for 2020/21.
- 2.2 In order to fulfil its responsibilities, the Audit Committee needs to be able to satisfy itself that the SOFA properly reflects the financial position of the Council and the governance and internal control processes described in the AGS are in fact both operational and effective.
- 2.3 It was agreed that a Members Working Group with the Chairman and Vice-Chairman of the Audit Committee, Cllr Karl Arthur and Mr David Portlock be convened to give detailed consideration of the draft SOFA/AGS and that a report would be presented to the full Audit Committee on 20 September 2021.
- 2.4 While the Member Working Group report was presented to the Audit Committee on 20 September, the Committee was not in a position to approve the SOFA and AGS at that meeting. As a result, the recommendation was for the report to be submitted to the meeting on 25 October 2021 to approve the SOFA for 2020/21.
- 2.5 This report provides a summary of the detailed review of the draft SOFA for 2020/21, which incorporate the AGS.

- 2.6 The Members Working Group has also discussed with Officers changes required by the External Auditors after the meeting on 20 September 2021.

3.0 Key Areas Identified

- 3.1 To assist the Audit Committee's understanding, comments are provided separately on the AGS and the SOFA for 2020/21, whilst recognising that both ultimately feature in the same document. This section also identifies the action that has taken place and / or will take place.

Annual Governance Statement 2020/21

The Members Working Group were able to review the updated Annual Governance Statement following completion of Sections 7 & 8 after the publication of the draft AGS in June.

1. Issue – a number of suggestions and observations were provided in respect of the Annual Governance Statement.

Action taken – the suggestions and observations have been taken into account through amendments to the Annual Governance Statement where appropriate.

Statements of Final Accounts 2020/21

1. Issue – a number of detailed questions were submitted and explanations were provided.

Action taken – explanations provided and no further action required.

2. Issue – a number of sub-headings and supporting narrative within statements were reviewed

Action taken – these have now been updated to provide greater clarity within the accounts.

3. Issues - a number of typos / simple errors were identified.

Action taken – these have now been corrected and are incorporated within the SoFA presented to the Audit Committee on this agenda.

4.0 Conclusions of the Member Working Group regarding the Statement of Accounts and the Annual Governance Statement for 2020/21

4.1 The Members Working Group is satisfied that all appropriate actions have been taken and satisfactory explanations have been provided where required.

4.2 The Members Working Group has discussed with Officers changes required by the External Audit after the meeting on 20 September 2021.

4.3 Subject to the above, the Members Working Group recommends to the Audit Committee that the Statements of Final Accounts and the Annual Governance Statement for 2020/21 are approved.

Members Working Group
13 October 2021

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NORTH YOS RKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 October 2021

STATEMENT OF FINAL ACCOUNTS for 2020/21 including LETTER of REPRESENTATION

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF REPORT

- 1.1 To approve a Letter of Representation that is required to be submitted to the External Auditor.
- 1.2 To approve a Statement of Final Accounts for 2020/21 following completion of the external audit of those Accounts.
- 1.3 To approve the Annual Governance Statement (AGS) for 2020/21.

2.0 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2021 set out the requirements and timelines for Member approval of Local Authority Accounts. The regulations set out the requirement for the Statement of Accounts (SOFA) to be certified by the Section 151 Officer (Corporate Director – Strategic Resources) by 31 July and approved by Members (the Audit Committee) in advance of the certification and publication of the Accounts.
- 2.2 A draft SOFA for 2020/21 incorporating the accounts of the North Yorkshire Pension Fund was considered by this Committee on 28 June 2021 in advance of the accounts being audited by the External Auditor between July and October 2021.
- 2.3 The Final SOFA report was subsequently presented to the Audit Committee on 20 September, however, the Committee was not in a position to approve the SOFA and AGS at that meeting. As a result, the recommendation was for the report to be submitted to the meeting on 25 October 2021 to approve the SOFA for 2020/21.
- 2.4 In order to provide further overview of the SOFA a Members Working Group was created with the Chairman and Vice-Chairman of the Audit Committee, Cllr Karl Arthur and Mr David Portlock (Independent Member of the Committee). A report from the working group is a separate item on the agenda for this meeting.
- 2.5 The report of the External Auditor is included as a prior item on this Agenda - separate reports are issued by the External Auditor for the County Council and North Yorkshire Pension Fund accounts. External Audit have indicated that they anticipate being able to issue the External Audit Report and an unmodified opinion in October 2021.
- 2.6 The revised SOFA is provided as a separate booklet in the Agenda papers for this meeting.

- 2.6 To conclude the Final Accounts process (in advance of the External Auditor signing off the 2020/21 Accounts), it is necessary for this Committee to
- (i) agree and countersign a Management Letter of Representation to the External Auditor (see **paragraph 3**)
 - (ii) note the changes reflected in the Final SOFA compared to the version considered on 28 June 2021 (see **paragraph 4**), and
 - (iii) approve the Final SOFA and authorise the Chairman to sign the Accounts on that basis (see **paragraph 5**)
- 2.7 The report also asks Members to approve a final Annual Governance Statement for 2020/21 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6**).

3.0 LETTER OF REPRESENTATION

- 3.1 The External Auditor requires a written representation from the County Council's management as an acknowledgement of its responsibility for the fair presentation of the SOFA and as audit evidence on matters material to the financial statements when other sufficient appropriate evidence cannot reasonably be expected to exist.
- 3.2 The Letter of Representation is attached as **Appendix A**. The Letter should be reviewed by the Audit Committee as the body charged with responsibility for governance and then signed on their behalf by the Chairman, before approval of the SOFA. This is to ensure that Members of this Committee are aware of the representations on which the Auditor intends to rely when issuing his opinion.
- 3.3 The Letter applies to the financial statements of both the County Council and North Yorkshire Pension Fund.
- 3.4 Members are therefore asked to consider and approve this Letter and then authorise the Chairman to sign it on their behalf. The Letter will then be submitted to the External Auditor.

4.0 CHANGES REFLECTED IN THE FINAL SOFA

- 4.1 A number of changes have been made to the SOFA since it was considered by Members of this Committee on 28 June 2021.
- 4.2 These changes are explained in detail in **Appendix B** attached and arise from:-
- (i) refinements agreed with the External Auditor during their audit of the accounts
 - (ii) internally initiated refinements together with those resulting from comments and questions by Members of this Committee and the Members Working Group
 - (iii) inclusion of the External Auditor's certificate which was not included in the draft document on 28 June 2021.

5.0 APPROVAL OF THE FINAL SOFA

5.1 The audited final SOFA is attached as a separate booklet. This incorporates all the changes to the draft version considered by Members on 28 June 2021, as set out in **paragraph 4** and **Appendix B**. These accounts will be re-signed by the Corporate Director – Strategic Resources and the Chief Executive on 25 October 2021.

5.2 Members are therefore asked to approve the Final SOFA for 2020/21 following completion of the audit and authorise the Chairman to sign the accounts on behalf of the Audit Committee. A copy of the Statement of Responsibilities for the Statement of Accounts (page 26 of the SOFA) which the Chairman is asked to sign is attached as **Appendix C** with the wording

‘I confirm that these accounts were approved by the Audit Committee
On 25 October 2021.’

5.3 A copy of the Balance Sheet (pages 46 and 47 of the SOFA) is also attached as **Appendix D**.

5.4 As mentioned in **paragraph 2.4** the External Auditor has indicated that he anticipates being able to issue an unmodified opinion on the accounts.

6.0 ANNUAL GOVERNANCE STATEMENT

6.1 The Annual Governance Statement (AGS) is an annual report which assesses the effectiveness of the governance processes which have been put in place within the Council. It accompanies the Statement of Final Accounts.

6.2 The AGS has been drafted to comply with the latest Delivering Good Governance Framework in Local Government 2016 and associated Principles.

6.3 In order to fulfill its responsibilities, the Audit Committee needs to be able to satisfy itself that the governance and internal control processes described in the AGS are in fact both operational and effective. The Audit Committee considered a draft AGS at its meeting on 28 June 2021 and some minor changes were made together with completion of section 7 since it was considered. These changes occurred following a further review by appropriate officers and Directors in readiness for a meeting of the Audit Committee Members Working Group. This has concluded in the final draft which forms part of the SOFA.

6.4 The requirement to produce an AGS is set out in the Accounts and Audit (England) regulations and for the Council to approve an AGS as part of the SOFA. The Audit Committee is therefore requested to formally approve the AGS 2020/21 and to authorise the Chairman to sign the AGS on its behalf.

7.0 **RECOMMENDATIONS**

7.1 That Members authorise the Chairman to sign the Letter of Representation set out in **Appendix A** on behalf of the Audit Committee.

7.2 That in relation to the Statement of Final Accounts 2020/21

- (i) Members note the changes to the Final SOFA as set out in **paragraph 4 and Appendix B**, and
- (ii) Members approve the Final SOFA for 2020/21 (**paragraph 5.2**), and
- (iii) recommend that the Chairman sign the Statement of Responsibilities for the Statement of Accounts as attached at **Appendix C**

7.3 That Members approve the Annual Governance Statement 2020/21 and authorise the Chairman to sign the AGS on its behalf (**paragraph 6.4**).

GARY FIELDING
Corporate Director – Strategic Resources
County Hall,
Northallerton
13 October 2021

There are no background documents

Deloitte LLP
One City Square
Leeds
LS1 2AL

Gary Fielding – Corporate Director
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Fax: 01609 778199
Email: gary.fielding@northyorks.gov.uk
Web: www.northyorks.gov.uk

20 September 2021

Dear Engagement Partner

This representation letter is provided in connection with your audit of the financial statements of North Yorkshire County Council and its consolidated financial statements for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of North Yorkshire County Council as of 31 March 2021 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (“the Code”).

We confirm, to the best of our knowledge and beliefs, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (“the Code”).
2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures, including those assessing the impact of Covid-19 on the group, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.

6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council and group's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's and group's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the appropriateness of the 'continuing provision of service' approach. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. All grants or donations, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled and deferred income to the extent that they have not.
8. We acknowledge our responsibility for the preparation of the other information included in the Statement of Accounts. The other information comprises the Narrative Report and the Annual Governance Statement.
9. We confirm that the content contained within the Narrative Report and the Annual Governance Statement is consistent with the information presented in the financial statements, and has been prepared in accordance with relevant legislation.
10. With respect to the revaluation of properties in accordance with the Code:
 - a) the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
 - b) the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council where relevant to the accounting estimates and disclosures;
 - c) we confirm that the effects of the Covid-19 pandemic have been fully considered by our valuation experts and are reflected in the property valuations disclosed in the financial statements;
 - d) the disclosures are complete and appropriate; and
 - e) there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
11. We have considered the valuation of the Council's Property, Plant and Equipment that have not been subject to revaluation in year, and are not aware of any circumstances indicating volatility in asset values that would suggest the carrying value is materially misstated as a result of it not being revalued.
12. With respect to pensions we confirm that:

- a. the measurement processes used are appropriate and have been applied consistently, including related assumptions and models;
- b. the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council where relevant to the accounting estimates and disclosures;
- c. we confirm that the effects of the Covid-19 pandemic have been fully considered by our valuation experts and are reflected in the property valuations disclosed in the financial statements;
- d. the disclosures are complete and appropriate; and
- e. there have been no subsequent events that require adjustment to the valuations and disclosures included in the financial statements.
- f. the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

13. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of the audit; and
 - c. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
14. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
15. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We are not aware of any fraud or suspected fraud that affects the group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
19. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements

20. We have disclosed to you the identity of the group's related parties and all the related party relationships and transactions of which we are aware.
21. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
22. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
23. We confirm that:
 - (i) we consider that the group has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

Value for Money

24. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.
25. We are not aware of any deficiencies in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Cllr Clifford Lunn
Chair of the Audit Committee
Resources

Gary Fielding
Corporate Director – Strategic

CHANGES TO THE 2020/21 STATEMENT OF FINAL ACCOUNTS SINCE AUDIT COMMITTEE ON 28 JUNE 2021.

1.0 Introduction

1.1 There have been a number of changes made to the Statement of Final Accounts (SOFA) since it was considered by the Audit Committee on 28 June 2021.

1.2 These changes are as a result of:

- (a) Refinements agreed with the External Auditor during the Audit of Accounts process
- (b) Internally initiated refinements together with those resulting from comments and questions by Members of this Committee and the Members Working Group.
- (c) Inclusion of the External Auditor's Certificate that was not included in the draft document on 28 June 2021.

2.0 Changes made as a result of the final accounts audit

2.1 Deloitte audited the SOFA between July and October. During the audit process, the following amendments have been agreed with the auditor.

- amendments to the County Council and Group Balance Sheet, Comprehensive Income and Expenditure Statement and Expenditure, Movement in Reserves Statement, Cash Flow Statement and Expenditure and Funding Analysis to reflect accounting changes relating to the Collection Fund;
- amendments to the County Council and Group Balance Sheet, Movement in Reserves Statement, Narrative Statement and Disclosure Notes to reflect accounting changes relating to the transfer of Schools Block Dedicated Schools Grant Usable Reserve to new Unusable Reserve Dedicated Schools Grant Adjustment Account
- amendments to the County Council and Group Balance Sheet, Comprehensive Income and Expenditure Statement and Expenditure, Movement in Reserves Statement, Cash Flow Statement and Expenditure and Funding Analysis to reflect accounting changes relating to the reallocation of Capital Grants from Capital Grants Unapplied to Capital Grants Received in Advance
- amendments to the County Council and Group Balance Sheet, Comprehensive Income and Expenditure Statement and Expenditure relating to accounting changes for grants where the Council act as agent rather than Principal.
- minor changes to narrative statement, disclosures and notes to the accounts; and

- changes to Pension Fund Main Statements and supporting notes.

3.0 Internally initiated refinements, together with queries raised by Members of the Audit Committee and Members Working Group

- various presentational adjustments to the supporting notes to assist the reader of the accounts;
- adjustments to the Annual Governance Statement; and
- various minor presentational issues and rounding adjustments.

4.0 Inclusion of the External Auditor's Certificate in the final SOFA as a result of the Audit process having now been finalised.

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;
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities;
- (c) assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- (d) used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- (e) maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

CERTIFICATE OF THE CORPORATE DIRECTOR – STRATEGIC RESOURCES

I certify that the Statement of Accounts 2020/21 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 2021.

Gary Fielding
Corporate Director – Strategic Resources
25th October 2021

Co-signed by,
Richard Flinton
Chief Executive
25th October 2021

CERTIFICATE OF THE AUDIT COMMITTEE

I confirm that these Accounts were approved by the Audit Committee on 25th October 2021 following completion of the External Audit.

Chair of the Audit Committee

BALANCE SHEET AS AT 31ST MARCH 2021

31st March 2020 £000		31st March 2021 £000
1,665,551	Property, Plant and Equipment (note 18)	1,631,979
53,022	Investment Property (note 25)	49,419
5,932	Intangible Assets (note 24)	5,298
19,777	Long Term Investments (note 29)	10,099
15,556	Long Term Debtors (note 30)	17,872
1,759,838	Long Term Assets	1,714,667
366,976	Short Term Investments (note 39a)	421,275
1,957	Inventories	2,390
106,261	Short Term Debtors (note 31)	135,738
98,007	Cash and Cash Equivalents (note 28)	61,799
170	Assets held for sale (note 27)	170
573,371	Current Assets	621,372
(269,745)	Short Term Borrowing (note 39a)	(213,622)
(95,820)	Short Term Creditors (note 32)	(111,467)
(3,503)	PFI/PPP Liability repayable within 12 months (note 12)	(3,948)
(12)	Finance Lease repayable within 12 months (note 13)	(13)
(2,316)	Provisions to be used within 12 months (note 33)	(2,877)
(21,237)	Capital Grant Receipts in Advance (note 9)	(9,201)
(392,633)	Current Liabilities	(341,128)
(2,642)	Long Term Creditors (note 23)	(1,731)
(150,584)	PFI/PPP Liability repayable in excess of 12 months (note 12)	(146,635)
(1,036)	Finance Lease repayable in excess of 12 months (note 13)	(1,023)
(10,916)	Provisions to be used in excess of 12 months (note 33)	(13,197)
(433,171)	Pensions Liability (note 10)	(496,989)
(220,968)	Long Term Borrowing (note 39a and 39d)	(221,839)
(18,063)	Capital Grant Receipts in Advance (note 9)	(1,341)
(837,380)	Long Term Liabilities	(882,755)
1,103,196	Net Assets	1,112,156

BALANCE SHEET AS AT 31ST MARCH 2021 (continued)

31st March 2020 £000		31st March 2021 £000
	Usable Reserves	
27,640	General Working Balance (note 34a)	27,868
195,064	Earmarked Reserves (note 34b)	247,402
3,815	Capital Receipts Unapplied Reserve (note 34c)	4,062
22,873	Capital Grant Unapplied Reserve (note 34d)	61,953
249,392	Total Usable Reserves	341,285
	Unusable Reserves	
409,826	Revaluation Reserve (note 35a)	368,953
3,986	Collection Fund Adjustment Account (note 35b)	9,981
0	DSG Adjustment Account (note 35g)	(1,980)
0	Financial Instruments Adjustment Account	0
(308)	Financial Instruments Revaluation Reserve (note 35f)	(349)
(7,718)	Accumulated Absences Account (note 35c)	(7,450)
(433,171)	Pension Reserve (note 35d)	(496,989)
881,189	Capital Adjustment Account (note 35e)	898,705
853,804	Total Unusable Reserves	770,871
1,103,196	Total Reserves	1,112,156

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NORTH YORKSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS 2020/21

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Contact us

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NARRATIVE REPORT

INTRODUCTION

1. The County Council's accounts for the year ended 31st March 2021 are presented in the format laid down in *The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 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.
 - (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 Statement of Accounting Policies**; which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Accounts.
 - (e) **the Comprehensive Income and Expenditure Statement**; this shows the Net Cost of the Services provided by the County Council and how this has been financed from general government grants and local tax payers. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation.
 - (f) **the Movement in Reserves Statement**; this statement shows the movement in the different reserves held by the County Council over the year. The statement is analysed into usable reserves, those that can be applied to fund expenditure or reduce local taxation, and other unusable reserves.
 - (g) **the Balance Sheet**; this is a statement of the financial position of the County Council and shows the Balances and Reserves at the County Council's disposal, its long term indebtedness and the long term and net current assets employed in its operations.
 - (h) **the Cash Flow Statement**; this statement shows the changes in cash and cash equivalents of the County Council during the financial year. The statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
 - (i) **notes to the Core Financial Statements**; these provide further details and explanation of the figures included in the Core Financial Statements.
 - (j) **Group Accounts**; the County Council conducts some of its activities through partnerships and separate undertakings. Some of these are not directly reflected in the statements (e) – (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 support the primary financial statements.

- (k) **the North Yorkshire Pension Fund Accounts;** which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31st March 2021.
- (l) **the Annual Governance Statement;** this sets out the framework within which financial control and corporate governance is managed and reviewed by the County Council and the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.

OVERVIEW

2. North Yorkshire County Council provides services to residents, businesses and communities across the whole County. The County Council has an operating model that determines an annual revenue budget for each Directorate within which they must operate and deliver on the County Council's priorities, as set out in the Council Plan. These priorities are presented as performance indicators for each Directorate and monitored alongside the revenue budget monitoring. Performance reports are considered by the County Council's Executive Committee on a quarterly basis and these can be accessed on the County Council's website.

The County Council's Annual Governance Statement 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. The Annual Governance Statement appears on page 159 of the Statement of Accounts.

The administrative county of North Yorkshire was established in 1974 and is one of the most sparsely populated counties in the United Kingdom. It is the largest county in England. It covers 8,654 km² and its population is estimated to be 620,000.

North Yorkshire County Council is responsible for many key local services:

- Children and Young People's Service - including the safeguarding of children, looked after children, services to vulnerable children and young people and their families and adoption and fostering services; early years and pre-school, mainstream schools and education, special educational needs provision, school improvement, raising the participation age, youth services and career advice, and traded services;
- Health and Adult Services - including services for older people, people with physical or learning disabilities, public health, mental health services, child health related matters and drug and alcohol matters;
- Business & Environmental Services - Highways and Transportation - including highways maintenance, street lighting, traffic regulation and road safety, parking, public rights of way and schools and community transport; enterprise and inward investment, strategic spatial planning, minerals and waste planning, development and investment, waste disposal and recycling and flood management; and
- Central Services - including libraries, archives, registration services, legal and democratic services, digital and information and technology services, human resources, finance, coroner and customer services.

In July 2020, the Minister for Regional Growth and Local Government announced that the Ministry for Housing, Communities and Local Government (MHCLG) would be publishing the Devolution and Local Recovery White Paper imminently. As a result, the County Council submitted a proposal in December 2020 on its vision as to how devolution and local government reorganisation could

look across North Yorkshire in the future. The Secretary of State of MHCLG formally sought the views of the public on two proposals and the consultation closed on 19th April 2021.

Secretary of State for MHCLG announced on the 21st July 2021 that the County Council's bid to reorganise local government in North Yorkshire had been successful. This means that the current County Council and seven District Councils will be replaced by a single unitary Council on the County Council boundaries. It is expected that the new Council will formally come into effect in April 2023.

SUMMARY OF REVENUE SPENDING

3. The main components of the final Budget for 2020/21 and a comparison with the actual position are set out below:-

	Final Budget £m	Actual £m	Variation £m
Directorate Net Expenditure			
Children and Young People's Service	82.5	80.8	(1.7)
Business and Environmental Services	73.2	73.2	0.0
Health and Adult Services	167.9	172.3	4.4
Central Services	66.3	70.3	4.0
Corporate Miscellaneous	3.0	(12.3)	(15.3)
Total Directorate Net Expenditure	<u>392.9</u>	<u>384.3</u>	<u>(8.6)</u>
Financed by:			
Business Rates (Central Government)	48.4	48.0	(0.4)
Business Rates (District Councils)	19.3	18.6	(0.7)
Precept Income (including arrears)	321.7	323.6	1.9
Contribution from Reserves	3.9	3.2	(0.7)
Total	<u>393.3</u>	<u>393.4</u>	<u>0.1</u>
(Deficit) / Surplus in Year	<u>0.4</u>	<u>9.1</u>	<u>8.7</u>
General Working Balance			
Start of Year	27.6	27.6	0.0
(Deficit) / Surplus in Year	0.0	9.1	9.1
Transfer to Earmarked Reserves	0.0	0.3	0.3
Transfers (to) / from Strategic Capacity Reserve	0.0	(9.1)	(9.1)
Closing Balance	<u>27.6</u>	<u>27.9</u>	<u>0.3</u>

The spending, financing and surplus figures reported above are 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 Position £m	Funding £m	Net £m
County Council's Actual Directorate Net Expenditure	384.3	(393.4)	(9.1)
Different treatment of some Government Funding	31.6	(31.6)	0.0
Other required accounting entries reflected in the Income and Expenditure Statement			
- Capital Accounting	95.6	(115.3)	(19.7)
- Collection Fund Accounting	0.0	(6.0)	(6.0)
- Accumulated Absences Adjustment	(0.3)	0.0	(0.3)
- Pension Accounting	34.9	0.0	34.9
- Financial Instruments	0.0	0.0	0.0
- Dedicated Schools Grant (DSG) Adjustment Account	0.4	0.0	0.4
- Movement in Earmarked Reserves	(38.8)	(3.1)	(41.9)
Net expenditure / funding and surplus per Comprehensive Income and Expenditure Statement	507.7	(549.4)	(41.7)

WHAT THE MONEY IS SPENT ON AND HOW IT IS FINANCED

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

	2020/21 £m	2019/20 £m
Children and Young People's Service	468.4	478.7
Business and Environmental Services	161.0	143.6
Health and Adult Services	317.6	295.8
Central Services	92.3	78.2
Corporate Miscellaneous	3.2	2.5
Gross Cost of Services	1,042.5	998.8
Precepts Paid to Other Authorities	0.7	0.7
Interest Payable	27.4	28.7
Capital Adjustment Account Movements	19.7	(29.1)
IAS 19 Pension Adjustments *	(25.4)	(17.9)
Financial Instruments	0.0	0.3
DSG Adjustment Account	(0.4)	0.0
Reserve Movements	50.8	10.9
Loss on Disposal of Fixed Assets	38.6	59.9
Corporate Trading Account Deficit	0.2	0.2
Accumulated Absences Adjustment	0.3	(1.4)
= Actual Spending financed from Income, Government Grants, Council Tax, Business Rates and other Government funding	1,154.4	1,051.1

* 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.

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

	2020/21 £m	2019/20 £m
Government Specific Grants		
- Dedicated Schools Grant	275.9	277.1
- Other Specific Grants	160.2	108.4
Council Tax from District Council Collection Funds	323.6	307.1
Fees and Charges etc.	146.4	192.6
Uniform Business Rates proceeds	68.6	77.8
Capital Grants	143.8	56.0
Other General Government Funding	35.9	23.1
Interest and Investment Income	(1.0)	8.3
Corporate Trading Account Surplus	0.0	0.0
Dividends Received	1.0	0.7
	<u>1,154.4</u>	<u>1,051.1</u>

6. The County Council employed 10,282 full time equivalent staff at the end of the financial year and a breakdown across Service Directorates is as follows:

	2020/21		2019/20	
	No.	No.	No.	No.
Central Services		1,599		1,592
North Yorkshire Education Service		695		756
Children and Young People's Service				
Schools	4,745		5,012	
Other	<u>1,060</u>	5,805	<u>1,039</u>	6,051
Business and Environmental Services		575		557
Health and Adult Services		1,608		1,547
		<u>10,282</u>		<u>10,503</u>

CAPITAL EXPENDITURE

7. In 2020/21 the County Council spent £120.7m on capital expenditure and a comparison with the original and revised Capital Plan is set out below:-

	Original	2020/21	Actual	Original	2019/20	Actual
	Budget	Revised		Budget	Revised	
	£m	£m	£m	£m	£m	£m
Capital Plan	133.5	163.1	119.6	137.6	121.7	99.1
Other expenditure on fixed assets funded directly from the revenue budget	0.4	0.4	1.1	0.4	0.4	0.8
	<u>133.9</u>	<u>163.5</u>	<u>120.7</u>	<u>138.0</u>	<u>122.1</u>	<u>99.9</u>

Actual Capital Plan spending was therefore £119.6m compared with an Original Capital Plan of £133.5m approved in February 2020 and a Revised Capital Plan of £163.1m approved in February 2021.

In addition, £1.1m was spent on Fixed Assets from Directorate revenue budgets, principally on plant and equipment. The above Capital expenditure was funded as follows:-

	2020/21 £m	2019/20 £m
Borrowing		
- from external sources	0	0
- from internal sources (cash balances)	2.3	3.6
Grants from Government Departments	98.1	69.1
Contributions from External Bodies	6.6	0.9
Capital Receipts from Sale of Assets etc.	5.6	2.4
Direct Revenue Funding	7.0	23.1
	<u>119.6</u>	<u>99.1</u>
Expenditure on Fixed Assets funded directly from Revenue Budgets	1.1	0.8
	<u>120.7</u>	<u>99.9</u>

8. The major part of this capital expenditure related to spending on programmes in Children and Young People's Service and Business and Environmental Services. There were no large individual schemes.
9. Total outstanding borrowing for capital purposes as at 31st March 2021 was £288.7m, which includes both external borrowing and borrowing from internal sources and consists of the following:-

	2020/21 £m	2019/20 £m
External Borrowing		
Public Works Loans Board (PWLB)	216.0	243.1
Other Institutions	20.0	20.0
Total External Borrowing	<u>236.0</u>	<u>263.1</u>
Temporary Borrowing from Internal Cash Balances	52.7	34.4
Total Capital Spending funded by borrowing	<u>288.7</u>	<u>297.5</u>
PFI and Leases	151.6	155.1
Total Borrowing	<u>440.3</u>	<u>452.6</u>

The Capital Financing Requirement (CFR) at 31st March 2021 was £440.3m which includes the Capital Borrowing Requirement of £288.7m reported above together with other long term Private Finance Initiative (PFI) and finance lease liabilities of £151.6m.

LOCAL GOVERNMENT PENSION FUND

10. 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.
11. The results of the 2019 Triennial Valuation were produced in 2019/20 when the Actuary completed a detailed analysis of the Fund's liabilities. These results were used to determine the employer

contributions from 2020/21 to 2022/23. The IAS 19 calculations have been updated in 2020/21 to reflect the 2019 Triennial Valuation that took place during the period.

The assets of North Yorkshire Pension Fund increased in value by 27.4% over the year, principally due to the market conditions as a result of the Covid-19 pandemic. Over the year liabilities increased by 9.0%. Full details of the management of the Fund and its investment performance are available in the Annual Report of the Fund.

12. The total reported pension liability of the County Council has increased over the year from £433m to £497m. This increase, £64m, 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.

The 2019 Triennial Valuation has set appropriate employer contribution rates for 2020/2021, 2021/2022 and 2022/23 with no deficit payments required.

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

CHANGES IN ACCOUNTING POLICY

13. There have been no significant changes in Accounting Policy for the 2020/21 Accounts.

CHANGES TO THE STATEMENT OF ACCOUNTS

14. For 2020/21, there are only relatively minor presentational changes reflected in the years Statement of Accounts as there were no significant updates arising from the 2020/21 Code of Practice on Local Authority Funding.

MATERIAL CONTINGENT LIABILITIES

15. The County Council has identified no area where a present or past obligation has resulted in the possibility of a future liability which has not already been included in the financial statements.

GROUP ACCOUNTS

16. The 2020/21 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:-

- Align Property Partners Limited;
- Brierley Homes Limited;
- First North Law Limited;
- NY Highways Limited;
- NYnet 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.

Align Property Partners Limited, NY Highways, Veritau Limited, First North Law Limited and Brierley Homes Limited have not been consolidated in the 2020/21 Group Accounts as their values do not materially impact on the group financial position.

Yorkshire Purchasing Organisation is not consolidated into the financial statements as the County Council does not exert a significant level of influence over their activities.

The full set of Group Accounts and the financial implications are seen on pages 109 to 127.

THE COUNCIL PLAN

17. The Council Plan 2021-25 details how we intend to adapt to meet the challenges up until 2025. 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 five key ambitions for 2025:-

- Leading for North Yorkshire;
- 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, and
- Innovative and forward thinking Council.

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

18. 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 2021):-

Performance

North Yorkshire County Council has well developed performance and financial processes which maintain rigour around delivering outcomes within a sustainable fiscal environment. Our Internal Performance Management Framework has been refreshed with a more rigorous focus on delivery

of ambitions set out in our Council Plan. Each quarter, the Executive receive an update on Corporate Performance, but with an in depth focus on one of our five ambitions. Our approach to assessing and delivering Value for Money has also developed following new audit requirements for 2020/21 and the CIPFA FM Code. During 2021/22 we will continue to develop the corporate performance framework and indicator set so we can carefully monitor performance, and continue with benchmarking exercises that may help us find further efficiencies. Despite the devastating impact of the pandemic, it has enabled the County Council to accelerate new efficient ways of working over the course of 2021.

Revenue Budget

A bottom line net saving of £9.1m has been achieved (£6.6m 2019/20). A simplified approach to reserves was agreed by the County Council in 2015/16 which sees the General Working Balance (GWB) held at “policy” level and any unallocated balance in excess of this level is transferred to “Strategic Resources”. The £9.1m operational underspend, therefore, increases the Strategic Resources reserve. Total usable reserves at 31st March 2021 were £273.3m (£207.5m 2019/20) consisting of the GWB of £27.9m (£27.6m 2019/20), Strategic Resources reserve of £69.9m (£47.6m 2019/20) and other earmarked reserves of £175.5m (£132.3m 2019/20).

Capital Expenditure and Financing

Gross Capital spend of £119.6m (£99.1m 2019/20) was £43.5m (£22.6m 2019/20) below the last Capital Plan update of £163.1m (£121.7m 2019/20) in February 2021 and £13.9m below (£38.5m below in 2019/20) the Original Plan in February 2020.

The gross capital expenditure underspend largely related to delays on Extra Care schemes, Schools Basic Need schemes and the Highways programme, in particular the advance purchase of vehicles for the new Highways company along with slower than anticipated take up on company loans.

However, after accounting for £30.9m less capital income there was a net capital underspend of £12.6m.

Allowing for corporate capital plan variations of £0.9m (£2.2m 2019/20), an adjusted net underspend of £13.4m (£0.6m 2019/20) is being carried over into 2021/22. Financing of the Capital spend included £2.5m (£1.7m 2019/20) capital receipts resulting from the sale of land and property. After utilising other capital income the balancing figure of £2.3m has decreased (£3.6m decrease in 2019/20) the level of internal borrowing.

Annual Treasury Management

External Debt for Capital purposes reduced from £263.1m as at 31st March 2021 (£285.1m 31st March 2020) to £236.0m at 31st March 2021 (£263.1m 31st March 2020), through scheduled loan repayments and no new external borrowing being taken. The average interest rate of this debt was 4.46% at 31st March 2021 (4.39% at 31st March 2020).

The total borrowing requirement in the year was £18.3m (£13.9m 2019/20) which increased the total internal capital financing to £52.7m at 31st March 2021 (£34.4m at 31st March 2020). The total underlying borrowing need at 31st March 2020 was therefore £288.7m (£297.5m 2019/20) consisting of £236.0m (£263.1m 2019/20) external debt and £52.7m (£34.4m 2019/20) internally financed capital debt.

For cash invested in 2020/21, the average rate of interest achieved was 0.48% (0.91% 2019/20) which outperformed the average 7-day market rate of -0.07% (0.53% 2019/20) and the average bank rate of 0.1% (0.72% 2019/20). The average daily balance loaned out was £506.9m (£490.4m 2019/20) with the balance at 31st March 2021 being £479.4m (£464.4m 31st March 2020) of which £197.3m (£226.3m 2019/20) belonged to other organisations who are part of the County Council's investment pool arrangements.

STRATEGIC DOCUMENTS

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

Policy or Plan	Purpose of Policy or Plan
Constitution	Sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also details our policy framework which includes documents which are approved by the full County Council.
A Plan for Economic Growth 2021 to 2024	Outlines the County Council's vision for economic growth and identifies its role in supporting this aspiration. Economic growth can lead to a better quality of life for people wishing to live and work in North Yorkshire.
The Council Plan	This is the cornerstone of the County Council's 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 Council's 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: Young and Yorkshire 2	For all children, young people and their families living in North Yorkshire. The plan sets out the County Council's 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 Council's 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.
Carers Strategy – Caring for Carers 2017-22	Caring for carers sets out North Yorkshire's over-arching strategy for promoting carers' health and wellbeing. It has been produced by the health and wellbeing board for North Yorkshire, working on behalf of local residents. It is an all-ages strategy, aimed at supporting carers to both continue caring and to have a life of their own.
Strategic Plan for Special Educational Needs and Disability (SEND) Education Provision 0-25, 2018-23	This plan sets out what we will do to develop and improve education provision for children and young people with SEND in North Yorkshire.
Your library, your place 2020-2030	The library strategy focuses on four core aims for North Yorkshire, set against the proven outcomes research shows that libraries deliver: raising aspirations, stimulating enjoyment of culture and helping people live independent lives.

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.

Under the General Data Protection Regulation (GDPR) North Yorkshire County Council is classified as a 'data controller'. This means the County Council has a duty of care towards the individuals whose personal data it collects and uses.

TRADE UNIONS

20. In order to comply with the Trade Union (Facility Time Publication Requirements) Regulations 2017 please find below data relating to the employment of relevant union officials by North Yorkshire County Council for the year ended 31st March 2021.

Unions Recognised	UNISON (Central)	NEU (was NUT/ATL) (Education)	VOICE (Education)	ASCL (Education)	NAHT (Education)	NAS/UWT (Education)
Number of relevant Union Officials during the period	6	3	1*	1	0	3
FTE of Union Officials during the period	4.34	1.64	0.004	0.04	0	1.21
Percentage of working time spent on facilities time	100%	100%	100%	100%	100%	100%
Total cost of facility time	£223,947	£76,663	£168	£2,005	£0	£55,765
Total pay bill	£211,319,019	£205,625,501	£205,625,501	£205,625,501	£205,625,501	£205,625,501

Percentage of pay bill for facility time	0.106%	0.037%	0%	0.001%	0%	0.027%
Paid trade union activities:- Percentage of the hours spent on trade union activities	2.71%	0% - voluntary	0% - voluntary	0% - voluntary	0% - voluntary	0% - voluntary

*Voice Union changed to Community Union at the end of April 2020, however we have not been informed of a replacement elected representative.

RISKS AND UNCERTAINTIES AFFECTING THE COUNTY COUNCIL

21. 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 2021 Budget / Medium Term Financial Strategy (MTFS) report are broken down into 2 key areas – corporate risks and more specific service pressures:-

Corporate risks include:-

- at the end of the EU Exit transition period and / or phased introduction of border checks the UK has sub-optimal trade deals and other arrangements resulting in price uncertainty, supply chain difficulties and adverse impact upon the local economy, infrastructure and environmental standards;
- failure to design and implement a coherent savings and transformation programme “Beyond 2020” which delivers the forecast funding shortfall resulting in short term and sub optimal savings decisions i.e. service cuts;
- inadequate funding available to the County Council to discharge its statutory responsibilities and to meet public expectation resulting in legal challenge, unbalanced budget and public dissatisfaction;
- ineffective information governance arrangements lead to unacceptable levels of unauthorised disclosure of personal and sensitive data, poor quality or delayed responses to Freedom of Information requests, and inability to locate key data upon which the County Council relies resulting in loss of reputation, poor decision making and fines;
- failure to take advantage of Devolution opportunities and to deliver the ambition of Sustainable Economic Growth, through for example the delivery of the right housing and transport whilst protecting the outstanding environment and heritage, resulting in reduced investment and impact on growth and jobs, inability to attract, retain and grow businesses and raise living standards across North Yorkshire;
- failure to plan, respond to and recover effectively from significant incidents in the community resulting in risk to life and limb, impact on statutory responsibilities and financial stability and reputation;
- failure to achieve the most effective local government reorganisation for North Yorkshire leading to sub-optimal savings, inferior local government arrangements, potential delay in a devolution deal and an impact on work commitments;
- further reduction in funding from Central Government;
- risk of adverse weather conditions has an impact on the cost of highways maintenance;

- insufficient capacity to deal with the competing demands of the organisation and inability to progress strategically important initiatives;
- acceleration of inflation above assumptions within the MTFS for supplies and services and pay awards; and
- potential shortfall on Council Tax yield and collection of Business Rates based upon MTFS assumptions.

Service Specific Issues include:-

- major failure of provider/key providers results in the Directorate being unable to meet service user needs. This could be caused by economic performance or resource capabilities including recruitment and retention. The impact could include loss of trust in the Care Market, increased budgetary implications and issues of service user safety;
- failure to achieve the best outcomes from working jointly with the Commissioner and Provider resulting in the possibility of fragmented care;
- failure to have a robust Safeguarding service in place results in risk to vulnerable children, adults and families and not protecting them from harm;
- commercial investments may be affected by change in markets, supply and demand, fund performance and other factors, and
- erosion of Dedicated Schools Grant to underpin County Council services to schools.

Other key risks identified in the County Council's Corporate Risk Register and Statements of Assurance are:-

- market failure leading to cost pressures in the County Council supply chain;
- ineffective information governance arrangements;
- increased complexity and uncertainty in school organisation and funding arrangements; and
- failure to keep up with demand for services in light of challenging budgets and availability of staff.

Covid-19 pandemic risks include:-

- valuations of commercial investments, non-current assets, pension fund assets and liabilities may be affected by change in markets, supply and demand, fund performance and other factors. However the professional bodies of valuers in all these areas have reflected the potential for material uncertainty in their valuation reports and made statements and caveats to that effect;
- failure to lead an effective recovery from the outbreak of Coronavirus in North Yorkshire resulting in adverse impact on the health and well being of residents and staff, long term damage to the local economy and financial position of the County Council;
- Budget demand pressures as people delay accessing services during the Coronavirus pandemic; and
- non-delivery of full value of savings or significant delays to delivery as services continue to be impacted by the Coronavirus pandemic.

THE IMPACT OF THE COVID-19 PANDEMIC ON THE COUNCIL

22. From a financial perspective, 2020/21 has been unique in recent local government history with very significant new costs and responsibilities linked to the pandemic. This has resulted in headline overspends in most directorates, but also unprecedented levels of Central Government funding to Local Authorities. The County Council has focused on responding to the impact of the pandemic as well as still maintaining its core services.

The County Council has played a strong leadership role in the fight against the virus, through the development and implementation of the Covid-19 Outbreak Control Plan. This led to the delivery of significant activity to support a range of high-risk environments such as care homes and educational settings, high-risk communal accommodation and workplaces. The County Council also played a key role in supporting the delivery of testing and vaccination take up.

Supporting residents and businesses to recover from the pandemic as restrictions begin to ease will continue to provide challenges for the County Council. The easing of restrictions will start to reveal the true economic impact of the pandemic as financial support for businesses in the form of grants and money to furlough staff start to decrease.

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

20th September 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of North Yorkshire County Council ('the Authority') and its subsidiaries ('the Group'):

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2021 and of the Group's and the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have audited the financial statements which comprise:

- the Group and Authority Comprehensive Income and Expenditure Statements;
- the Group and Authority Movement in Reserves Statements;
- the Group and Authority Balance Sheets;
- the Group and Authority Cash Flow Statements;
- the Statement of Accounting Policies;
- the related notes 1 to 40; and
- the related Group notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director – Strategic Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director – Strategic Resources with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Group and the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Corporate Director – Strategic Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Director – Strategic Resources' responsibilities

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director – Strategic Resources is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and for such internal control as the Corporate Director – Strategic Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director – Strategic Resources is responsible for assessing the Group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Group and the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the Group and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government Finance Act 2012; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- completeness of accrued expenditure: we performed testing in relation to the completeness of accruals through testing a sample of post year end payments.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our work in respect of the Authority's arrangements is not complete at the date of our report on the financial statements. We will report the outcome of our work on the Authority's arrangements and include any additional

exception reporting in respect of significant weaknesses in our audit completion certificate and our separate Auditor's Annual Report. We are satisfied that the remaining work is unlikely to have a material impact on the financial statements.

Respective responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2021, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Reports in the public interest or to the regulator

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

We cannot formally conclude the audit and issue an audit certificate until we have completed our work in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (as reported in the Matters on which we are required to report by exception – Use of resources section of our report) and the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that our remaining work in these areas is unlikely to have a material impact on the financial statements.

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of North Yorkshire County Council with the pension fund accounts included in the financial statements of North Yorkshire County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the Authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Nicola Wright (Key Audit Partner)
For and on behalf of Deloitte LLP
Newcastle upon Tyne, United Kingdom
[Date]

Independent auditor's report to the members of North Yorkshire County Council on the pension fund financial statements of North Yorkshire Pension Fund

Report on the audit of the financial statements

Opinion

In our opinion the pension fund financial statements of North Yorkshire County Council (the 'pension fund'):

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have audited the financial statements which comprise:

- the Fund Account;
- the Net Assets Statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of North Yorkshire County Council and the pension fund it administers in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director - Strategic Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director - Strategic Resources with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the pension fund is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in North Yorkshire County Council's statement of accounts, other than the financial statements and our auditor's report thereon. The Corporate Director - Strategic Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Director - Strategic Resources' responsibilities

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director - Strategic Resources is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for such internal control as the Corporate Director - Strategic Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director - Strategic Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the pension fund, and reviewed the pension fund's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the pension fund operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Public Services Pensions Act 2013 and Local Government Pension Scheme Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the pension fund's ability to operate or to avoid a material penalty. These included relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Use of our report

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

Nicola Wright (Appointed auditor)
For and on behalf of Deloitte LLP
Newcastle upon Tyne, United Kingdom
[Date]

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;
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities;
- (c) assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- (d) used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- (e) maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

CERTIFICATE OF THE CORPORATE DIRECTOR – STRATEGIC RESOURCES

I certify that the Statement of Accounts 2020/21 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 2021.

Gary Fielding
Corporate Director – Strategic Resources
25th October 2021

Co-signed by,
Richard Flinton
Chief Executive
25th October 2021

CERTIFICATE OF THE AUDIT COMMITTEE

I confirm that these Accounts were approved by the Audit Committee on 20th September 2021 following completion of the External Audit.

Chair of the Audit Committee
25th October 2021

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 2020/21 (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 Reserves 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 covering periods of 10 to 50 years;
- 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 between four to 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, do not have a quoted market price in an active market and there are no future plans to sell these investments in the County Council's group companies. The fair value of these investments is, in effect, their historic cost.

Other long term investments, in the form of simple deposits with banks / building societies, are valued at amortised cost using the effective interest rate method, in accordance with IFRS 9.

9. Accruals of Income and Expenditure and Revenue Recognition

The 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 2021.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation.

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.

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.

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, the accounting standard on Financial Instruments, IFRS 9 covers 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 Assets

There are three main classes of financial assets held by the County Council which are measured at:

- Amortised cost
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The County Council largely holds investments to collect contractual cashflows i.e. payments of interest and principal. Most of the County Councils financial assets are therefore classified as amortised cost, except for those that are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the County Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the County Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The County Councils current investments that fall under FVPL are in property funds and are measured at market price, as quoted market prices exist for this type of investment. As these gains or losses impact on the General Fund balance, a statutory override has been agreed with the MHCLG, so any loss or gain is reversed and recorded in the Financial Instruments Revaluation Reserve, unless funded from capital in which case through the Capital Adjustments Account. Any gain or loss will only be realised when the investments are sold.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The County Council will assess each investment that falls in to this category on an individual basis and assign an IFRS 9 category (amortised cost, FVPL or FVOCI). The assessment will be based on the underlying purpose for holding the financial instrument.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

The County Council has equity instruments designated at FVOCI which are its investments in non-consolidated subsidiaries and joint ventures. The Council has made an irrevocable election to designate these equity instruments as FVOCI on the basis that these are held for non-contractual benefits, not held exclusively for trading but for strategic purposes. These assets were transferred to the new category on 1 April 2018. The fair value of these long term investments is based on the principle that they are not available-for-sale, do not have a quoted market price in an active market and there are no future plans to sell these investments in the County Councils group companies. The fair value of these investments is, in effect, their historic cost. Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the County Council. If there is a change in fair value, this is posted to Other Comprehensive Income and Expenditure and is balanced by an entry in the Financial Instruments Revaluation Reserve. When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the County Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value

and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the borrowings that the County Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement. Gains and losses (discounts and premiums) on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES. 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 CIES 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.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate. Please note that this situation has not occurred and is not reflected in the current Statement of Accounts and is unlikely to occur in the future.

Expected Credit Loss Model

The County Council recognises expected credit losses on all of its financial assets held at amortised cost, where material.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower or investee could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Soft Loans

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 Revaluation Reserve 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 Statement 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 34 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, Financial Instruments revaluation Reserve, DSG Adjustment Account 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 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 2021 for the 2020/21 Statement of Accounts, the Actuary assumed a discount rate of -0.6% real (2.10% 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 2019/20 Statement of Accounts, the Actuary advised that a rate of 0.3% real (2.3% 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. The value of funds administered as at 31st March 2021 was £194k (£188k as at 31st March 2020).

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 differences 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 2020/21, 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 2020/21.

23. Cash and Cash Equivalents

Cash Equivalents are short term investments that are of a highly liquid nature. The County Council has deemed that deposits 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 County 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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2020/21

Year to 31st March 2020				Year to 31st March 2021		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
478,723	(362,836)	115,887	Children and Young Peoples Service	468,366	(356,191)	112,175
143,631	(63,103)	80,528	Business and Environmental Services	161,005	(65,163)	95,842
295,842	(118,736)	177,106	Health and Adult Services	317,608	(140,405)	177,203
78,167	(11,726)	66,441	Central Services	92,349	(12,430)	79,919
2,494	(21,694)	(19,200)	Corporate Miscellaneous	3,192	(36,779)	(33,587)
<u>998,857</u>	<u>(578,095)</u>	<u>420,762</u>	Cost of Services	<u>1,042,520</u>	<u>(610,968)</u>	<u>431,552</u>
			Other Operating Expenditure			
		59,874	Loss on Disposal of Property, Plant and Equipment (note 20)			38,626
		0	Impairment of Assets Held for Sale (note 27)			0
		681	Precepts of Local Precepting Authorities			703
		<u>60,555</u>				<u>39,329</u>
			Financing and Investment Income and Expenditure			
		28,749	Interest payable and similar charges (note 39b)			27,376
		(3,960)	Interest receivable and similar income			(2,912)
		267	Financial Instruments (note 35f)			41
		(5,095)	Investment Properties; revaluation and impairment (note 25)			2,766
		156	(Surplus)/Deficit of trading activities (note 6)			163
		9,981	Net interest on the net defined pension benefit liability / (asset) (note 10)			9,430
		<u>30,098</u>				<u>36,864</u>
			Taxation and Non-Specific Grant Income (Analysis)			
		(306,844)	Council Tax Income (note 7)			(320,100)
		(78,078)	Non-Domestic Rates Income (note 8)			(78,061)
		(23,168)	Non-Ringfenced Government Grants (note 9)			(35,958)
		(56,021)	Capital Grants (note 9)			(115,251)
		<u>(464,111)</u>	Taxation and Non-Specific Grant Income			<u>(549,370)</u>
		<u>47,304</u>	(Surplus) or Deficit on Provision of Services			<u>(41,625)</u>

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)

Year to 31st March 2020			Year to 31st March 2021		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
		47,304			(41,625)
		(62,790)			(2,140)
		10,204			5,859
		(42,037)			28,946
		<u>(94,623)</u>			<u>32,665</u>
		<u>(47,319)</u>			<u>(8,960)</u>

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This statement shows the accounting 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

MOVEMENT IN RESERVES STATEMENT

	General Working Balance £000 (note 34)	Earmarked Reserves £000 (note 34)	Capital Receipts Unapplied Reserve £000 (note 34)	Capital Grants Reserve £000 (note 34)	Total Usable Reserves £000 (note 34)	Total Unusable Reserves £000 (note 35)	Total Authority Reserves £000
Movement in Reserves during 2020/21							
Balance at 31st March 2020	(27,640)	(195,064)	(3,815)	(22,873)	(249,392)	(853,804)	(1,103,196)
Reporting of Schools Budget Deficit to new DSG Adjustment Account at 31 March 2020	0	(1,542)	0	0	(1,542)	1,542	0
Restated Balance 31 March 2020	(27,640)	(196,606)	(3,815)	(22,873)	(250,934)	(852,262)	(1,103,196)
Total Comprehensive Expenditure and Income	(41,625)	0	0	0	(41,625)	32,665	(8,960)
Adjustments between accounting basis and funding basis under regulations	(9,399)	0	(247)	(39,080)	(48,726)	48,726	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(51,024)	0	(247)	(39,080)	(90,351)	81,391	(8,960)
Transfers (to) / from Earmarked Reserves	50,796	(50,796)	0	0	0	0	0
(Increase) / Decrease in Year	(228)	(50,796)	(247)	(39,080)	(90,351)	81,391	(8,960)
Balance at 31st March 2021	(27,868)	(247,402)	(4,062)	(61,953)	(341,285)	(770,871)	(1,112,156)

This statement shows the movement from the start of the year to the end on the different reserves held by the County Council, analysed into 'Usable Reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. The Movement in Reserves Statement shows how the movements in year of the County Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The net increase / decrease line shows the statutory General Fund balance movement in the year following those adjustments.

MOVEMENT IN RESERVES STATEMENT (continued)

	General Working Balance £000 (note 34)	Earmarked Reserves £000 (note 34)	Capital Receipts Unapplied Reserve £000 (note 34)	Capital Grants Reserve £000 (note 34)	Total Usable Reserves £000 (note 34)	Total Unusable Reserves £000 (note 35)	Total Authority Reserves £000
Movement in Reserves during 2019/20							
Balance at 31st March 2019	(27,231)	(184,200)	(3,276)	(19,284)	(233,991)	(821,886)	(1,055,877)
Comprehensive Expenditure and Income	47,304	0	0	0	47,304	(94,623)	(47,319)
Adjustments between accounting basis and funding basis under regulations	(58,577)	0	(539)	(3,589)	(62,705)	62,705	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(11,273)	0	(539)	(3,589)	(15,401)	(31,918)	(47,319)
Transfers (to) / from Earmarked Reserves	10,864	(10,864)	0	0	0	0	0
(Increase) / Decrease in Year	(409)	(10,864)	(539)	(3,589)	(15,401)	(31,918)	(47,319)
Balance at 31st March 2020	(27,640)	(195,064)	(3,815)	(22,873)	(249,392)	(853,804)	(1,103,196)

BALANCE SHEET AS AT 31ST MARCH 2021

31st March 2020 £000		31st March 2021 £000
1,665,551	Property, Plant and Equipment (note 18)	1,631,979
53,022	Investment Property (note 25)	49,419
5,932	Intangible Assets (note 24)	5,298
19,777	Long Term Investments (note 29)	10,099
15,556	Long Term Debtors (note 30)	17,872
1,759,838	Long Term Assets	1,714,667
366,976	Short Term Investments (note 39a)	421,275
1,957	Inventories	2,390
106,261	Short Term Debtors (note 31)	135,738
98,007	Cash and Cash Equivalents (note 28)	61,799
170	Assets held for sale (note 27)	170
573,371	Current Assets	621,372
(269,745)	Short Term Borrowing (note 39a)	(213,622)
(95,820)	Short Term Creditors (note 32)	(111,467)
(3,503)	PF/PPP Liability repayable within 12 months (note 12)	(3,948)
(12)	Finance Lease repayable within 12 months (note 13)	(13)
(2,316)	Provisions to be used within 12 months (note 33)	(2,877)
(21,237)	Capital Grant Receipts in Advance (note 9)	(9,201)
(392,633)	Current Liabilities	(341,128)
(2,642)	Long Term Creditors (note 23)	(1,731)
(150,584)	PF/PPP Liability repayable in excess of 12 months (note 12)	(146,635)
(1,036)	Finance Lease repayable in excess of 12 months (note 13)	(1,023)
(10,916)	Provisions to be used in excess of 12 months (note 33)	(13,197)
(433,171)	Pensions Liability (note 10)	(496,989)
(220,968)	Long Term Borrowing (note 39a and 39d)	(221,839)
(18,063)	Capital Grant Receipts in Advance (note 9)	(1,341)
(837,380)	Long Term Liabilities	(882,755)
1,103,196	Net Assets	1,112,156

BALANCE SHEET AS AT 31ST MARCH 2021 (continued)

31st March 2020 £000		31st March 2021 £000
Usable Reserves		
27,640	General Working Balance (note 34a)	27,868
195,064	Earmarked Reserves (note 34b)	247,402
3,815	Capital Receipts Unapplied Reserve (note 34c)	4,062
22,873	Capital Grant Unapplied Reserve (note 34d)	61,953
249,392	Total Usable Reserves	341,285
Unusable Reserves		
409,826	Revaluation Reserve (note 35a)	368,953
3,986	Collection Fund Adjustment Account (note 35b)	9,981
0	DSG Adjustment Account (note 35g)	(1,980)
0	Financial Instruments Adjustment Account	0
(308)	Financial Instruments Revaluation Reserve (note 35f)	(349)
(7,718)	Accumulated Absences Account (note 35c)	(7,450)
(433,171)	Pension Reserve (note 35d)	(496,989)
881,189	Capital Adjustment Account (note 35e)	898,705
853,804	Total Unusable Reserves	770,871
1,103,196	Total Reserves	1,112,156

The Balance Sheet shows the value as at the Balance Sheet date of the Assets and Liabilities recognised by the County Council. The net Assets of the County Council (Assets less Liabilities) are matched by the Reserves held by the County Council.

Reserves are reported in two categories. The first category of Reserves are Usable Reserves, ie those 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 (for example the Capital Receipts Reserve that may only be used to fund Capital Expenditure or repay debt). The second category of Reserves are those that the County Council is not able to use to provide services. This category of Reserves includes Reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the Assets are sold, and Reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

CASH FLOW STATEMENT – YEAR ENDED 31ST MARCH 2021

31st March 2020 £000		31st March 2021 £000
(47,304)	Net Surplus / (Deficit) on the Provision of Services - See Comprehensive Income and Expenditure Statement	41,625
	Adjust net surplus / (deficit) on the provision of services for non cash movements	
57,874	Depreciation / Amortisation (note 34a)	63,026
5,894	Impairment and revaluations charged to the provision of services (note 34a)	15,438
10,121	Movement in Creditors (Decrease)/increase	4,368
(10,089)	Movement in Debtors Decrease/(increase)	(27,575)
198	Movement in Inventories Decrease/(increase)	(433)
(2,690)	Movement in Provisions (Decrease)/increase (note 33)	2,842
36,301	Pensions Liability	34,872
62,855	Carrying Amount of Non-current Assets sold (note 34a)	44,524
160,464		137,062
	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	
(56,021)	Grants received for investment purposes (note 9)	(115,251)
(1,652)	Proceeds from the sale of property and other assets	(2,480)
(57,673)		(117,731)
55,487	Net cash flows from Operating Activities	60,956

CASH FLOW STATEMENT (continued)

31st March 2020 £000		31st March 2021 £000
55,487	Net cash flows from Operating Activities	60,956
	Investing Activities	
(79,485)	Purchase of Property, Plant and Equipment and Intangible Assets	(85,504)
(954,080)	Purchase of Short Term and Long Term investments	(1,089,050)
1,652	Proceeds from the Sale of Property (and other Assets)	2,480
989,685	Proceeds from Short Term and Long Term Investments	1,044,429
56,024	Other receipts for investing activities	92,642
13,796	Net cash flows from / (for) Investing Activities	(35,003)
	Financing Activities	
0	Cash receipts of Short and Long Term Borrowing	0
(1,328)	Other receipts from Financing Activities	(3,393)
(3,012)	Repayment of the outstanding liability of Finance Lease and similar arrangements (notes 12 and 13)	(3,516)
(25,966)	Repayment of Short and Long Term Borrowing	(54,785)
(80)	Other payments for Financing Activities	(467)
(30,386)	Net cash flows (from) / for Financing Activities	(62,161)
38,897	Net (Decrease) / Increase in Cash and Cash Equivalents	(36,208)
59,110	Cash and Cash Equivalents at the beginning of the reporting period	98,007
98,007	Cash and Cash Equivalents at the end of the reporting period	61,799
38,897		(36,208)

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 from the recipients of 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 Capital (ie borrowing) to the County Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustments

There have been no prior period adjustments.

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

CIPFA continue to consider the implications of adopting IFRS16 – Leases. This standard was originally expected to be adopted in the Statements of Accounts for 2020/2021 but this has been deferred as a result of measures to address the demands placed on local authorities supporting the nation's response to the Covid-19 pandemic. It will not be adopted until 2022/23.

Other standards that have been issued but not yet adopted by the CIPFA Code of Practice include:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Any impact on the Statement of Accounts will be assessed at the time of adoption by the CIPFA Code of Practice, but based on our initial assessment we do not expect any of the changes to be material.

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 (sensitivity analysis relating to changes to specific critical judgements are included where appropriate) :-

- 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. In 2019/20 funding from Central Government (Dedicated Schools Grant, Other Specific Grants, Uniform Business Rates proceeds and Capital Grants) totalled £615.8million. A change in this funding of 1% is equivalent to £6.16m;
- the County Council, via its external valuer, has conducted an impairment review on land and property assets not being revalued in 2020/21, as set out in Disclosure Note 19 – Valuation of Non-Current Assets. As a result of this impairment review, it has been concluded no material impairment has occurred. If any material impairment had occurred, a 1% decrease in asset values would reduce the closing NBV on the County Council's balance sheet by £16.3m.
- 15 schools transferred to Academy Status in 2020/21. 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. The value of the County Council's balance sheet would have been £40.7m higher if the 15 schools had not been removed. Further schools may transfer to Academy Status in 2021/22;
- 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 voluntary aided and voluntary controlled schools had a combined NBV of £239m. Although the current value of these schools is not known this valuation provides an indication of the additional value that would have been recorded on the County Council's balance sheet if the schools had not been removed;

- 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. Sensitivity analysis relating to judgements on pension liabilities is included in disclosure note 4 – 'Assumptions Made about the Future and Other Major Sources of Uncertainty';
- 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. A 1% increase in the value of these investments would equate to £45.2k;
- 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. A 1% increase in the County Council's Bad Debt Provision would equate to £124k;
- 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 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 Code and an element of judgement is required to make the assessment in line with best practice. As per disclosure note 13 – Leases, the County Council currently has commitments to make payments under operating leases in future years of £6.2m. If 1% of the value of these commitments had been classified as finance leases, the combined total of current and long term liabilities on the County Council's Balance Sheet would increase by £0.1k.

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 £497m would occur if alternative assumptions were to be applied:-

- a +0.1%pa increase in the discount rate to be applied would reduce the pension deficit by £45.3m;
- a +0.1%pa increase in pension payments inflation would increase the deficit by £43.0m;
- a +0.1%pa pay growth would increase the deficit by £4.5m; and
- an additional 1 year increase in life expectancy would increase the deficit by £83.7m.

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.

Sensitivity analysis around Asset Valuations has identified the following changes to the closing NBVs of the various asset classes would occur if alternative assumptions were to be applied:-

- a 1% increase on assets would be £20.9m.

5. Expenditure and Funding Analysis 2020/21

	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 Statement £000
Children and Young People's Service	80,847	(10,235)	70,612	41,563	112,175
Business and Environmental Services	73,166	3,249	76,415	19,427	95,842
Health and Adult Services	172,285	(3,814)	168,471	8,732	177,203
Central Services	70,291	2,342	72,633	7,286	79,919
Corporate Miscellaneous	(12,268)	(30,769)	(43,037)	9,450	(33,587)
North Yorkshire Education Services (NYES)	0	388	388	(388)	0
Net Cost of Services	384,321	(38,839)	345,482	86,070	431,552
Other Operating Income and Expenditure	0	0	0	39,329	39,329
Financing and Investment Income & Expenditure	0	0	0	36,864	36,864
Taxation and non specific income and Expenditure	(393,409)	(3,097)	(396,506)	(152,864)	(549,370)
(Surplus) or Deficit	(9,088)	(41,936)	(51,024)	9,399	(41,625)
Opening General Fund Balance			(224,246)		
Less/Plus (Surplus) or Deficit on General Fund in Year			(51,024)		
Closing General Fund Balance at 31st March 2021			(275,270)		
General Working Balance			(27,868)		
Earmarked Reserves			(247,402)		
			(275,270)		

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.

Comparative Expenditure and Funding Analysis 2019/20

	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 Statement £000
Children and Young People's Service	78,829	(253)	78,576	37,311	115,887
Business and Environmental Services	75,029	9,883	84,912	(4,384)	80,528
Health and Adult Services	158,295	10,876	169,171	7,935	177,106
Central Services	62,193	2,246	64,439	2,002	66,441
Corporate Miscellaneous	6,429	(31,055)	(24,626)	5,426	(19,200)
North Yorkshire Education Services (NYES) (formerly SmartSolutions)	0	1,088	1,088	(1,088)	0
Net Cost of Services	380,775	(7,215)	373,560	47,202	420,762
Other Operating Income and Expenditure	0	0	0	60,555	60,555
Financing and Investment Income & Expenditure	0	0	0	30,098	30,098
Taxation and non specific income and Expenditure	(387,354)	2,521	(384,833)	(79,278)	(464,111)
(Surplus) or Deficit	(6,579)	(4,694)	(11,273)	58,577	47,304
Opening General Fund Balance			(211,431)		
Less/Plus (Surplus) or Deficit on General Fund in Year			(11,273)		
Closing General Fund Balance at 31st March 2020			(222,704)		
General Working Balance			(27,640)		
Earmarked Reserves			(195,064)		
			(222,704)		

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Children and Young People's Service	29,589	8,816	3,158	41,563
Business and Environmental Services	39,748	2,205	(22,526)	19,427
Health and Adult Services	3,017	5,698	17	8,732
Central Services	7,331	5,428	(5,473)	7,286
Corporate Miscellaneous	0	1,176	8,274	9,450
NYES	0	2,119	(2,507)	(388)
Net Cost of Services	79,685	25,442	(19,057)	86,070
Other Operating Income and Expenditure	38,626	0	703	39,329
Financing and Investment Income and Expenditure	0	9,430	27,434	36,864
Taxation and non specific income and Expenditure	0	0	(152,864)	(152,864)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	118,311	34,872	(143,784)	9,399

Comparative Movements in 2019/20

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts				
Children and Young People's Service	29,684	5,713	1,914	37,311
Business and Environmental Services	31,974	1,471	(37,829)	(4,384)
Health and Adult Services	4,045	3,837	53	7,935
Central Services	(1,951)	3,651	302	2,002
Corporate Miscellaneous	34	1,666	3,726	5,426
NYES	0	1,583	(2,671)	(1,088)
Net Cost of Services	63,786	17,921	(34,505)	47,202
Other Operating Income and Expenditure	59,874	0	681	60,555
Financing and Investment Income and Expenditure	0	9,981	20,117	30,098
Taxation and non specific income and Expenditure	0	0	(79,278)	(79,278)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	123,660	27,902	(92,985)	58,577

Segmental Income

Income received on a segmental basis is analysed below:-

Services	2020/21 £000	2019/20 £000
Children and Young People's Service	(344,105)	(351,966)
Business and Environmental Services	(61,637)	(68,982)
Health and Adult Services	(146,232)	(120,695)
Central Services	(24,414)	(22,859)
Corporate Miscellaneous	(76,899)	(55,379)
NYES	(37,932)	(46,330)
Total income analysed on a segmental basis	<u>(691,219)</u>	<u>(666,211)</u>

Expenditure and Income Analysed by Nature

	2020/21 £000	2019/20 £000
Expenditure		
Employee benefits expenses	442,120	435,353
Other services expenses	507,991	490,836
Depreciation, Amortisation, Impairment	108,179	81,330
Interest payments	28,771	31,417
Precepts and levies	703	681
Loss on the disposal of assets	38,626	59,874
Total expenditure	<u>1,126,390</u>	<u>1,099,491</u>
Income		
Fees, charges and other service income	(149,431)	(177,407)
Interest and investment income	(4,270)	(6,628)
Income from council tax, non domestic rates income	(398,161)	(384,922)
Government grants and contributions	(615,821)	(482,862)
Investment Properties	(332)	(368)
Total income	<u>(1,168,015)</u>	<u>(1,052,187)</u>
 (Surplus) or Deficit on the Provision of Services	 <u>(41,625)</u>	 <u>47,304</u>

Fees, charges and other service income includes £76.7m (2019/20 £86.0m) which relates to revenue from contracts with service recipients.

Cash Flow – Operating Activities

The cash flows for operating activities, included in the above Interest payments and Income and investment Income are:-

	2020/21 £000	2019/20 £000
Interest received	(1,901)	(3,259)
Interest paid	27,376	28,749
dividends received	(1,011)	(701)
Total	<u>24,464</u>	<u>24,789</u>

6. Trading Activities

The County Council operates a number of trading services. Details of those services with a turnover of greater than £2m are as follows:-

Service	2020/21				2019/20			
	Total Cost £000	Total Income £000	Transfer to / from Reserves £000	Net Surplus / (Deficit) £000	Total Cost £000	Total Income £000	Transfer to / from Reserves £000	Net Surplus / (Deficit) £000
Building Cleaning Services	7,485	8,006	(521)	0	8,039	8,519	(480)	0
County Caterers Service	11,557	10,456	1,101	0	17,352	17,025	327	0
Maintenance and Servicing Scheme	3,576	3,743	(167)	0	2,665	3,397	(732)	0
Schools ICT Service	4,835	4,769	66	0	4,727	4,985	(258)	0
Staff Absence Scheme	3,524	3,524	0	0	3,474	3,333	141	0
Other Services (< £2 Million individually)	8,224	9,364	(1,140)	0	12,795	11,142	1,653	0
Total Results for Trading Units	<u>39,201</u>	<u>39,862</u>	<u>(661)</u>	<u>0</u>	<u>49,052</u>	<u>48,401</u>	<u>651</u>	<u>0</u>

During 2020/21, the Council's traded services, including insurance offered to schools, operated under the brand of North Yorkshire Education Service (NYES). 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 net surplus / deficit on each traded activity is transferred to a reserve at the end of each financial year.

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 County Council's activities e.g. Cleaning. Where the trading activities are not integral to the County 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 2021 £000	31st March 2020 £000
Net (surplus)/ deficit included within Cost of Services	(824)	495
Net (surplus) / deficit credited to Financing and Investment Income and Expenditure	163	156
Net (surplus) / deficit on trading operations	<u>(661)</u>	<u>651</u>

7. Council Tax Income

Council Tax Income totalled £320.1m (£306.8m in 2019/20) consisting of:-

	2020/21 £000	2019/20 £000
Precept Income for year	321,725	305,853
Collection Fund surplus from previous years	1,847	1,219
Collection Fund Adjustment	<u>(3,472)</u>	<u>(228)</u>
	<u>320,100</u>	<u>306,844</u>

The precept income from Council Tax is equivalent to a basic amount of £1,363.47 for an average band D property (£1,311.16 in 2019/20).

8. Non-Domestic Rates

	2020/21 £000	2019/20 £000
Non-Domestic Rating Income for year from Districts	20,262	44,324
Collection Fund surplus/(deficit) from previous years	289	(426)
Business Rates Retention Scheme funding from Government	48,043	33,863
Collection Fund Adjustment	<u>9,467</u>	<u>317</u>
	<u>78,061</u>	<u>78,078</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	2020/21		2019/20	
	£000	£000	£000	£000
Other Government Funding				
- Covid-19 LA Support Grant	16,661		15,229	
- Rural Services Delivery Grant	8,285		0	
- Business Rates Reliefs	6,258		5,004	
- New Homes Bonus	2,030		1,794	
- Income Guarantee Scheme	2,020		0	
- Private Finance Initiative	704		704	
- Local Services Support	0		437	
		<u>35,958</u>		<u>23,168</u>
Total		<u>35,958</u>		<u>23,168</u>

Capital Grants	2020/21	2019/20
	£000	£000
Local Transport Plan	34,083	35,008
Pothole Grant	25,709	0
Other Capital Grants / Contributions	25,185	10,236
School Condition Grant	11,947	7,454
Safer Roads Fund	10,899	0
Getting Building Fund Grant	7,061	0
S106 Developer Contributions	367	0
Local Growth Deal Grant	<u>0</u>	<u>3,323</u>
Total	<u>115,251</u>	<u>56,021</u>

Revenue Grants Credited to Services	2020/21 £000	2019/20 £000
Dedicated Schools Grant	275,907	277,138
Public Health	22,107	21,182
Covid-19 CCG Hospital Discharges	22,130	0
Education Funding Agency	21,145	12,932
Improved Better Care Fund Phase 1	13,403	10,979
Adult Social Care Support Grant	13,048	4,140
Pupil Premium	10,046	11,140
Teachers Pay Grant	4,411	7,284
Universal Infant Free School Meals	4,166	4,552
Covid-19 Test & Trace/Contain Outbreak Management Fund	4,220	0
Physical Education & School Sport	3,814	4,060
Covid-19 Sales Fees & Charges	3,663	0
Covid-19 Furlough Scheme	3,542	0
Additional Better Care Fund	3,416	3,416
Covid-19 Infection Control	3,400	0
Scarborough Opportunities Area	1,359	1,177
Partners in Practice Grant	1,118	2,367
Strengthening Families Protecting Children	745	2,646
Disabled Facilities Grant	0	4,508
Winter Pressures Grant	0	2,424
Skills Funding Agency	0	208
Other Grants	24,477	15,397
Total	436,117	385,550

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 2021 £000	31st March 2020 £000
To be used within 1 year		
Earmarked S106	6,661	1,717
Public Sector Decarbonisation Grant	1,931	0
Private Contributions (Highways Schemes)	605	0
Other	4	83
Local Growth Fund Grant	0	9,758
Basic Need Grant	0	4,112
Bridges - Flood Grant 2019	0	2,477
Junction 47 - LGF Grant	0	2,470
National Productivity Investment Fund Grant	0	620
Total	9,201	21,237
To be used in excess of 1 year - none to record.		
Schools Devolved Capital Grant	1,341	1,602
Safer Roads Grant	0	7,927
Private Contributions	0	3,839
National Productivity Investment Fund	0	2,234
Local Growth Fund	0	1,787
Highways England Grant	0	534
Other	0	140
Total	1,341	18,063

Capital Grants Credited to Services

	31st March 2021 £000	31st March 2020 £000
Local Growth Fund	17,362	9,832
Basic Need Grant	6,492	2,704
School Condition Grant	2,380	2,697
Devolved Formula Capital Grant	1,645	2,088
Other	615	223
Total	<u>28,494</u>	<u>17,544</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 this note.

- 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 2020/21 were £70k (2019/20 £75k).

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 2020/21:-

	Local Government Pension Scheme		Teachers' Pension Scheme		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Net Cost of Service						
Current Service Cost	72,073	71,853	0	0	72,073	71,853
Past Service Cost (including curtailments)	172	698	0	0	172	698
Settlement Costs	0	0	0	0	0	0
Financing and Investment Income and Expenditure						
Net Interest Expense	9,201	9,700	229	281	9,430	9,981
Total post employment Benefits charged to the (Surplus) / Deficit on the Provision of Services	81,446	82,251	229	281	81,675	82,532
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability	28,797	(41,097)	149	(940)	28,946	(42,037)
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	110,243	41,154	378	(659)	110,621	40,495
Movement in Reserves Statement						
Reversal of Net Charge to the (Surplus) / Deficit on Provision of Services	(81,446)	(82,251)	(229)	(281)	(81,675)	(82,532)
Actual amount charged against the General Fund Balance in the Year						
Employers' contributions payable to scheme	45,716	53,484	0	0	45,716	53,484
Retirement benefits payable to pensioners	0	0	1,087	1,146	1,087	1,146
					46,803	54,630

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 £28,620k higher than the amount charged against the General Fund. This is as a result of the following:

- the County Councils contributions of £45,716k to the Local Government Pension Scheme being replaced with a current service cost of £72,073k. This (£26,357k) adjustment equates to a 57.6% increase in employer's 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 (£1,087k) is removed from the net cost of services as it relates to periods of service prior to 2020/21;
- a past service cost including curtailments and settlements of £172k relating to decisions taken in previous financial years; and
- administration expenses of £1,004k.

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	
	2020/21	2019/20	2020/21	2019/20
	£m	£m	£m	£m
Opening balance at 1st April	(1,821.5)	(1,827.0)	(10.5)	(12.3)
Current Service Cost	(72.1)	(71.9)	0.0	0.0
Interest Cost	(41.5)	(43.4)	(0.2)	(0.3)
Contributions by scheme participants	(12.3)	(12.0)	0.0	0.0
Remeasurement liabilities	(366.9)	23.2	(0.1)	0.2
Demographic Assumptions (Gain)/Loss	0.0	61.4	0.0	0.7
Benefits Paid	51.2	48.9	1.0	1.2
Settlements / Curtailments	(0.2)	(0.7)	0.0	0.0
Closing Balance at 31st March	<u>(2,263.3)</u>	<u>(1,821.5)</u>	<u>(9.8)</u>	<u>(10.5)</u>

Reconciliation of the fair value of the scheme assets

	Funded Liabilities		Unfunded Liabilities	
	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2019/20	2020/21	2019/20
	£m	£m	£m	£m
Opening balance at 1st April	1,398.8	1,400.4	0.0	0.0
Interest on Plan Assets	32.3	33.7	0.0	0.0
Remeasurement assets	338.1	(43.6)	0.0	0.0
Employer Contributions	45.7	45.1	1.1	1.1
Contributions by scheme participants	12.3	12.0	0.0	0.0
Settlements	0.0	0.0	0.0	0.0
Benefits Paid	(51.1)	(48.8)	(1.1)	(1.1)
Closing Balance at 31st March	<u>1,776.1</u>	<u>1,398.8</u>	<u>0.0</u>	<u>0.0</u>

The actual return on the scheme assets in the year was £370.4m (2019/20 £9.9m).

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 £497m 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 2021 %	31st March 2020 %
Rate of CPI inflation	2.7	2.0
Rate of increase in salaries	4.0	3.3
Rate of increase in pensions	2.7	2.0
Rate for discounting schemes liabilities	2.1	2.3
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	23.6	23.5
- Female future pensioner aged 65 in 20 years time	25.8	25.7
- Male current Pensioner aged 65	21.9	21.8
- Female current Pensioner aged 65	24.0	23.9

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 £1,776.1m at 31st March 2021 (£1,398.8m at 31st March 2020). 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 2021 %	31st March 2020 %
Equity investments	57.8	58.5
Government Bonds	16.2	19.1
Corporate Bonds / Other Bonds	2.1	0.0
Property	6.1	7.3
Other	14.5	11.0
Cash / Liquidity Assets	3.3	4.1
	<u>100.0</u>	<u>100.0</u>

Surplus / (Deficit) in the Scheme

	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m
Present Value of defined benefit obligations	(2,273.1)	(1,832.0)	(1,839.3)	(1,730.5)	(1,622.7)
Fair Value of Scheme Assets	1,776.1	1,398.8	1,400.4	1,278.2	1,158.8
Deficit in the Scheme	<u>(497.0)</u>	<u>(433.2)</u>	<u>(438.9)</u>	<u>(452.3)</u>	<u>(463.9)</u>

Actuarial Gains and Losses

The actuarial gains / (losses) identified as movements on the Pensions Reserve in 2020/21 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2021:-

	2020/21		2019/20		2018/19		2017/18		2016/17	
	£m	%	£m	%	£m	%	£m	%	£m	%
Experience adjustments on scheme assets	338.1	19.0	(43.6)	(3.1)	78.1	5.6	61.7	4.8	183.9	15.9
Experience adjustments on scheme liabilities	(21.8)	(1.0)	13.9	0.8	2.8	0.2	8.8	0.5	(129.5)	(8.0)
	<u>316.3</u>		<u>(29.7)</u>		<u>80.9</u>		<u>70.5</u>		<u>54.4</u>	

Further details are contained in the Statement by Consulting Actuary, copies of which are available on request from Central Services, County Hall, Northallerton, DL7 8AD.

The estimated amount of contributions expected to be paid to the Scheme during the 2021/22 financial year is £48.3m.

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by Capita. 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 2020/21 the County Council paid £24.6m to the Teachers' Pension Agency as a contribution towards teachers' pension costs, which represents 23.6% of teachers' pensionable pay. The figures for 2019/20 were £22.3m and 23.6% from September 2019 (16.4% between April and August 2019).

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 2020/21 the County Council incurred the following fees relating to external audit:-

	2020/21	2019/20
	£000	£000
Fees payable to the External Auditor with regard to :-		
External audit service carried out by appointed auditor	73	73
Certification of grant claims and returns	4	4
Other Services (rebate from Public Sector Audit Appointments)	0	(9)
	77	68

12. Private Finance Initiative (Service Concessions)/Public Private Partnership

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 Barby CPS.

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

In March 2018, the County Council commenced payments on a Public Private Partnership project in conjunction with York City Council, for a Waste treatment plant provided by Amey CESP, AWPR Ltd. The payments made by North Yorkshire County Council represent 79% of the scheme, with 21% attributable to York City Council. The contract is for 25 years.

During the term of the contract, the provider is required to make facilities available in line with the agreement with approved variations adjusted through the payment mechanism where appropriate.

Upon expiry the facility will be handed to the County Council in good working order. The associated asset has been recognised within Property, Plant & Equipment within the accounts, along with liabilities due over the term of the contract.

Value of PFI/PPP Assets

	2020/21			2019/20		
	Schools £000	Waste £000	Total £000	Schools £000	Waste £000	Total £000
Opening Balance	5,087	147,020	152,107	5,205	152,271	157,476
Depreciation	(214)	(11,972)	(12,186)	(240)	(5,251)	(5,491)
Additions	0	0	0	0	0	0
Revaluations	(347)	30,667	30,320	122	0	122
Disposals	0	0	0	0	0	0
Closing Balance	<u>4,526</u>	<u>165,715</u>	<u>170,241</u>	<u>5,087</u>	<u>147,020</u>	<u>152,107</u>

Forming part of the above balance are the two voluntary controlled schools which have a net book value of £2,382k (£2,678k 2019/20). 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 those schools.

Value of PFI/PPP Liabilities

	2020/21			2019/20		
	Schools £000	Waste £000	Total £000	Schools £000	Waste £000	Total £000
Opening Balance	3,331	150,756	154,087	3,674	153,415	157,089
Payments/Repayment:	(374)	(3,129)	(3,503)	(343)	(2,659)	(3,002)
Additions	0	0	0	0	0	0
Closing Balance	<u>2,957</u>	<u>147,627</u>	<u>150,584</u>	<u>3,331</u>	<u>150,756</u>	<u>154,087</u>

Payments due to be made under PFI/PPP Contracts

	Repayment of leasing liability		Payment of Interest		Lifecycle Costs		Provisions of Services		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year										
Schools	408		267		0		469		1,144	
Waste	<u>3,540</u>	3,948	<u>15,657</u>	15,924	<u>68</u>	68	<u>10,323</u>	10,792	<u>29,588</u>	30,732
More than 1 year										
within 2-5 years										
Schools	1,930		665		111		1,869		4,575	
Waste	<u>13,771</u>	15,701	<u>58,944</u>	59,609	<u>4,151</u>	4,262	<u>45,727</u>	47,596	<u>122,593</u>	127,168
within 6-10 years										
Schools	619		56		0		469		1,144	
Waste	<u>17,758</u>	18,377	<u>65,093</u>	65,149	<u>17,322</u>	17,322	<u>64,980</u>	65,449	<u>165,153</u>	166,297
within 11-15 years										
Schools	0		0		0		0		0	
Waste	<u>35,968</u>	35,968	<u>52,899</u>	52,899	<u>12,198</u>	12,198	<u>73,857</u>	73,857	<u>174,922</u>	174,922
within 16-20 years										
Schools	0		0		0		0		0	
Waste	<u>59,578</u>	59,578	<u>27,631</u>	27,631	<u>15,685</u>	15,685	<u>84,121</u>	84,121	<u>187,015</u>	187,015
within 21-25 years										
Schools	0		0		0		0		0	
Waste	<u>17,011</u>	17,011	<u>1,360</u>	1,360	<u>610</u>	610	<u>32,829</u>	32,829	<u>51,810</u>	51,810
Total - More than 1 year										
Schools		2,549		721		111		2,338		5,719
Waste		<u>144,086</u>		<u>205,927</u>		<u>49,966</u>		<u>301,514</u>		<u>701,493</u>
		<u>146,635</u>		<u>206,648</u>		<u>50,077</u>		<u>303,852</u>		<u>707,212</u>

Payments due to be made under PFI/PPP Contracts - Comparative Movements in 2019/20

	Repayment of leasing liability		Payment of Interest		Lifecycle Costs		Provisions of Services		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Prior Year 2019/20										
Within 1 year										
Schools	374		301		0		469		1,144	
Waste	<u>3,129</u>	3,503	<u>16,004</u>	16,305	<u>1</u>	1	<u>10,123</u>	10,592	<u>29,257</u>	30,401
More than 1 year										
Schools	2,957		989		111		2,806		6,863	
Waste	<u>147,627</u>	150,584	<u>221,585</u>	222,574	<u>50,033</u>	50,144	<u>311,837</u>	314,643	<u>731,082</u>	737,945

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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 schools 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

The County Council has a number of arrangements that are considered to be finance leases. These leases are in relation to buildings, the rental payments under these arrangements in the year were £169k (£169k in 2019/20).

The County Council is committed to making minimum lease payments under these leases in future financial years comprising the settlement of the long term liability for the interest in the property and financing costs payable whilst the lease obligation remains outstanding.

Long Term Liability Lease Obligation	Finance Lease Liability	
	31st March 2021 £000	31st March 2020 £000
Within 1 year	13	12
Between 2 - 5 years	64	59
Later than 5 years	959	977
	<u>1,036</u>	<u>1,048</u>

The minimum lease payments set out in the agreements entered in to by the County Council include a further £2,203k (£2,296k in 2019/20) of finance costs over the remaining life of the lease. The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments	
	31st March 2021 £000	31st March 2020 £000
Within 1 year	105	105
Between 2 - 5 years	420	420
Later than 5 years	2,715	2,820
	<u>3,240</u>	<u>3,345</u>

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

Property	Finance Lease Liability	
	31st March 2021 £000	31st March 2020 £000
	<u>983</u>	<u>999</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 £901k (£1,051k in 2019/20) in respect of Land and Building leases and £1,912k for Vehicles, Plant and Equipment (£2,174k in 2019/20).

The County Council had commitments at the 31st March 2021 to make payments under operating leases in future financial years, comprising the following elements:-

	31st March 2021 £000	31st March 2020 £000
Within 1 year	2,176	2,863
Between 2 - 5 years	3,757	5,639
Later than 5 years	312	1,408
	<u>6,245</u>	<u>9,910</u>

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

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

Rental receipts for Land and Buildings received during the year amount to £1,175k (£762k in 2019/20).

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.

Members of the Council have direct control over the County Council's financial and operating policies. During 2020/21, funding of £902k was provided to three organisations in which one member had interests, £306k was provided to one organisation in which one member had interests and £24k was provided to one organisation in which another member had interests. £33k was also paid to one business for services provided to the County Council in which one member is a partner. 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 2020/21. However, it should be noted that the Corporate Director – Strategic Resources is Treasurer to the North Yorkshire Pension Fund; the Head of Finance – External Clients is Treasurer to the North York Moors National Park Authority; an Assistant Director – Strategic Resources is Treasurer to Selby District Council, and a director of Veritau North Yorkshire on behalf of Selby District Council; another Assistant Director – Strategic Resources is Treasurer to Ryedale District Council.

Companies and Joint Ventures

The County Council has a substantial interest in the following companies:-

- Align Property Partners Limited
 - Brierley Homes Limited
 - First North Law Limited
 - NY Highways
 - NYnet Limited
- owning 100% of the share capital
 - owning 100% of the share capital
 - owning 100% of the share capital
 - owning 100% of the share capital
 - owning 100% of the share capital

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

The transactions between the County Council and 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.

Align Property Partners Limited:

The total value of services provided by Align Property Partners Limited in 2020/21 to the County Council was £2,360k (£2,734k in 2019/20) and at 31st March 2021 the trading creditor balance was £185k (£236k in 2019/20).

The County Council provided services to Align Property Partners Limited totalling £332k (£319k in 2019/20) of which £231k was outstanding as at 31st March 2021 (£30k in 2019/20).

The County Council provided a loan facility to Align Property Partners Limited of up to £500k of which £Nil was taken up at 31st March 2021 (£Nil in 2019/20).

Brierley Homes Limited:

The total value of services provided by Brierley Homes Limited in 2020/21 to the County Council was £13.3k (£Nil in 2019/20). The County Council provided services to Brierley Homes Limited totalling £126.5k (£259k in 2019/20) of which £125.5k was outstanding as at 31st March 2021 (£27k as at 31st March 2020).

The County Council provided a loan facility to Brierley Homes Limited of up to £25m of which £7.9m was taken up as at 31st March 2021 (£4.5m as at 31st March 2020) and therefore £295k interest was paid to the County Council in 2020/21 (£202k in 2019/20).

First North Law Limited:

The total value of services provided by First North Law Limited in 2020/21 to the County Council was £1.8k (£44k in 2019/20) and at 31st March 2021 the trading creditor balance was £Nil (£0.4k in 2019/20). The County Council provided services to First North Law Limited totalling £21k (£31k in 2019/20) of which £15k was outstanding as at 31st March 2021 (£14k as at 31st March 2020).

The County Council provided a loan facility to First North Law Limited of up to £250k of which £90k was taken up as at 31st March 2021 (£85k in 2019/20) and therefore £4k interest was paid to the County Council in 2020/21 (£4k in 2019/20).

NYnet Limited:

The total value of services provided by NYnet Limited in 2020/21 to the County Council was £1,428k (£1,168k in 2019/20), and at 31st March 2021 the trading creditor balance was £Nil (£Nil in 2019/20).

The County Council provided services to NYnet Limited totalling £116k (£366k in 2019/20), of which £Nil was outstanding as at 31st March 2021 (£Nil in 2019/20).

The County Council provided a loan facility to NYnet Limited of up to £10m in 2020/21 (£10m in 19/20) of which the closing balance as at 31st March 2021 was £Nil (£Nil as at 31st March 2020). Interest accrued in year of £Nil (£262k in 19/20) on this loan and was outstanding as at 31st March 2021. The loan balance at 31st March 2020 was £Nil.

£13.7m due to the County Council from NYnet which relates to unspent funding is included in outstanding Debtors as at 31st March 2021 (£13.3k in 19/20).

NY Highways Limited:

NY Highways Limited were incorporated on 21st September 2019 and will commence operation delivery from 1st June 2021.

The County Council provided a loan facility to NY Highways Limited of up to £11.0m during 2020/21 of which £0.2m was taken up at 31st March 2021.

Veritau Limited:

The total value of services provided by Veritau Limited in 2020/21 to the County Council was £584k (£561k in 2019/20) and at 31st March 2021 the trading creditor balance was £4,716 (£Nil in 2019/20).

The County Council provided services to Veritau Limited totalling £38k (£41k in 2019/20) and at 31st March 2021, £Nil was outstanding (£Nil in 2019/20).

Yorwaste Limited:

The total value of services, including landfill tax provided by Yorwaste Limited in 2020/21 to the County Council was £25,895k (£27,888k in 2019/20) and as at 31st March 2021 the trading creditor balance was £1,722k (£3,345k in 2019/20).

The County Council provided services to Yorwaste Limited totalling £6,308k (£6,116k in 2019/20) of which £417k (£6,229k in 2019/20) was outstanding as at 31st March 2021.

The County Council provided a loan to Yorwaste Limited of £6,421k of which interest was received by the County Council of £266kk in 2020/21.

Yorwaste Limited paid the County Council a dividend of £1.0m in 2020/21 (£Nil in 2019/20).

Yorkshire Purchasing Organisation (YPO):

The County Council made payments to YPO in 2020/21 totalling £15.4m (£22.2m in 2019/20).

A dividend of £Nil (£620k in 2019/20) in relation to YPO's 2020 trading activities is reflected in the County Council's 2020/21 Accounts.

Other Related Party Transactions

The UK government exerts significant influence through legislation and grant funding. 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 £23.9m (£23.6m in 2019/20) and made payments totalling £1.5m (£1.4m in 2019/20).

The County Council provided the North Yorkshire Pension Fund administrative and support services totalling £1.6m in 2020/21 (£1.5m in 2019/20).

15. Pooled Funds

Under Section 75 of the Health Act 2006, 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.

The Improved Better Care Fund (IBCF) was first announced in the 2015 Spending Review and is paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan. The IBCF grant allocations were increased in the 2017 Spring Budget. According to the grant determination, the funding can be spent on three purposes:

- Meeting adult social care needs;
- Reducing pressures in the NHS, including supporting more people to be discharged from hospital when they are ready; and
- Ensuring that the local social care provider market is supported.

There is no requirement to spend across all three purposes, or to spend a set proportion on each. The table below shows committed funds against planned IBCF and BCF schemes. Any unspent but committed funds at the year-end have been held as a reserve.

	CCGs	NYCC	MHCLG	NY District Councils	Total 2020/21	Total 2019/20
	£000	£000	£000	£000	£000	£000
Contributions	63,500	0	21,934	0	85,434	60,907
Expenditure						
Schemes/Additional Costs	47,922	0	0	0	47,922	25,196
Protection of Social Care	12,388	3,190	0	0	15,578	14,384
Disabled Facilities Grant	0	0	0	5,115	5,115	4,508
Improve BCF Schemes	0	16,819	0	0	16,819	14,395
Winter Pressures Grant	0	0	0	0	0	2,424
Total Expenditure	60,310	20,009	0	5,115	85,434	60,907

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 (£)	2020/21			2019/20		
	Teachers	Other	Total	Teachers	Other	Total
50,000 - 54,999	114	61	175	106	57	163
55,000 - 59,999	79	41	120	83	25	108
60,000 - 64,999	63	21	84	49	40	89
65,000 - 69,999	35	28	63	35	11	46
70,000 - 74,999	16	12	28	14	1	15
75,000 - 79,999	11	2	13	8	5	13
80,000 - 84,999	7	6	13	3	4	7
85,000 - 89,999	5	6	11	4	7	11
90,000 - 94,999	2	7	9	6	6	12
95,000 - 99,999	2	4	6	0	1	1
100,000 - 104,999	1	3	4	0	2	2
105,000 - 109,999	0	0	0	1	3	4
110,000 - 114,999	1	2	3	0	1	1
115,000 - 119,999	0	0	0	0	0	0
120,000 - 124,999	0	0	0	0	0	0
125,000 - 129,999	0	0	0	0	3	3
130,000 - 134,999	0	0	0	0	1	1
135,000 - 139,999	0	2	2	0	0	0
140,000 - 144,999	0	1	1	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	0	0
170,000 - 174,999	0	0	0	0	0	0
175,000 - 179,999	0	0	0	0	1	1
180,000 - 184,999	0	1	1	0	0	0
	<u>336</u>	<u>197</u>	<u>533</u>	<u>309</u>	<u>168</u>	<u>477</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; and
- 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 2020/21 or 2019/20. Details of Members Allowances and Expenses are published annually on the 'Councillor Allowances' page of the NYCC website.

Role	2020/21				2019/20			
	Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total Remuneration	Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total Remuneration
Chief Executive (Richard Flinton)	184,365	0	28,302	212,667	179,431	0	27,544	206,975
Corporate Director of Children and Young People's Services	140,247	0	21,529	161,776	132,528	0	20,344	152,872
Corporate Director of Health and Adult Services	136,173	0	20,904	157,077	126,550	0	19,427	145,977
*Corporate Director of Business and Environmental Services	90,382	0	13,937	104,319	126,550	0	19,569	146,119
*Corporate Director of Business and Environmental Services	58,436	0	9,004	67,440	0	0	0	0
Corporate Director (Strategic Resources)	136,173	0	20,905	157,078	126,550	0	19,451	146,001
*Director of Public Health	100,324	0	13,633	113,957	113,951	0	16,460	130,411
*Director of Public Health	32,839		5,041	37,880	0	0	0	0
Assistant Chief Executive (Business Support)	113,374	0	17,404	130,778	108,500	0	16,656	125,156
Assistant Chief Executive (Legal and Democratic Services)	113,375	0	17,522	130,897	108,500	0	16,656	125,156
** Assistant Chief Executive (Customer Services)	22,557	0	3,406	25,963	21,953	0	3,666	25,619

* There was a change in post holder for Corporate Director Business and Environmental Services and Director of Public Health during 2020/21

** This post was created in partnership with Selby District Council from 28th October 2013. The post represents 20% of the partnership costs of an annual salary of £129,816 for NYCC.

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 employee’s 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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
							£000	£000
1-19,999	11	13	52	86	63	99	527	719
20,000-39,999	1	5	6	16	7	21	187	559
40,000-59,999	0	0	1	5	1	5	59	229
60,000-79,999	0	0	0	2	0	2	0	143
80,000-99,999	0	0	1	1	1	1	90	90
	<u>12</u>	<u>18</u>	<u>60</u>	<u>110</u>	<u>72</u>	<u>128</u>	<u>863</u>	<u>1,740</u>

18. Movement in Property, Plant and Equipment

Movements on Property, Plant and Equipment during the year 2020/21.

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
As at 1st April 2020	969,770	115,765	940,215	2,034	0	2,027,784
Additions	5,501	1,731	71,963	0	435	79,630
Disposals	(43,257)	0	(1,110)	(450)	0	(44,817)
Transfers	0	0	0	0	0	0
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	(1,409)	0	0	15	0	(1,394)
Recognised in Provision of Services	(39,571)	0	0	(5)	0	(39,576)
As at 31st March 2021	891,034	117,496	1,011,068	1,594	435	2,021,627
Depreciation and Impairments						
As at 1st April 2020	(35,979)	(108,963)	(217,228)	(63)	0	(362,233)
Charge for the Year	(33,184)	(2,342)	(26,816)	(35)	0	(62,377)
Disposals	0	0	1,110	0	0	1,110
Transfers	0	0	0	0	0	0
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	1,070	0	0	0	0	1,070
Recognised in Provision of Services	32,777	0	0	5	0	32,782
As at 31st March 2021	(35,316)	(111,305)	(242,934)	(93)	0	(389,648)
Balance Sheet Net Amount as at 31st March 2021	855,718	6,191	768,134	1,501	435	1,631,979
Balance Sheet Net Amount as at 31st March 2020	933,791	6,802	722,987	1,971	0	1,665,551

Comparative Movements in 2019/20.

	Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation						
As at 1st April 2019	993,560	112,712	890,869	2,773	0	1,999,914
Additions	6,739	3,053	59,071	0	0	68,863
Disposals	(62,145)	0	(9,725)	(710)	0	(72,580)
Transfers	0	0	0	0	0	0
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	55,634	0	0	(23)	0	55,611
Recognised in Provision of Services	(24,018)	0	0	(6)	0	(24,024)
As at 31st March 2020	969,770	115,765	940,215	2,034	0	2,027,784
Depreciation and Impairments						
As at 1st April 2019	(30,715)	(105,923)	(201,936)	(35)	0	(338,609)
Charge for the Year	(28,845)	(3,040)	(25,017)	(34)	0	(56,936)
Disposals	0	0	9,725	0	0	9,725
Transfers	0	0	0	0	0	0
Revaluations / (Impairments)						
Recognised in the Revaluation Reserve	288	0	0	0	0	288
Recognised in Provision of Services	23,293	0	0	6	0	23,299
As at 31st March 2020	(35,979)	(108,963)	(217,228)	(63)	0	(362,233)
Balance Sheet Net Amount as at 31st March 2020	933,791	6,802	722,987	1,971	0	1,665,551
Balance Sheet Net Amount as at 31st March 2019	962,845	6,789	688,933	2,738	0	1,661,305

During 2020/21 the County Council recognised impairment gains of £15.4m 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.

	2020/21 £000	2019/20 £000
Impairment losses/gains recognised within the (Surplus) / Deficit on Provision of Services	(9,579)	(4,310)
Impairment losses recognised in Other Comprehensive Income and Expenditure and taken to the Revaluation Reserve	(5,859)	10,204
	<u>(15,438)</u>	<u>5,894</u>

19. Valuation of Non-Current Assets

The County Council carries out a rolling programme that ensures that all Non-Current Assets that are required to be measured at Fair Value are revalued at least every five years.

Valuations of Land and Buildings were carried out on 1st January 2021 by Align Property Partners Limited, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date less weight can be attached to market evidence used previously to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement, however, valuations in the financial statements are not reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global and reflected in the valuation report produced by the County Council's valuer in 2020/21. The valuer has continued to exercise professional judgement and this continues to be the best information available to the Council.

Secondary Schools were revalued in 2020/21 in accordance with the five year rolling programme. Furthermore, those properties not considered as part of the rolling programme in 2020/21 were subject to a desktop review by Align Property Partners Limited:-

	Land and Buildings £000	Plant and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Total £000
Valued at Historic Cost	433	6,191	768,134	0	774,758
Valued at current value in :-					
2020/21	215,222	0	0	1,501	216,723
2019/20	184,872	0	0	0	184,872
2018/19	94,859	0	0	0	94,859
2017/18	79,741	0	0	0	79,741
2016/17	281,026	0	0	0	281,026
Total Tangible Fixed Assets	<u>856,153</u>	<u>6,191</u>	<u>768,134</u>	<u>1,501</u>	<u>1,631,979</u>

20. Disposal of Property, Plant and Equipment

15 Schools gained Academy status during 2020/21. As a consequence the Land and Building assets of £40.7m relating to the schools were 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 £40.7m loss is purely notional and does not impact on the County Council's General Working Balance or Council Tax levy.

Other disposals in the year resulted in a net gain of £2.1m.

21. Major Areas of Capital Spending

Major areas of capital spending, over £2m during 2020/21 were:-

	Actual £000
Structural Maintenance of Roads & Bridges	51,897
Local Enterprise Partnership Schemes	18,092
Basic Need Grant Funded Schemes	10,810
Harrogate-York Rail Scheme	8,295
Junction 47 Improvements	4,192
Capital Maintenance Programme	3,902
Loans to Limited Companies	3,574
Integrated Transport Block Provision	2,738
County Hall Redevelopment (2018-20)	2,377
	<hr/>
	105,877
All spending in areas below £2m	14,869
Total Capital Spending in 2020/21	<hr/> <u>120,746</u>

Committed Capital Expenditure

The County Council had an approved Capital Plan for 2021/22 of £137.7m. Of this £137.7m is committed expenditure as at 1st April 2021. It should be noted, however, that this figure includes a significant element (£85.3m) relating to a number of general provisions and other schemes where legal contracts had not been exchanged by 31st March 2021.

The remaining £52.5m consisted of the following:-

	Actual £000
Basic Need Programme	17,154
Extra Care Programme	7,517
School Condition Programme - Modernisation	6,281
Getting Building Fund Programme	5,520
Transforming Cities	4,640
Junction 47 Improvements	3,297
GBF Digital Infrastructure Programme	2,180
Kex Gill Realignment	1,711
Flood Risk Management Programme	1,486
T&C Roadmap 2020-2025	700
Rural Connected Communities Programme	555
School Condition Programme - PCU Replacements	512
County Hall Redevelopment	435
County Farm Properties	200
Heritages Services Programme	175
Other Schemes (less than £100k each)	122
	<u>52,485</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

	2020/21 £000	2019/20 £000
Capital Investment		
Property, Plant and Equipment and Loans	91,016	81,905
Investment Properties	0	0
Intangible Assets	15	414
Revenue Expenditure Funded from Capital under Statute	<u>29,715</u>	<u>17,562</u>
	<u>120,746</u>	<u>99,881</u>
Sources of Finance		
Capital receipts		
- Sale of Property, Plant and Equipment	5,244	2,053
- Repayment of Loans to Limited Companies	406	389
Government grants and other contributions	104,664	69,976
Direct Revenue Contributions	8,160	23,896
Increase in underlying need to borrow		
- supported by Government financial assistance	0	0
- unsupported by Government financial assistance	<u>2,272</u>	<u>3,567</u>
	<u>120,746</u>	<u>99,881</u>

The difference between the £120.7m capital investment above and the £79.6m additions in note 18 relates to expenditure of £29.7m on Revenue Expenditure Funded from Capital Under Statute, £5.9m of capital expenditure which resulted in no value being added to the County Council's asset base, intangible assets of £0.01m and £5.5m on loans to Limited Companies.

(b) Capital Financing Requirement (CFR)

	2020/21		2019/20	
	£000	£000	£000	£000
Opening Capital Financing requirement		452,590		463,652
Movement in year				
Increase in underlying need to borrow MRP		2,272		3,567
- capital spending funded by borrowing	(11,075)		(11,615)	
- PFI contracts	(3,503)		(3,003)	
- Finance leases	<u>(11)</u>	<u>(14,589)</u>	<u>(11)</u>	<u>(14,629)</u>
Assets acquired under PFI contracts		0		0
Assets acquired under Finance leases		0		0
Closing Capital Financing Requirement		<u>440,273</u>		<u>452,590</u>
Decrease/(Increase) in Capital Financing Requirement		<u>12,317</u>		<u>11,062</u>
Closing CFR consists of				
Capital spending funded by borrowing		288,654		297,455
PFI contracts		150,583		154,087
Finance leases		<u>1,036</u>		<u>1,048</u>
CFR at 31st March		<u>440,273</u>		<u>452,590</u>

23. Long Term Creditors

	31st March 2021		31st March 2020	
	£000	£000	£000	£000
Government Entities				
Central Government Bodies	0		0	
Other Local Authorities	62		28	
NHS Bodies	<u>10</u>	<u>72</u>	<u>24</u>	<u>52</u>
General Creditors (including Public Corporations and Trading Funds)		78		1,200
Income in Advance		<u>1,581</u>		<u>1,390</u>
Total Long Term Creditors		<u>1,731</u>		<u>2,642</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 Intangible Assets within the County Councils Capital Plan include:-

- Health and Adult Services partnership schemes where the County Council holds nomination rights to services; and

- ICT schemes.

Details of Intangible Assets in 2020/21 are as follows:-

	31st March 2021 £000	Charge to Net Cost of Service 2020/21 £000	Capitalised 2020/21 £000	31st March 2020 £000
Extra Care and Older Peoples Resources	4,047	(342)	0	4,389
Other	1,251	(307)	15	1,543
	<u>5,298</u>	<u>(649)</u>	<u>15</u>	<u>5,932</u>

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

	2020/21 £000	2019/20 £000
Balance at start of year		
Gross carrying amount	22,162	21,748
Accumulated amortisation	<u>(16,230)</u>	<u>(15,292)</u>
	5,932	6,456
Additions	15	414
Amortisation	<u>(649)</u>	<u>(938)</u>
Balance at end of year	<u>5,298</u>	<u>5,932</u>
Comprising		
Gross carrying amount	22,178	22,162
Accumulated amortisation	<u>(16,880)</u>	<u>(16,230)</u>
	<u>5,298</u>	<u>5,932</u>

25. Investment Property

The County Council has determined that County Farm properties and other commercial properties are classified as investment properties. The fair value for the farm properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold but, due to no one property being exactly the same as another, the level of unobservable inputs lead to the properties being categorised at Level 3 in the fair value hierarchy. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the County Council's financial statements, including Investment Property, are categorised within the fair value hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the County Council can access at the measurement date. Level 2 inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 are unobservable inputs for the asset or liability. Other commercial properties were purchased in a competitive open market and are valued annually at their fair value. There has been no change in the valuation techniques used during the year. The following table summarises the movement in the fair value of these properties over the year.

	2020/21 £000	2019/20 £000
Balance at start of year	53,022	47,983
Additions (subsequent expenditure)	0	5
Disposals	(818)	0
Net gain / (loss) from revaluations	<u>(2,785)</u>	<u>5,034</u>
Balance at end of year	<u>49,419</u>	<u>53,022</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:-

	2020/21 £000	2019/20 £000
Rental Income from Investment Property	(332)	(368)
Direct operating expenses	313	307
Net (gain) / loss from revaluation	<u>2,785</u>	<u>(5,034)</u>
Total transactions relating to Investment Property	<u>2,766</u>	<u>(5,095)</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 disclosed above for information.

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.

	2020/21 £000	2019/20 £000
Balance at start of year	<u>170</u>	<u>170</u>
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 2021 £000	31st March 2020 £000
Bank current accounts and cash held by the County Council	9,379	15,388
Short term / call deposits	<u>52,420</u>	<u>82,619</u>
Total Cash and Cash Equivalents	<u>61,799</u>	<u>98,007</u>

29. Long Term Investments

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

	Shareholding		Dividends
	%	£	£000
Align Property Partners Limited	100.00	500,000	0
NY Highways	100.00	500,000	0
Brierley Homes Limited	100.00	100	0
First North Law Limited	100.00	100	0
NYnet Limited	100.00	1	0
Veritau Limited	50.00	1	0
Yorwaste Limited	77.30	3,517,524	1,011

These companies' Profit and Loss Accounts are not included as part of the Comprehensive Income and Expenditure Statement shown on page 39. However, any dividend income received is included as part of the County Council's income for 2020/21. Similarly, these companies' Assets and Liabilities are not included in the County Council's Balance Sheet on pages 43 to 44.

The County Council has determined, however, that it has a group relationship with the following two companies and they have therefore been incorporated into its Group Accounts on pages 109 to 127.

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 2021 £000	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000
Net Assets / (Liabilities)	(8,392)	(7,918)	8,067	7,249
Loans from NYCC	0	0	6,421	6,809
Dividend Payable	0	0	1,011	0
Profit / (Loss) for the year :-				
Before Tax and Dividends	564	(488)	(1,201)	(554)
After Tax and Dividend	474	(1,017)	(844)	(520)

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 new investment for greater than one year during 20/21 which falls into the category of long term investments. This investment is as follows:-

	31st March 2021 £000	31st March 2020 £000
Funds and Other Local Authorities		
Property Funds	5,581	5,622
Wokingham Borough Council	0	5,079
Bank of Scotland	0	5,058
	<u>5,581</u>	<u>15,759</u>
Investments with Subsidiary Companies		
Yorwaste Limited	3,518	3,518
Align Property Partners Limited	500	500
NY Highways Limited	500	0
	<u>4,518</u>	<u>4,018</u>
Total Long Term Investments	<u>10,099</u>	<u>19,777</u>

30. Long Term Debtors

	31st March 2021 £000	31st March 2020 £000
Loans to Subsidiary Companies	14,637	11,452
Loans to Growing Places Schemes	1,913	3,462
Long Term Payments in Advance	494	476
Long Term Debtors	828	166
	<u>17,872</u>	<u>15,556</u>
Less: Bad Debts Provision	0	0
	<u>17,872</u>	<u>15,556</u>

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

31. Short Term Debtors

	31st March 2021 £000		31st March 2020 £000	
Government Entities				
Central Government Bodies	11,618		6,935	
Other Local Authorities	22,294		15,208	
NHS Bodies	<u>17,269</u>	51,181	<u>13,135</u>	35,278
General Debtors (including Public Corporations and Trading Funds)		78,805		69,455
Payments in Advance		<u>20,540</u>		<u>17,730</u>
		150,526		122,463
Less: Bad Debts Provision		<u>(14,788)</u>		<u>(16,202)</u>
Total Short Term Debtors		<u>135,738</u>		<u>106,261</u>

32. Short Term Creditors

	31st March 2021 £000		31st March 2020 £000	
Government Entities				
Central Government Bodies	12,675		16,589	
Other Local Authorities	22,837		3,127	
NHS Bodies	<u>1,942</u>	37,454	<u>1,062</u>	20,778
General Creditors (including Public Corporations and Trading Funds)		43,581		55,911
Income in Advance		<u>30,432</u>		<u>19,131</u>
Total Short Term Creditors		<u>111,467</u>		<u>95,820</u>

33. Provisions

	Changes during the year				To be used			Total
	Balance as at 31st March 2020	Provision Made	Provision Used	Provision Written Down	Balance as at 31st March 2021	Within 1 year	In excess of 1 year	
	£000	£000	£000	£000	£000	£000	£000	
Insurance	6,522	2,858	(1,323)	0	8,057	2,686	5,371	8,057
Highways Advance Payments	6,487	3,285	(2,027)	0	7,745	0	7,745	7,745
Contractual Disputes	0	0	0	0	0	0	0	0
Other	223	50	0	0	273	192	81	273
	<u>13,232</u>	<u>6,193</u>	<u>(3,350)</u>	<u>0</u>	<u>16,075</u>	<u>2,878</u>	<u>13,197</u>	<u>16,075</u>

	Changes during the year				To be used			Total
	Balance as at 31st March 2019	Provision Made	Provision Used	Provision Written Down	Balance as at 31st March 2020	Within 1 year	In excess of 1 year	
	£000	£000	£000	£000	£000	£000	£000	
Insurance	8,436	(172)	(1,742)	0	6,522	2,174	4,348	6,522
Highways Advance Payments	4,140	5,097	(2,750)	0	6,487	0	6,487	6,487
Contractual Disputes	3,000	0	(1,900)	(1,100)	0	0	0	0
Other	346	0	(123)	0	223	142	81	223
	<u>15,922</u>	<u>4,925</u>	<u>(6,515)</u>	<u>0</u>	<u>13,232</u>	<u>2,316</u>	<u>10,916</u>	<u>13,232</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 of 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.

Contractual Disputes

A provision had been made for contractual disputes of £3m in 18/19. The provision was made to ensure that service funding could remain intact in the event of costs falling to the Council and has now been finalised and settled.

34. Usable Reserves

Supplementary to the Movement in Reserves 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	2020/21 £000	2019/20 £000
General Working Balance at Start of Period	(27,640)	(27,231)
Comprehensive Income and Expenditure charged to the General Balance	(41,625)	47,304
Adjustments between accounting basis and funding basis under regulations		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Amortisation of Intangible Assets	(649)	(938)
Charges for depreciation and impairment of non current assets	(62,377)	(56,936)
Revaluation losses on Property, Plant and Equipment	(6,794)	(724)
Impairment from Non Enhancing Capital Expenditure	(5,859)	(10,204)
Movements in the value of Investment Properties	(2,785)	5,034
Capital Grants and Contributions	143,745	73,565
Revenue Expenditure Funded from Capital under Statute	(29,715)	(17,562)
Carrying Value of non current assets written off on disposal	(44,524)	(62,855)
Pension Reserve		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(81,675)	(82,532)
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	5,995	89
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	268	(1,383)
Financial Instruments		
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride	(41)	(267)
DSG Adjustment Account		
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement	(438)	0
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Capital Adjustment Account		
Statutory Provision for the financing of capital investment	14,589	14,629
Capital Expenditure charged against the General Working Balance	8,160	23,896
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	5,651	2,442
Pension Reserve		
Employer pension contributions payable in the year	46,803	54,630
Capital Receipts Reserve		
	247	539
Total of adjustments between accounting basis and funding basis under regulations	(9,399)	(58,577)
Transfers to / (from) Earmarked Reserves	50,796	10,864
General Working Balance at Period End	(27,868)	(27,640)

(b) Earmarked Reserves

	Balance 31st March 2021 £000's	Movement in year 2020/21 £000's	Balance 31st March 2020 £000's	Movement in year 2019/20 £000's	Balance 31st March 2019 £000's
Earmarked for Schools					
Local Management of Schools	16,387	6,020	10,367	(2,764)	13,131
Schools Block / DSG	0	1,542	(1,542)	(847)	(695)
Transfer Schools Block DSG deficit to new Unusable Reserve (Note 35g)	0	(1,542)	0	0	0
	<u>16,387</u>	<u>6,020</u>	<u>8,825</u>	<u>(3,611)</u>	<u>12,436</u>
Retained for Specific Initiatives					
Strategic Resources	69,862	22,305	47,557	7,804	39,753
Highways Maintenance	0	(226)	226	(5,426)	5,652
T&C Roadmap	3,079	3,079	0	0	0
Insurance	7,296	(471)	7,767	2,220	5,547
T&C Strategy and Infrastructure	0	(2,749)	2,749	(1,128)	3,877
Superfast Broadband	18,913	385	18,528	2,700	15,828
High Needs	11,297	4,211	7,086	3,748	3,338
Redundancy	1,093	1,472	(379)	(1,791)	1,412
Extra Care	6,640	(102)	6,742	(20)	6,762
Bedale, Aiskew and Leeming Bar Bypass	486	(113)	599	(251)	850
Stronger Communities	2,486	0	2,486	75	2,411
Health and Social Care Transfer Monies	0	0	0	(1,550)	1,550
NY2020 Programme Support	4,198	1,243	2,955	1,561	1,394
Equalisation (CTax & BR)	7,800	(1,348)	9,148	4,063	5,085
2020 Property Projects	3,005	(730)	3,735	1,141	2,594
Kex Gill	1,782	(328)	2,110	(1,776)	3,886
Streetlighting	5,419	(368)	5,787	274	5,513
HAS Market Shaping	5,100	5,100	0	0	0
Highways Pothole Match Funding	0	0	0	(2,411)	2,411
Other Individual Reserves <£2m	29,574	5,697	23,877	1,940	21,937
	<u>178,030</u>	<u>37,057</u>	<u>140,973</u>	<u>11,173</u>	<u>129,800</u>
Reserves of Trading and Service Units NYES					
Trading Reserves	3,876	129	3,747	(1,106)	4,853
Insurances	5,244	404	4,840	31	4,809
	<u>9,120</u>	<u>533</u>	<u>8,587</u>	<u>(1,075)</u>	<u>9,662</u>
Revenue Grants and Contributions Reserve					
Covid-19 LA Support	20,500	5,271	15,229	15,229	0
Public Health	4,650	2,125	2,525	(1,857)	4,382
CYPS Miscellaneous Grants	7,176	(2,520)	9,696	(172)	9,868
Civil Parking Enforcement	1,955	(655)	2,610	(822)	3,432
Improved Better Care Fund	0	0	0	(6,567)	6,567
Care Act	5,614	1,790	3,824	(559)	4,383
Income Guarantee Scheme	2,020	2,020	0	0	0
Other Individual Reserves <£2m	1,950	(845)	2,795	(875)	3,670
	<u>43,865</u>	<u>7,186</u>	<u>36,679</u>	<u>4,377</u>	<u>32,302</u>
Total Earmarked Reserves	<u>247,402</u>	<u>50,796</u>	<u>195,064</u>	<u>10,864</u>	<u>184,200</u>

(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 2021 £000	31st March 2020 £000
Opening Balance	3,815	3,276
Transfer of sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	5,898	2,981
Use of the Capital Receipts Unapplied Reserve to finance new expenditure	<u>(5,651)</u>	<u>(2,442)</u>
Closing Balance	<u>4,062</u>	<u>3,815</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.

	2020/21 £000	2019/20 £000
Opening Balance	22,873	19,284
Adjustments between accounting basis and funding basis under regulation		
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	143,745	73,565
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	<u>(104,665)</u>	<u>(69,976)</u>
Closing Balance	<u>61,953</u>	<u>22,873</u>

35. Unusable Reserves

(a) Revaluation Reserve

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

	2020/21 £000	2019/20 £000
Opening Balance	409,826	383,895
Asset Revaluation within Other Comprehensive Income and Expenditure Statement	(324)	55,899
Adjustment between current value depreciation and historic cost depreciation	(15,587)	(10,560)
Write out of revaluation on disposal; Property, Plant and Equipment	<u>(24,962)</u>	<u>(19,408)</u>
Closing Balance	<u>368,953</u>	<u>409,826</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 2021 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 2021;
- Provision for bad debts of Debtors in relation to Council Tax and Non- Domestic Rates arrears as at 31st March 2021;
- Income in advance from Council Tax and Non-Domestic Rates payers who have paid their bills early as at 31st March 2021; 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 2020/21.

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 2020/21, and the County Council's accrued actual share of Billing Authority Collection Fund Balances in 2020/21. 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 2019/20 and 2020/21 and can be calculated as follows:-

	31st March 2021 £000	31st March 2020 £000
Council Tax		
Debtors	17,938	13,467
Provision for Doubtful Debts	(7,540)	(6,318)
Creditors for Pre-payments and Over-payments	(6,425)	(5,503)
Net Debtors / (Creditors) to the Billing Authority	<u>(5,052)</u>	<u>747</u>
	<u>(1,079)</u>	<u>2,393</u>
Non-Domestic Rates		
Debtors	1,293	1,592
Provision for Doubtful Debts	(569)	(791)
Provision for Appeals	(2,361)	(5,344)
Creditors for Pre-payments and Over-payments	(518)	(657)
Net Debtors / (Creditors) to the Billing Authority	<u>13,215</u>	<u>6,793</u>
	<u>11,060</u>	<u>1,593</u>
Collection Fund surplus	<u>9,981</u>	<u>3,986</u>
Movement in Year		
Council Tax	(3,472)	(228)
Non-Domestic Rates	<u>9,467</u>	<u>317</u>
	<u>5,995</u>	<u>89</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.

	2020/21 £000	2019/20 £000
Balance Brought Forward	(7,718)	(6,335)
Movement in Year	<u>268</u>	<u>(1,383)</u>
Closing Balance	<u>(7,450)</u>	<u>(7,718)</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.

	2020/21 £000	2019/20 £000
Opening Balance	(433,171)	(447,306)
Remeasurements of the Net Defined Benefit Liability (Actuarial gains / (losses) on pension assets/liabilities)	(28,946)	42,037
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(81,675)	(82,532)
Employers pension contributions payable in year	46,803	54,630
Closing Balance	<u>(496,989)</u>	<u>(433,171)</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.

	2020/21 £000	2019/20 £000
Opening Balance	881,189	887,776
Adjustments between accounting basis and funding basis under regulations		
Amortisation of Intangible Assets	(649)	(938)
Charges for depreciation and impairment of non current assets	(62,377)	(56,936)
Revaluation losses on Property, Plant and Equipment	(6,794)	(724)
Impairment from Non Enhancing Capital Expenditure	(5,859)	(10,204)
Movements in the value of Investment Properties	(2,785)	5,034
Capital Grants and Contributions	104,665	69,976
Revenue Expenditure Funded from Capital under Statute	(29,715)	(17,562)
Carrying Value of non current assets written off on disposal	(44,524)	(62,855)
Statutory Provision for the financing of capital investment	14,589	14,629
Capital Expenditure charged against the General Working Balance	8,160	23,896
Transfer of sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	5,651	2,442
Re-payment of long term loans	(3,395)	(3,313)
Other Reserve Movements		
Adjustment between current value depreciation and historic cost depreciation	15,587	10,560
Write out of revaluation on disposal; Property, Plant and Equipment	24,962	19,408
Closing Balance	<u>898,705</u>	<u>881,189</u>

(f) Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the County Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; and
- Disposed of and the gains are realised.

	2020/21 £000	2019/20 £000
Opening Balance	(308)	(41)
Financial Instruments held under Fair Value through Profit & Loss subject to MHCLG Statutory Over-Ride*	(41)	(267)
Closing Balance	<u>(349)</u>	<u>(308)</u>

*The MHCLG introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. In the County Council's case this relates to its investments in two Pooled Investment Property Funds. This over-ride expires on 31st March 2023 and unless extended, all fair value movements will then impact on the General Fund Balance.

(g) Dedicated Schools Grant Adjustment Account

	2020/21 £000	2019/20 £000
Opening Balance	0	0
Previous Year's Schools Fund deficit transferred from Earmarked Reserves	1,542	0
In year DSG over/(underspend)	438	
Closing Balance	<u>1,980</u>	<u>0</u>

The Dedicated Schools Grant Adjustment Account is a reserve introduced in November 2020 by the laying of a new statutory instrument by MHCLG to amend the Local Authorities (Capital Finance & Accounting Regulations) 2003. The statutory instrument establishes new accounting practices relating to treatment of local authorities' schools budget deficits, requiring any such deficit to be recorded in a specific account established solely for the purpose of recording deficits relating to its schools' budget.

36. Material Contingent Liabilities

There have been no material contingent liabilities identified by the County Council in 2020/21.

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 Statement for 2020/21 was authorised for issue on 25th October 2021 by the Corporate Director – Strategic Resources.

Since the Balance Sheet date, 4 schools have converted to Academy status. Land and Building asset values totalling £13.6m will be transferred off the County Council's balance sheet in 2021/22 and the County Council will no longer receive Dedicated School Grant of around £2.1m.

38. Dedicated Schools Grant

The County Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), 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 2020/21 are detailed below:-

	Central Expenditure £000	Individual Schools Budgets £000	Total £000
Final DSG for 2020/21 before Academy recoupment			445,555
Academy figure recouped for 2020/21			(169,279)
Total DSG after Academy recoupment for 2020/21			<u>276,276</u>
Plus Brought forward from 2019/20			1,542
Plus Post year end adjustment			
Less Carry-forward to 2021/22 agreed in advance			<u>(1,542)</u>
Agreed initial budgeted distribution in 2020/21	47,540	228,737	276,277
In year adjustments	0	(370)	(370)
Final budgeted distribution for 2020/21	<u>47,540</u>	<u>228,367</u>	<u>275,907</u>
Less Actual central expenditure	(47,650)		(47,650)
Less Actual ISB deployed to schools	0	(228,695)	(228,695)
Net Carry-forward in year	<u>(110)</u>	<u>(328)</u>	<u>(438)</u>
Net Carry-forward to 2021/22			<u>(1,980)</u>

In 2020/21, £275,907k has been credited against the Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The net overspend in 2020/21 of £438k on central expenditure and ISB has been added to the agreed carry forward of £1,542k, and the net deficit of £1,980k is held as a negative unusable reserve.

This is in accordance with the statutory requirements (as defined in the School and Early Years Finance (England) Regulations 2020) for 2020/21, which affect the manner in which the County Council can use the general reserves held as at 31 March 2021, and the requirements of the Accounts and Audit Regulations 2015, as amended (Regulation 7 (4)).

Both the net overspend and the deficit balance have arisen due to the chronic underfunding of the schools budget by the Education and Skills Funding Agency (ESFA) since the legislative reform introduced by the Children and Families Act 2014, which has resulted in significant increases in the number of Education Health Care Plans (EHCPs) that in turn increases the demand for High Needs provision. The County Council has developed a comprehensive and robust long-term Strategy for SEND 0-25; however, its implementation is greatly hindered by the continued lack of capital funding by the Department for Education. The County Council is also lacking any assurance on the future DSG monies it will receive, and this uncertainty represents significant financial risks to any recovery plan of the deficit balance over future funding periods.

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 TMPs 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 106 (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.

The County Council recognises and measures financial assets at either amortised cost, at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 – Financial Instruments states that investments in equity should be recognised as fair value through profit and loss, which would result in changes in valuation impacting upon the County Council's General Fund balance and its revenue budget. To mitigate this, the CIPFA Code of Practice allows councils to elect to treat equity investments as fair value through other comprehensive income. The County Council has elected to designate its shareholdings in its non-consolidated subsidiaries and a joint venture as fair value through other comprehensive income

The County Council also holds a pooled investment in two property funds. IFRS 9 also requires any changes in valuation to be recognised as fair value through profit and loss, which again would impact upon the County Council's general fund balance and revenue budget. The MHCLG has permitted a temporary (5 year) statutory override for English local authorities to mitigate the impact of these changes in valuation, commencing 1st April 2018. The County Council will utilise the statutory override to account for any changes in the value of this investment.

(a) Categories of Financial Instruments

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

Financial Assets

	Long Term				Short Term			
	Investments		Debtors		Investments		Debtors	
	31st March	31st March	31st March	31st March	31st March	31st March	31st March	31st March
	2021	2020	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000	£000	£000
Fair Value through Profit or Loss	0	0	0	0	0	0	0	0
Amortised Cost								
Investments	3,518	13,655	0	0	421,275	366,976	0	0
Loans to Subsidiary Companies	0	0	14,637	11,452	0	0	0	0
Loans to Growing Places Schemes	0	0	1,913	3,462	0	0	0	0
Other	0	0	1,322	642	0	0	0	0
	<u>3,518</u>	<u>13,655</u>	<u>17,872</u>	<u>15,556</u>	<u>421,275</u>	<u>366,976</u>	<u>0</u>	<u>0</u>
Fair Value through other Comprehensive Income - designated equity instruments	6,581	6,122	0	0	0	0	0	0
Fair Value through Other Comprehensive Income - other	0	0	0	0	0	0	0	0
Total Financial Assets	<u>10,099</u>	<u>19,777</u>	<u>17,872</u>	<u>15,556</u>	<u>421,275</u>	<u>366,976</u>	<u>0</u>	<u>0</u>
Non Financial Assets	0	0	0	0	0	0	135,738	106,261
Total	<u>10,099</u>	<u>19,777</u>	<u>17,872</u>	<u>15,556</u>	<u>421,275</u>	<u>366,976</u>	<u>135,738</u>	<u>106,261</u>

Financial Liabilities

	Long Term				Short Term			
	Borrowings		Creditors		Borrowings		Creditors	
	31st March	31st March	31st March	31st March	31st March	31st March	31st March	31st March
	2021	2020	2021	2020	2021	2020	2021	2020
£000	£000	£000	£000	£000	£000	£000	£000	
Fair Value through Profit or Loss	0	0	0	0	0	0	0	0
Amortised Cost								
PWLB Loans	(201,839)	(215,968)	0	0	(16,061)	(29,312)	0	0
Market LOBO Loans	(20,000)	(5,000)	0	0	(45)	(15,049)	0	0
Temporary Loans from External Bodies	0	0	0	0	(197,516)	(225,384)	0	0
PFI and Finance Leases	(147,658)	(151,620)	0	0	(3,961)	(3,515)	0	0
	<u>(369,497)</u>	<u>(372,588)</u>	<u>0</u>	<u>0</u>	<u>(217,583)</u>	<u>(273,260)</u>	<u>0</u>	<u>0</u>
Total Financial Liabilities	<u>(369,497)</u>	<u>(372,588)</u>	<u>0</u>	<u>0</u>	<u>(217,583)</u>	<u>(273,260)</u>	<u>0</u>	<u>0</u>
Non Financial Liabilities	0	0	(1,731)	(2,642)	0	0	(111,467)	(95,820)
Total	<u>(369,497)</u>	<u>(372,588)</u>	<u>(1,731)</u>	<u>(2,642)</u>	<u>(217,583)</u>	<u>(273,260)</u>	<u>(111,467)</u>	<u>(95,820)</u>

(b) Income, Expense, Gains and Losses

	2020/21		2019/20	
	Surplus / (Deficit) on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus / (Deficit) on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net Gains / (Losses on investments in equity instruments designated at fair value through other comprehensive income	41	0	267	0
Interest Revenue financial assets measured at amortised cost	(3,199)	0	(6,528)	0
Interest Expense	27,376	1,298	28,749	2,568

(c) Fair Values of Assets and Liabilities

The County Council holds units within two Property Funds. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the County Council's financial statements are categorised within the fair value hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the County Council can access at the measurement date. Level 2 inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 are unobservable inputs for the asset or liability. Property Fund investments are held at Net Asset Value, as per the Investment Manager's Annual Statement, therefore classified as a Level 2 input.

The funding of these investments was from Capital reserves. The County Council did not borrow funds to finance these investments therefore Minimum Revenue Provision (MRP) has not been adjusted. However, the performance of these investments will be monitored closely to ensure no / minimal loss, and MRP reviewed regularly and amended if indicated by the year end position.

As these gains or losses impact on the General Fund balance, the temporary statutory override, agreed with the MHCLG, will be utilised. This will result in any loss or gain being reversed and recorded in the Financial Instruments Revaluation Reserve. Any gain or loss will only be realised when the investments are sold and will be treated as a capital receipt and recognised through the Capital Adjustments Account, as these investments were funded from capital.

	2020/21		2019/20	
	Nominal £000	Fair Value £000	Nominal £000	Fair Value £000
Property Funds				
Blackrock	3,003	2,874	3,003	2,852
Threadneedle	2,927	2,707	2,927	2,770
Shareholding				
Align Property Partners Limited	500	500	500	500
NY Highways Limited	500	500	0	0
	<u>6,930</u>	<u>6,581</u>	<u>6,430</u>	<u>6,122</u>

Except for the Financial Assets valued at fair value above, all other 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, Link 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. Please note that during the 2019/20 and 2020/21 all fair value measurements above were based on level 2 inputs, with no Level 1 or 3 for either year.

The fair values calculated are as follows:-

Borrowing Activities

	31st March 2021		31st March 2020	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Maturity Loans	215,396	300,163	240,616	308,918
PWLB Annuity Loans	2,504	2,624	4,666	4,935
Market LOBO Loans	<u>20,045</u>	<u>30,896</u>	<u>20,047</u>	<u>27,992</u>
Total	<u>237,945</u>	<u>333,683</u>	<u>265,329</u>	<u>341,845</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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £302.8m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered if the borrowing was 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 PWLB rates.

However, the County Council 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 £217.9m would be valued at £302.8m. 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 £302.8m.

Investment Activities

	31st March 2021		31st March 2020	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans more than 1 year	0	0	10,000	10,000
Financial Liabilities	0	0	10,000	10,000

In addition the financial assets representing the shareholding in Yorwaste Limited (£3,518k), Align Property Partners Limited (£500k), NY Highways Limited (£500k), First North Law Limited (£0.1k), Brierley Homes Limited (£0.1k), NYnet Limited (£1) and Veritau (£1) continued to be valued at Historic Cost and have been omitted from the above. 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;
- review the County Council's overall borrowing limits;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year; and
- approve an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The Annual Treasury Management Strategy includes these procedures in order to manage the risks of the County Council's financial instrument exposure. It is approved at the County Council's annual council tax setting budget meeting before the beginning of the financial year.

Annual outturn reports are submitted to the Executive for Treasury Management and Prudential Indicators which set out full details of activities and performance during the preceding financial year. In addition, quarterly reports on Treasury Management matters are submitted to the Executive as part of the County Council's Quarterly Performance Monitoring report and periodic meetings are held between the Corporate Director - Strategic Resources, the Chairman of the Audit Committee and the Deputy Leader to discuss issues arising from the day to day management of Treasury Management activities. The Audit Committee is responsible for scrutinising the County Council's Treasury Management activities and receives regular reports and updates on Treasury Management matters.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the County Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the treasury management strategy.

The County Council relies on credit ratings and "ratings watch" and "outlook" notices published by the three credit rating agencies (Fitch, Moody's and Standards & Poor's) to establish the credit quality of counterparties and investment schemes. All three credit rating agencies also produce a Sovereign Rating which assesses a country's ability to support a financial institution should they get into difficulty.

No combination of ratings can be viewed as entirely fail-safe and all credit ratings, ratings watches and outlooks are monitored on a daily basis and changes made as appropriate. In addition, the County Council takes into account trends within the Credit Default Swap (CDS) Market. Since they are a traded instrument they reflect the market perception of an institution's credit quality unlike credit ratings which often focus on a longer term view. The County Council also monitors other sources of market intelligence, including the financial press, for rumours and speculation which may impact on organisations which the County Council may invest with.

Further details of the County Council's investment criteria are included in the Annual Treasury Management Strategy, a copy of which is available on the County Council's website, www.northyorks.gov.uk.

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

These limits can be summarised as follows:-

Maximum Investment Limit	Criteria
£75m	- UK "Nationalised" Banks / UK Banks with UK Central Government Involvement
£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 2021 that this was likely to occur.

The following analysis summarises the County Council's potential maximum exposure to credit risk as at 31st March 2021, 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.

Amounts Arising from Expected Credit Loss

The County Council has assessed all its short and long term investments and concluded that the expected credit loss is not material, therefore no allowances have been made.

A summary of the credit quality of the County Council's investments at 31st March 2021 is shown below along with the potential maximum exposure to credit risk, based on experience of default and collectability.

	Amount at 31st March 2021	Historical experience of default %	Historical experience adjusted for market conditions %	Estimated Maximum Exposure to default and uncollectability at 31 March 2021
	£000			£000
Deposits for less than 1 year:-				
Deposits with Local Authorities	191,079	0.0	0.0	0.0
Institutions with Fitch Rating				
Long Term AA-, Short Term F1+	10,013	0.0	0.0	0.0
Long Term AA, Short Term F1+	30,001	0.0	0.0	0.0
Long Term A+, Short Term F	175,160	0.0	0.0	0.0
Part Nationalised Banks (Fitch rating Long Term A+, Short Term F1)	15,022	0.0	0.0	0.0
	421,275			

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 2021	Amount at 31st March 2021 £000
UK	AA-	411,262
Singapore	AAA	10,013
		<u>421,275</u>

The County Council does not generally allow credit for its trade debtors. Analysis of invoices raised as at 31st March 2021, which are included within the £135.7m Short Term Debtors, can be analysed by past-due and age status as follows:-

	31st March 2021 £m	31st March 2020 £m
Less than 1 month	25.3	17.9
1 to 2 months	11.2	7.6
3 months or more	16.7	15.3
	<u>53.2</u>	<u>40.8</u>

It is considered that £16.7m of the £53.2m debtors invoice balance is past its due date for payment. The County Council maintains a Bad Debt Provision for debts based on both the age of the debt and the likelihood of a continued dispute or future settlement. No further assessment of the fair value has therefore been made. Amounts are carried on the Balance Sheet at their amounts outstanding and no amounts have been included in the table for the County Councils 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, are less than one year and are not shown in the table above. Further analysis of creditors can be found in note 32.

All investments 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 provides 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 2021 £000	31st March 2020 £000
Less than one year		
Public Works Loan Board	(16,061)	(29,312)
Market LOBO Loans	(45)	(15,049)
Temporary Loans from External Bodies		
- North Yorkshire Pension Fund	(111,840)	(138,940)
- Selby District Council	(67,066)	(66,826)
- North Yorkshire Fire and Rescue Authority	(4,903)	(4,666)
- North York Moors National Park	(3,785)	(2,653)
- Yorkshire Dales National Park	(3,480)	(3,305)
- Peak District National Park	(4,013)	(4,996)
- National Parks England	(140)	(131)
- Align Property Partners Limited	(939)	(876)
- Nynet Limited	(1,350)	(2,991)
	<u>(197,516)</u>	<u>(225,384)</u>
Total Less than one year	<u>(213,622)</u>	<u>(269,745)</u>
Greater than one year		
Public Works Loan Board	(201,839)	(215,968)
Market LOBO Loans	(20,000)	(5,000)
	<u>(221,839)</u>	<u>(220,968)</u>
Analysis of loans by Maturity		
Between one and two years	(13,339)	(14,129)
Between two and five years	(30,000)	(18,339)
Between five and ten years	(7,500)	(17,500)
Between ten and fifteen years	(17,200)	(17,200)
Between fifteen and twenty five years	0	0
Between twenty five and forty years	(153,800)	(146,300)
More than forty years	0	(7,500)
	<u>(221,839)</u>	<u>(220,968)</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	2,205
Increase in government grant receivable for financing costs	0
Impact on Comprehensive Income and Expenditure Account	<u>2,205</u>
Decrease in fair value of fixed rate investment assets	<u>0</u>
Decrease in fair value of fixed rate borrowing liabilities	<u>(46,217)</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 in Align Property Partners Limited, £0.5m NY Highways Limited, £100 in First North Law Limited, £100 in Brierley Homes 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.

40. Covid-19 Pandemic

Responding to the Covid-19 Pandemic brought significant new costs and responsibilities for the County Council, offset by additional government funding.

Additional Funding

The County Council received the following grants to support the Covid-19 response during 2020/21:-

	2020/21 £m
Hospital Discharge	22,130
Local Authority Support	16,661
Track and Trace / Contain the Outbreak	4,220
Sales, Fees and Charges	3,663
Furlough Scheme	3,542
Infection Control	3,400
Income Guarantee Scheme	2,020
Winter Grant Scheme	1,756
Clinically Extremely Vulnerable	1,612
Rapid Testing Fund	252
Community Testing	47
Share of Fines	25
	<u>59,328</u>

Commercial Investments

In order to assess the on going impact of the Covid-19, a full valuation of commercial property investments has been undertaken as part of the year-end accounting requirements. This identified a £2.8m reduction in the valuation of property investments (from £11.9m to £9.1m) in 2020/21. Commercial Property is a long term investment and valuations can, therefore, rise as well as fall, over the period they are held. In order to mitigate any potential future losses a further £1.7m has been set aside in 20/21, in addition to the £2.2m set aside in previous years to offset potential losses previously identified and future maintenance costs, to ensure that there is no impact on the General Fund at the point of any future sale.

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 2020/21, it has a group relationship with nine bodies (including their subsidiaries where appropriate):-

- Align Property Partners Limited;
- Brierley Homes Limited;
- First North Law Limited;
- NY Highways Limited;
- NYnet Limited;
- SJB Recycling Limited
- Veritau Limited;
- Yorkshire Purchasing Organisation; and
- Yorwaste Limited.

(a) Align Property Partners Limited

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

Align Property Partners 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.

(b) Brierley Homes Limited

The County Council owns 100% of the issued share capital of Brierley Homes Limited; a company established in 2016 whose principal activities are development of building projects, construction of domestic buildings, buying and selling of own real estate and other letting and operating of own or leased real estate. The County Council has provided a loan facility to Brierley Homes Limited of £25.0m.

Brierley Homes 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) First North Law Limited

The County Council owns 100% of the issued share capital of First North Law Limited; a company established in 2016 whose principal activities are the provision of professional legal services. The County Council has provided a loan facility to First North Law Limited for £250k.

First North Law 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.

(d) NY Highways Limited

The County Council has set up a new company called NY Highways Limited, to undertake and deliver all highway maintenance activities from 1st June 2021. The County Council has provided a loan facility to NY Highways for £11m.

NY Highways Limited will be consolidated into North Yorkshire County Council's Group Accounts with effect from 1st April 2021.

(e) 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 (ISPs) 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.

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 2021 being nil. 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.

(f) SJB Recycling Limited

The County Council owned 78% of SJB Recycling Limited whose principal activities were the composting and processing of green and wood waste. The remaining shareholder in SJB Recycling Limited was 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 ceased trading in March 2020, with the winding up of the company being approved in February 2021.

The remaining cash balances of the company were distributed to the shareholders on the form of a final dividend (£1.0m) prior to the closure of the company.

(g) 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 and a number of other District Councils.

Veritau Limited is not consolidated into North Yorkshire County Council's Group Accounts as their values do not materially impact on the group financial position.

(h) 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.

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.

(i) Yorwaste Limited

The County Council owns 78% of the issued share capital of Yorwaste Limited; a company established in 1993 and based in Northallerton 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 £6.4m. This loan is included in the County Councils Balance Sheet as a Long Term Debtor.

Yorwaste Limited has paid the County Council a dividend in 2020/21 of £1.0m (2019/20 £nil). 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 2020/21 accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Year to 31st March 2020				Year to 31st March 2021		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
478,723	(362,836)	115,887	Children and Young People's Service	468,366	(356,191)	112,175
143,631	(63,103)	80,528	Business and Environmental Services	161,005	(65,163)	95,842
295,842	(118,736)	177,106	Health and Adult Services	317,608	(140,405)	177,203
78,167	(11,726)	66,441	Central Services	92,349	(12,430)	79,919
2,494	(21,694)	(19,200)	Corporate Miscellaneous	3,192	(36,779)	(33,587)
3,999	(4,092)	(93)	Yorwaste Limited	(642)	(1,371)	(2,013)
1,370	(747)	623	NYnet Limited	1,549	(954)	595
1,004,226	(582,934)	421,292	Cost of Services	1,043,427	(613,293)	430,134
			Other Operating Expenditure			
		59,874	Loss on Disposal of Property, Plant and Equipment			38,626
		0	Impairment of Assets Held for Sale			0
		681	Precepts of Local Precepting Authorities			703
		<u>60,555</u>				<u>39,329</u>
			Financing and Investment Income and Expenditure			
		28,849	Interest payable and similar charges			27,926
		(3,440)	Interest receivable and similar income			(2,655)
		267	Financial Instruments			41
		(5,095)	Investment Properties; revaluation and impairment			2,766
		156	Deficit / (Surplus) on trading activities			163
		9,981	Net interest on the net defined pension benefit liability (asset)			9,430
		<u>30,718</u>				<u>37,671</u>
			Taxation and Non-Specific Grant Income (Analysis)			
		(306,844)	Council Tax Income			(320,100)
		(78,078)	Non-Domestic Rates Income			(78,061)
		(23,168)	Non-Ringfenced Government Grants			(35,958)
		(56,021)	Capital Grants			(115,251)
		<u>(464,111)</u>				<u>(549,370)</u>
		48,454	(Surplus) or Deficit on Provision of Services			(42,236)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (continued)

Year to 31st March 2020			Year to 31st March 2021		
Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
		48,454			(42,236)
		495			267
		0			0
		<u>48,949</u>			<u>(41,969)</u>
		(62,790)			(2,140)
		10,204			5,859
		<u>(42,037)</u>			<u>28,946</u>
		<u>(94,623)</u>			<u>32,665</u>
		<u><u>(45,674)</u></u>			<u><u>(9,304)</u></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
<u>Movement in Reserves during 2020/21</u>						
Balance at 31st March 2020	<u>(249,392)</u>	<u>(853,804)</u>	<u>(1,103,196)</u>	<u>5,801</u>	<u>(1,614)</u>	<u>(1,099,009)</u>
Reporting of Schools Budget Deficit to new DSG Adjustment Account at 31 March 2020	(1,542)	1,542	0	0	0	0
Restated Balance 31 March 2020	<u>(250,934)</u>	<u>(852,262)</u>	<u>(1,103,196)</u>	<u>5,801</u>	<u>(1,614)</u>	<u>(1,099,009)</u>
Total Comprehensive Expenditure and Income	(41,625)	32,665	(8,960)	(161)	(183)	(9,304)
Adjustments between accounting basis and funding basis under regulations	(48,726)	48,726	0	0	0	0
Net (Increase) / Decrease before Transfers	<u>(90,351)</u>	<u>81,391</u>	<u>(8,960)</u>	<u>(161)</u>	<u>(183)</u>	<u>(9,304)</u>
Balance at 31st March 2021	<u>(341,285)</u>	<u>(770,871)</u>	<u>(1,112,156)</u>	<u>5,640</u>	<u>(1,797)</u>	<u>(1,108,313)</u>
<u>Movement in Reserves during 2019/20</u>						
Balance at 31st March 2019	<u>(233,991)</u>	<u>(821,886)</u>	<u>(1,055,877)</u>	<u>4,296</u>	<u>(1,754)</u>	<u>(1,053,335)</u>
Total Comprehensive Expenditure and Income	47,304	(94,623)	(47,319)	1,505	140	(45,674)
Adjustments between accounting basis and funding basis under regulations	(62,705)	62,705	0	0	0	0
Net (Increase) / Decrease before Transfers	<u>(15,401)</u>	<u>(31,918)</u>	<u>(47,319)</u>	<u>1,505</u>	<u>140</u>	<u>(45,674)</u>
Balance at 31st March 2020	<u>(249,392)</u>	<u>(853,804)</u>	<u>(1,103,196)</u>	<u>5,801</u>	<u>(1,614)</u>	<u>(1,099,009)</u>

GROUP BALANCE SHEET AS AT 31ST MARCH 2021

31st March 2020 £000		31st March 2021 £000
1,686,491	Property, Plant and Equipment (note 3)	1,661,206
53,022	Investment Property	49,419
5,932	Intangible Assets	5,298
16,259	Long Term Investments	6,581
8,747	Long Term Debtors	11,451
1,770,451	Long Term Assets	1,733,955
367,167	Short Term Investments	422,073
170	Assets held for sale	170
2,269	Inventories	2,702
107,928	Short Term Debtors (note 5)	161,897
106,855	Cash and Cash Equivalents (note 4)	68,642
52	Current Tax Assets	0
584,441	Current Assets	655,484
(269,745)	Short Term Borrowing	(212,272)
(109,669)	Short Term Creditors (note 6)	(132,688)
(3,503)	PFI/PPP Liability repayable within 12 months	(3,948)
(2,316)	Provisions to be used within 12 months	(2,877)
(12)	Finance Lease repayable within 12 months	(13)
(21,237)	Capital Grant Receipts in Advance	(9,201)
(406,482)	Current Liabilities	(360,999)
(7,238)	Long Term Creditors	(32,010)
(150,584)	PFI/PPP Liability repayable in excess of 12 months	(146,635)
(1,036)	Finance Lease payable in excess of 12 months	(1,023)
(433,171)	Pensions Liability	(496,989)
(16,991)	Provisions to be used in excess of 12 months	(19,078)
(222,318)	Long Term Borrowing	(223,051)
(18,063)	Capital Grant Receipts in Advance	(1,341)
(849,401)	Long Term Liabilities	(920,127)
1,099,009	Net Assets	1,108,313
249,392	Usable Reserves	341,285
853,804	Unusable Reserves	770,871
(4,187)	Reserves - Group Entities	(3,843)
1,099,009	Total Reserves	1,108,313

GROUP CASH FLOW STATEMENT

31st March 2020 £000		31st March 2021 £000
(48,949)	Net Surplus / (Deficit) on the Provision of Services	41,969
	Adjust Net Surplus / (Deficit) on the Provision of Services for non cash movements	
60,654	Depreciation / Amortisation	65,506
5,894	Impairment and revaluations charged to the provision of services	15,438
15,598	Movement in Creditors	37,423
5,395	Movement in Debtors	(52,067)
198	Movement in Inventories	(433)
(2,161)	Movement in Provisions	3,036
36,301	Pensions Liability	34,872
62,855	Carrying Amount of Non-current Assets sold	44,524
(904)	Other non-cash items charged to the provision of services	(488)
183,830		147,811
	Adjust for items included in the Net Surplus / (Deficit) on the Provision of Services that are investing and financing activities	
(56,021)	Grants received for investment purposes	(115,251)
(1,652)	Proceeds from the sale of property and other assets	(2,480)
(57,673)		(117,731)
0	Equity Dividends Paid	0
0	Taxation	0
77,208	Net cash flows from Operating Activities	72,049
	Investing Activities	
(87,832)	Purchase of Property, Plant and Equipment and Intangible Assets	(96,726)
(954,080)	Purchase of Short Term and Long Term investments	(1,089,050)
1,652	Proceeds from the Sale of Property (and other Assets)	2,480
989,685	Proceeds from Short Term and Long Term Investments	1,044,429
45,499	Other receipts for investing activities	92,254
(5,076)	Net cash flows from Investing Activities	(46,613)
	Financing Activities	
(164)	Cash receipts of Short and Long Term Borrowing	(138)
(1,328)	Other receipts from Financing Activities	(3,393)
(3,012)	Repayment of the outstanding liability of Finance Lease and similar arrangements	(3,516)
(25,966)	Repayment of Short and Long Term Borrowing	(56,135)
(80)	Other payments for Financing Activities	(467)
(30,550)	Net cash flows for Financing Activities	(63,649)
41,582	Net Increase / (decrease) in Cash and Cash Equivalents	(38,213)
65,273	Cash and Cash Equivalents at the beginning of the reporting period	106,855
106,855	Cash and Cash Equivalents at the end of the reporting period	68,642
41,582		(38,213)

NOTES TO THE GROUP STATEMENTS

1. Expenditure and Funding Analysis 2020/21

	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	80,847	(10,235)	70,612	41,563	112,175
Business and Environmental Services	73,166	3,249	76,415	19,427	95,842
Health and Adult Services	172,285	(3,814)	168,471	8,732	177,203
Central Services	70,291	2,342	72,633	7,286	79,919
Corporate Miscellaneous	(12,268)	(30,769)	(43,037)	9,450	(33,587)
NYES	0	388	388	(388)	0
NYE Limited	595	0	595	0	595
York Waste Limited	(2,013)	0	(2,013)	0	(2,013)
Net Cost of Service	382,903	(38,839)	344,064	86,070	430,134
Other Operating Income and Expenditure	0	0	0	39,329	39,329
Financing and Investment Income and Expenditure	807	0	807	36,864	37,671
Taxation and non specific Income and Expenditure	(393,409)	(3,097)	(396,506)	(152,864)	(549,370)
Tax Expenses	267	0	267	0	267
(Surplus) or Deficit	(9,432)	(41,936)	(51,368)	9,399	(41,969)
Opening Group Balance			(220,059)		
Less/Plus Surplus or (Deficit) on Group in Year			(51,368)		
Closing Group Balance at 31 March 2021			(271,427)		
General Working Balance			(27,868)		
Earmarked Reserves			(247,402)		
Group Reserves			3,843		
			(271,427)		

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Children and Young People's Service	29,589	8,816	3,158	41,563
Business and Environmental Services	39,748	2,205	(22,526)	19,427
Health and Adult Services	3,017	5,698	17	8,732
Central Services	7,331	5,428	(5,473)	7,286
Corporate Miscellaneous	0	1,176	8,274	9,450
NYES	0	2,119	(2,507)	(388)
NYnet Limited	0	0	0	0
Yorwaste Limited	0	0	0	0
Net Cost of Services	79,685	25,442	(19,057)	86,070
Other Operating Income and Expenditure	38,626	0	703	39,329
Financing and Investment Income and Expenditure	0	9,430	27,434	36,864
Taxation and non specific income and Expenditure	0	0	(152,864)	(152,864)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	118,311	34,872	(143,784)	9,399

Comparative Expenditure and Funding Analysis 2019/20

	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	78,829	(253)	78,576	37,311	115,887
Business and Environmental Services	75,029	9,883	84,912	(4,384)	80,528
Health and Adult Services	158,295	10,876	169,171	7,935	177,106
Central Services	62,193	2,246	64,439	2,002	66,441
Corporate Miscellaneous	6,429	(31,055)	(24,626)	5,426	(19,200)
NYES	0	1,088	1,088	(1,088)	0
NYnet Limited	623	0	623	0	623
Yorwaste Limited	(93)	0	(93)	0	(93)
Net Cost of Services	381,305	(7,215)	374,090	47,202	421,292
Other Operating Income and Expenditure	0	0	0	60,555	60,555
Financing and Investment Income & Expenditure	620	0	620	30,098	30,718
Taxation and non specific income and Expenditure	(387,354)	2,521	(384,833)	(79,278)	(464,111)
Tax Expenses	495	0	495	0	495
(Surplus) or Deficit	(4,934)	(4,694)	(9,628)	58,577	48,949
Opening Group Balance			(208,889)		
Less/Plus Surplus or (Deficit) on Group in Year			(9,628)		
Closing Group Balance at 31 March 2020			(218,517)		
General Working Balance			(27,640)		
Earmarked Reserves			(195,064)		
Group Reserves			4,187		
			(218,517)		

Comparator Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2019/20

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Children and Young People's Service	29,684	5,713	1,914	37,311
Business and Environmental Services	31,974	1,471	(37,829)	(4,384)
Health and Adult Services	4,045	3,837	53	7,935
Central Services	(1,951)	3,651	302	2,002
Corporate Miscellaneous	34	1,666	3,726	5,426
NYES	0	1,583	(2,671)	(1,088)
NYnet Limited	0	0	0	0
Yorwaste Limited	0	0	0	0
Net Cost of Services	63,786	17,921	(34,505)	47,202
Other Operating Income and Expenditure	59,874	0	681	60,555
Financing and Investment Income and Expenditure	0	9,981	20,117	30,098
Taxation and non specific income and Expenditure	0	0	(79,278)	(79,278)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	123,660	27,902	(92,985)	58,577

2. The Individual Group Companies together with consolidating adjustments 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 2021

	NYCC £000	NYnet Limited £000	Yorwaste Limited £000	Consolidation Adjustments £000	Group £000
Cost of Service	431,552	595	(2,039)	0 *	430,134
Other Operating Expenditure					
Loss on Disposal of Property, Plant and Equipment	38,626	0	0	0	38,626
Impairment of Assets Held for Sale	0	0	0	0	0
Precepts of Local Precepting Authorities	703	0	0	0	703
	<u>39,329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,329</u>
Financing and Investment Income and Expenditure					
Interest payable and similar charges	27,376	(31)	842	(261)	27,926
Interest receivable and similar income	(2,912)	0	(4)	261	(2,655)
Financial Instruments	41	0	0	0	41
Investment Properties; revaluation and impairment	2,766	0	0	0	2,766
Surplus of trading activities	163	0	0	0	163
Net interest on the defined benefit liability (asset)	9,430	0	0	0	9,430
	<u>36,864</u>	<u>(31)</u>	<u>838</u>	<u>0</u>	<u>37,671</u>
Taxation and Non-Specific Grant Income	(549,370)	0	0	0	(549,370)
(Surplus) / Deficit on Provision of Services	(41,625)	564	(1,201)	0	(42,236)
Tax Expenses	0	(90)	357	0	267
Interim Dividend	0	0	0	0	0
Group (Surplus) / Deficit	(41,625)	474	(844)	0	(41,969)
(Surplus) / Deficit on Revaluation of Fixed Assets	(2,140)	0	0	0	(2,140)
Impairment losses on non-current assets charged to the Revaluation Reserve	5,859	0	0	0	5,859
Remeasurements of the Net Defined Benefit Liability	28,946	0	0	0	28,946
Other Comprehensive Income and Expenditure	32,665	0	0	0	32,665
Total Comprehensive Income and Expenditure	(8,960)	474	(844)	0	(9,304)

* Gross Expenditure and Gross Income for the Group included consolidation adjustments of £18.3m

Balance Sheet as at 31st March 2021

	NYCC £000	NYnet Limited £000	Yorwaste Limited £000	Consolidation Adjustments £000	Group £000
Property, Plant and Equipment	1,631,979	14,026	15,201	0	1,661,206
Investment Property	49,419	0	0	0	49,419
Intangible Assets	5,298	0	0	0	5,298
Long Term Investments	10,099	0	0	(3,518)	6,581
Long Term Debtors	17,872	0	0	(6,421)	11,451
Long Term Assets	1,714,667	14,026	15,201	(9,939)	1,733,955
Short Term Investments	421,275	0	798	0	422,073
Inventories	2,390	312	0	0	2,702
Short Term Debtors	135,738	9,142	5,901	11,116	161,897
Cash and Cash Equivalents	61,799	4	6,839	0	68,642
Assets held for sale	170	0	0	0	170
Current Tax Assets	0	0	0	0	0
Current Assets	621,372	9,458	13,538	11,116	655,484
Short Term Borrowing	(213,622)	0	0	1,350	(212,272)
Short Term Creditors	(111,467)	(1,597)	(7,158)	(12,466)	(132,688)
PF/PPP Liability repayable within 12 months	(3,948)	0	0	0	(3,948)
Finance Lease repayable within 12 months	(13)	0	0	0	(13)
Provisions to be used within 12 months	(2,877)	0	0	0	(2,877)
Capital Grant Receipts in Advance	(9,201)	0	0	0	(9,201)
Current Liabilities	(341,128)	(1,597)	(7,158)	(11,116)	(360,999)
Long Term Creditors	(1,731)	(30,279)	0	0	(32,010)
PF/PPP Liability repayable in excess of 12 months	(146,635)	0	0	0	(146,635)
Finance Lease repayable in excess of 12 months	(1,023)	0	0	0	(1,023)
Pension Liability	(496,989)	0	0	0	(496,989)
Provisions to be used in excess of 12 months	(13,197)	0	(5,881)	0	(19,078)
Long Term Borrowing	(221,839)	0	(7,633)	6,421	(223,051)
Capital Grant Receipts in Advance	(1,341)	0	0	0	(1,341)
Long Term Liabilities	(882,755)	(30,279)	(13,514)	6,421	(920,127)
Net Assets	1,112,156	(8,392)	8,067	(3,518)	1,108,313
Usable Reserves	341,285	0	0	0	341,285
Unusable Reserves	770,871	0	0	0	770,871
Reserves - Group Entities	0	(8,392)	8,067	(3,518)	(3,843)
Total Reserves	1,112,156	(8,392)	8,067	(3,518)	1,108,313

3. Movement in Property, Plant and Equipment

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration Costs £000	Total £000
Cost of Valuation					
As at 1st April 2020	991,154	140,895	940,215	36,942	2,109,206
Landfill Site Restoration Costs Adjustment	226	(441)	0	43	(172)
Additions	14,317	4,439	71,963	134	90,853
Disposals	(43,707)	(455)	(1,110)	0	(45,272)
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	(1,393)	0	0	0	(1,393)
Recognised in Provision of Services	(39,576)	0	0	0	(39,576)
As at 31st March 2021	921,021	144,438	1,011,068	37,119	2,113,646
Depreciation and Impairments					
As at 1st April 2020	(44,505)	(128,154)	(217,228)	(32,829)	(422,716)
Year on Year Adjustments		211		(40)	171
Charge for the year	(33,512)	(3,753)	(26,816)	(776)	(64,857)
Disposals	0	0	1,110		1,110
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	1,070	0	0	0	1,070
Recognised in Provision of Services	32,782	0	0	0	32,782
Yorwaste Asset Impairment	0	0	0	0	0
As at 31st March 2021	(44,165)	(131,696)	(242,934)	(33,645)	(452,440)
Balance Sheet Net Amount at 31st March 2021	876,856	12,742	768,134	3,474	1,661,206
Balance Sheet Net Amount at 31st March 2020	946,649	12,741	722,987	4,113	1,686,491

Comparative Movements in 2019/20

	Aggregated Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Landfill Site Development & Restoration Costs £000	Total £000
Cost of Valuation					
As at 1st April 2019	1,010,184	137,232	890,869	36,440	2,074,725
Landfill Site Restoration Costs Adjustment	0	0	0	0	0
Additions	12,238	5,399	59,071	502	77,210
Disposals	(62,855)	(1,736)	(9,725)	0	(74,316)
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	55,611	0	0	0	55,611
Recognised in Provision of Services	(24,024)	0	0	0	(24,024)
As at 31st March 2020	991,154	140,895	940,215	36,942	2,109,206
Depreciation and Impairments					
As at 1st April 2019	(38,916)	(125,034)	(201,936)	(32,036)	(397,921)
Charge for the year	(29,176)	(4,730)	(25,017)	(793)	(59,716)
Disposals	0	1,610	9,725	0	11,335
Revaluations / (Impairments)					
Recognised in the Revaluation Reserve	288	0	0	0	288
Recognised in Provision of Services	23,299	0	0	0	23,299
Yorwaste Asset Impairment	0	0	0	0	0
As at 31st March 2020	(44,505)	(128,154)	(217,228)	(32,829)	(422,715)
Balance Sheet Net Amount at 31st March 2020	946,649	12,741	722,987	4,113	1,686,491
Balance Sheet Net Amount at 31st March 2019	971,268	12,198	688,933	4,404	1,676,804

4. Cash and Cash Equivalents

	31st March 2021 £000	31st March 2020 £000
Bank current accounts and cash held by the County Council	9,379	15,388
Short term / call deposits, inc. Cash Balances held by Group Entities	<u>59,263</u>	<u>91,467</u>
Total Cash and Cash Equivalents	<u>68,642</u>	<u>106,855</u>

5. Short Term Debtors

	31st March 2021 £000		31st March 2020 £000	
Government Entities				
Central Government Bodies	11,618		6,935	
Other Local Authorities	30,803		13,724	
NHS Bodies	<u>17,269</u>	59,690	<u>13,135</u>	33,794
General Debtors (including Public Corporations and Trading Funds)		96,455		72,606
Payments in Advance		<u>20,540</u>		<u>17,730</u>
		176,685		124,130
Less: Bad Debts Provision		<u>(14,788)</u>		<u>(16,202)</u>
Total Short Term Debtors		<u>161,897</u>		<u>107,928</u>

6. Short Term Creditors

	31st March 2021 £000		31st March 2020 £000	
Government Entities				
Central Government Bodies	12,675		16,589	
Other Local Authorities	32,649		9,734	
NHS Bodies	<u>1,942</u>	47,266	<u>1,062</u>	27,385
General Creditors (including Public Corporations and Trading Funds)		54,990		63,153
Income in Advance		<u>30,432</u>		<u>19,131</u>
Total Short Term Creditors		<u>132,688</u>		<u>109,669</u>

7. Provisions

	Changes during the year				Balance as at 31st March 2021 £000	To be used		
	Balance as at 31st March 2020 £000	Provision Made £000	Provision Used £000	Provision Written Down £000		Within 1 year £000	In excess of 1 year £000	Total £000
Insurance	6,522	2,858	(1,323)	0	8,057	2,685	5,372	8,057
Highways Advance Payments	6,487	3,285	(2,027)	0	7,745	0	7,745	7,745
Contractual Disputes	0	0	0	0	0	0	0	0
Other	223	50	0	0	273	192	81	273
	<u>13,232</u>	<u>6,193</u>	<u>(3,350)</u>	<u>0</u>	<u>16,075</u>	<u>2,877</u>	<u>13,198</u>	<u>16,075</u>
Yorwaste Limited - Restoration	1,799	0	(97)	0	1,702	0	1,702	1,702
Yorwaste Limited - Aftercare	4,276	0	(98)	0	4,178	0	4,178	4,178
	<u>19,307</u>	<u>6,193</u>	<u>(3,545)</u>	<u>0</u>	<u>21,955</u>	<u>2,877</u>	<u>19,078</u>	<u>21,955</u>

Comparative Movements in 2019/20

	Changes during the year				Balance as at 31st March 2020 £000	To be used		
	Balance as at 31st March 2019 £000	Provision Made £000	Provision Used £000	Provision Written Down £000		Within 1 year £000	In excess of 1 year £000	Total £000
Insurance	8,436	(172)	(1,742)	0	6,522	2,174	4,348	6,522
Highways Advance Payments	4,140	5,097	(2,750)	0	6,487	0	6,487	6,487
Contractual Disputes	3,000	0	(1,900)	(1,100)	0	0	0	0
Other	346	0	(123)	0	223	142	81	223
	<u>15,922</u>	<u>4,925</u>	<u>(6,515)</u>	<u>(1,100)</u>	<u>13,232</u>	<u>2,316</u>	<u>10,916</u>	<u>13,232</u>
Yorwaste Limited - Restoration	2,063	0	(264)	0	1,799	0	1,799	1,799
Yorwaste Limited - Aftercare	4,541	0	(265)	0	4,276	0	4,276	4,276
	<u>22,526</u>	<u>4,925</u>	<u>(7,044)</u>	<u>(1,100)</u>	<u>19,307</u>	<u>2,316</u>	<u>16,991</u>	<u>19,307</u>

NORTH YORKSHIRE PENSION FUND
FUND ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2021

2019/20 £000		2020/21 £000	£000
CONTRIBUTIONS AND BENEFITS			
Contributions			
82,625	Employers - Normal	98,843	
4,403	- Deficit	1,271	
3,674	- Early Retirement Costs Recharged	1,773	
29,166	Employees - Normal	31,095	
148	- Additional Voluntary	100	
<u>120,016</u>	Total Contributions Receivable (note 7)	<u>133,082</u>	
17,490	Transfers in (note 8)		10,575
<u>Less</u>			
Benefits			
(91,010)	Pensions	(95,946)	
(25,990)	Commutation and Lump Sum Retirement Benefits	(22,293)	
(2,670)	Lump Sums Death Benefits	(3,322)	
<u>(119,670)</u>	Total Benefits Payable (note 9)	<u>(121,561)</u>	
Leavers			
(560)	Refunds to Members Leaving Service	(387)	
(21,037)	Transfers Out	(7,992)	
<u>(21,597)</u>	Total Payments on Account of Leavers (note 10)	<u>(8,379)</u>	
(2,964)	Management Expenses (note 11)		(3,199)
<u>(6,725)</u>	Net additions/(withdrawals) from dealings with Members	<u>10,518</u>	
 RETURNS ON INVESTMENTS			
16,554	Investment income (note 12)		4,213
(113)	Taxation (note 12a)		0
(26,233)	Investment management costs (note 11)		(28,249)
(17,152)	Change in market value of investments (note 14a)		982,096
<u>(26,944)</u>	Net returns on investments	<u>958,060</u>	
(33,669)	Net increase/ (decrease) in the Fund during the year		968,578
3,575,204	Opening Net Assets of the Fund		3,541,535
<u>3,541,535</u>	Closing Net Assets of the Fund	<u>4,510,113</u>	

NORTH YORKSHIRE PENSION FUND – NET ASSETS STATEMENT

31st March 2020 £000		31st March 2021 £000
	INVESTMENT ASSETS	
468,984	Fixed Interest Securities	337,682
833	Equities	1,182
2,641,322	Pooled Investments	3,767,819
276,103	Pooled Property Investments	279,864
<u>3,387,242</u>		<u>4,386,547</u>
138,523	Cash Deposits	105,209
2,727	Investment Debtors	2,129
<u>3,528,492</u>	TOTAL INVESTMENT ASSETS	<u>4,493,885</u>
	INVESTMENT LIABILITIES	
<u>0</u>	TOTAL INVESTMENT LIABILITIES	<u>0</u>
<u>3,528,492</u>	NET INVESTMENT ASSETS (note 14a)	<u>4,493,885</u>
42	LONG-TERM DEBTORS	203
	CURRENT ASSETS	
9,170	Contributions due from employers	10,791
2,264	Other Non-Investment Debtors	1,288
4,969	Cash	11,494
<u>16,403</u>	TOTAL CURRENT ASSETS	<u>23,573</u>
	CURRENT LIABILITIES	
<u>(3,402)</u>	Non-Investment Creditors	<u>(7,548)</u>
<u>(3,402)</u>	TOTAL CURRENT LIABILITIES	<u>(7,548)</u>
<u>3,541,535</u>	TOTAL NET ASSETS (note 14c)	<u>4,510,113</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 2021

1. Description of the Fund

The North Yorkshire Pension Fund (NYPF or “the Fund”) 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 2020/21 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 Fund 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 Fund, remain in the Fund or make their own personal arrangements outside the Scheme.

Organisations participating in NYPF include:

- scheduled bodies, which are local authorities, academy trusts 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 2021 there were 129 contributing employer organisations within NYPF including the County Council itself, and over 97,000 individual members, as detailed below.

86 Scheduled Bodies including 44 Academies

Ainsty 2008 Internal Drainage Board
Askham Bryan College
Chief Constable (North Yorkshire Police)
City of York Council
Craven College
Craven District Council

North Yorkshire Police and Crime Commissioner
Northallerton & Romanby Joint Burial Board
Northallerton Town Council
Norton on Derwent Town Council
Pickering Town Council
Richmond Town Council

Easingwold Town Council
Filey Town Council
Foss 2008 Internal Drainage Board
Fulford Parish Council
Glusburn Parish Council
Great Ayton Parish Council
Hambleton District Council
Harrogate Borough Council
Haxby Town Council
Hunmanby Parish Council
Knaresborough Town Council
Malton Town Council
North York Moors National Park Authority
North Yorkshire County Council
North Yorkshire Fire & Rescue

Richmondshire District Council
Ripon City Council
Ryedale District Council
Scarborough Borough Council
Scarborough Sixth Form College
Selby College
Selby District Council
Selby Town Council
Skipton Town Council
Sutton in Craven Parish Council
Tadcaster Town Council
Vale of Pickering Internal Drainage Board
Whitby Town Council
York College
Yorkshire Dales National Park Authority

Academy Trusts

Arete Learning Trust - Northallerton School
Arete Learning Trust - Richmond School
Arete Learning Trust - Stokesley Academy
Bishop Konstant Catholic Academy Trust
Bishop Wheeler Catholic Academy Trust
Dales Academies Trust
DRET – Thomas Hinderwell Primary Academy
Ebor Academy Trust (pooled from 1.4.20)
Elevate MAT
Enquire Learning Trust - East Whitby Primary
Enquire Learning Trust - Roseberry Primary
Enquire Learning Trust - Stakesby Primary
Enquire Learning Trust - Stokesley CP School
Evolution SLT – Norton College
Great Smeaton Academy Primary School
Hope Learning Trust (pooled from 1.4.20)
Huntington Primary Academy
Lingfield Education Trust - Cambrai Primary School
Moorlands Learning Trust
Nicholas Postgate Catholic Academy Trust
Northern Star Academies Trust (pooled from 01.04.20)
Outwood Grange A.T. - Easingwold

Outwood Grange A.T. - Greystone CP School
Outwood Grange A.T. - Outwood Academy Ripon
Pathfinder MAT
Red Kite Learning Trust Pooled
Rodillian MAT - Brayton High School
Rossett School Academy
Ryedale Learning Trust
St Margaret Clitherow Catholic Academy Trust
Scalby Learning Trust - Friarage Primary
Scalby Learning Trust - Newby & Scalby Primary
Scalby Learning Trust - Scalby School
Scarborough UTC
Selby Educational Trust
South Bank MAT
South Craven Academy
South York MAT
STAR MAT
Wellspring Academy Trust

Woodlands Academy Trust
Yorkshire Causeway Schools Trust
Yorkshire Collaborative Academy Trust

Yorkshire Endeavour Academy Trust

43 Admitted Bodies

ABM Catering Ltd
Absolutely Catering Ltd
Align Property Partners Ltd

ISS Mediclean Ltd
Lark T/A Betterclean Services
Lifeways Community Care Ltd

Aramark Ltd
 Beyond Housing
 Bulloughs Cleaning Ltd
 Cater Link Ltd
 Catering Academy Ltd
 Chartwells Compass
 Churchill Contract Services Ltd
 Churchill Security Ltd
 City of York Trading Ltd
 Elite
 Everyone Active (SLM Scarborough)
 Explore York Libraries and Archives
 Gough and Kelly Security Ltd
 Greenwich Leisure Ltd
 Grosvenor Facilities Management
 Hexagon Care
 Human Support Group Ltd
 Hutchison Catering Ltd
 Independent Cleaning Services

Make It York
 Mellors
 RCCN Ltd
 Richmondshire Leisure Trust
 Ringway
 Sanctuary Housing Association
 Springfield Home Care
 Streamline Taxis
 University of Hull (Scarborough)
 Urbaser Ltd
 Veritau Ltd
 Veritau North Yorkshire Ltd
 Welcome to Yorkshire
 Wigan Leisure and Culture Trust
 York Archaeological Trust Ltd
 York Mind
 York Museums and Galleries Trust
 York St John University

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

	31st March 2021 No.	31st March 2020 No.
Number of Employers with Active Members	129	157
Employees in the Fund		
NYCC	15,968	16,331
Other employers	17,672	17,072
Total	<u>33,640</u>	<u>33,403</u>
Pensioners		
NYCC	13,839	13,165
Other employers	11,580	11,016
Total	<u>25,419</u>	<u>24,181</u>
Deferred Pensioners		
NYCC	24,271	24,278
Other employers	14,565	14,570
Total	<u>38,836</u>	<u>38,848</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 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations.

The last such valuation was at 31 March 2019 and that set the contribution rates for 2020/21, 2021/22, 2022/23; details of the rates for individual employers are available on the Fund's website.

(d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS up to 31 March 2014 are based on final pensionable pay and length of pensionable service.

For service up to 31 March 2008 each year worked is worth 1/80th of final pensionable salary, an automatic lump sum of three times salary is payable, and part of the annual pension can be exchanged for a one-off tax free cash payment at the rate of £12 lump sum for each £1 pension given up. For service from 1 April 2008 each year worked is worth 1/60th of final pensionable salary, there is no automatic lump sum, and part of the annual pension can be exchanged at the same rate as for service up to 31 March 2008.

From 1 April 2014 the scheme became a career average scheme whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is 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 at <https://www.nypf.org.uk/index.shtml>.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its year end position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 Assets Statement as a current asset.

Changes in the net market value of investments are recognised as income/expenditure 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 not paid 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 Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management,
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accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

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
- Hermes Investment Management- UK Property
- Arcmont (formerly 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) Financial Assets

The investment in the LGPS asset pool, Border to Coast Pensions Partnership (BCPP), is valued at transaction price, i.e. cost, as an appropriate estimate of fair value. All other assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An asset is recognised in the Net Assets 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.

If valuations are not available at the reporting date, as is the case for private debt and infrastructure investments, the latest available valuation is adjusted for cashflows in the intervening period.

(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 the 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 does not hold derivatives for speculative purposes (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 Assets 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 (see note 23).

(n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

4. Critical Judgement in Applying Accounting Policies

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.

Investment in Border to Coast Pensions Partnership (BCPP)

The Fund's shareholding in BCPP Ltd. has been valued at transaction price i.e. cost, as an appropriate estimate of fair value. Management have made this judgement because a fair value cannot be otherwise established for these assets as at 31 March 2021, and as the pool has only been established for a short period of time and there is no market in the shares held, cost would be a reasonable and appropriate estimate of fair value. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Fund's contribution to the company's regulatory capital requirement.

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 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 2021 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% (£86.1m), a 0.1% increase in inflation would increase liabilities by 1.8% (£79.2m), and an increase in life expectancy of one year would increase liabilities by 3.7% (£161.9m).

6. Events After the End of the Reporting Period

The financial statements and notes have not been adjusted for any events taking place after 31 March 2021.

7. Contributions Receivable

By category

	2020/21 £000	2019/20 £000
Employees' Contributions	31,195	29,314
Employers' Contributions		
Normal contributions	98,843	82,625
Deficit recovery contributions	1,271	4,403
Early Retirement Recharges	1,541	3,429
Compensatory Added Years Recharges	232	245
Total Contributions	<u>133,082</u>	<u>120,016</u>

By authority

	2020/21 £000	2019/20 £000
Contributions Receivable		
North Yorkshire County Council	57,935	48,200
Other Scheduled Bodies	68,397	64,790
Admitted Bodies	6,750	7,026
	<u>133,082</u>	<u>120,016</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

	2020/21 £000	2019/20 £000
Benefits Payable		
North Yorkshire County Council	50,976	50,401
Other Scheduled Bodies	62,290	60,859
Admitted Bodies	8,295	8,410
	<u>121,561</u>	<u>119,670</u>

10. Payments To and On Account of Leavers

	2020/21 £000	2019/20 £000
Leavers		
Refunds to Members Leaving Service	387	560
Individual Transfers	7,992	14,239
Group Transfers	0	6,798
	<u>8,379</u>	<u>21,597</u>

The group transfers in 2019/20 relate to bulk transfers out to two employers.

11. Management Expenses

	2020/21 £000	2019/20 £000
Administrative Costs	1,918	1,571
Investment Management Costs	28,249	26,233
Oversight and Governance Costs	1,281	1,393
	<u>31,448</u>	<u>29,197</u>

Investment Management Costs includes £2,417k (2019/20: £2,547k) in respect of performance related fees payable to the Fund's investment managers and £5,431k in respect of transaction costs (2019/20 £6,719k).

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).

(a) Investment Management Expenses

	2020/21 £000	2019/20 £000
Management Fees	15,385	12,563
Performance Related Fees	2,417	2,547
Custody Fees	340	329
Transactions Costs	5,431	6,719
Other	4,205	4,075
	<u>27,778</u>	<u>26,233</u>

12. Investment Income

	2020/21 £000	2019/20 £000
Income from Bonds	2,001	1,538
Income from Equities	0	5,209
Pooled Property Investments	1,404	1,177
Pooled Investments - Other Managed Funds	1,024	5,136
Interest on Cash Deposits	0	3,061
Other	(216)	433
	<u>4,213</u>	<u>16,554</u>

(a) Taxes on Income

	2020/21 £000	2019/20 £000
Withholding Tax on Dividends	<u>0</u>	<u>113</u>

13. Other Fund Account Disclosures

	2020/21 £000	2019/20 £000
Payable in respect of external audit	<u>19</u>	<u>19</u>

14. Investments

(a) Reconciliation of Movements in Investments

	Value as at 31st March 2021 £000	Change in market value £000	Sale proceeds receipts £000	Purchases as at cost payments £000	Value as at 1st April 2020 £000
Fixed Interest Securities	337,682	15,681	(1,134,253)	987,270	468,984
Equities	1,182	(88)	88	349	833
Pooled Investments	3,767,819	957,840	(322,476)	491,133	2,641,322
Pooled Property	279,864	8,094	(4,333)	0	276,103
Total Invested	4,386,547	981,527	(1,460,974)	1,478,752	3,387,242
Cash Deposits	105,209	569			138,523
Net Investment Debtors	2,129				2,727
Net Investment Assets	<u>4,493,885</u>	<u>982,096</u>			<u>3,528,492</u>

	Value as at 31st March 2020 £000	Change in market value £000	Sale proceeds & derivative receipts £000	Purchases as at cost and derivative payments £000	Value as at 1st April 2019 £000
Fixed Interest Securities	468,984	24,370	(1,624,338)	1,429,439	639,513
Equities	833	21,840	(779,948)	364,015	394,926
Pooled Funds	2,641,322	(55,934)	(772,116)	1,452,487	2,016,885
Pooled Property	276,103	(8,745)	(3,654)	0	288,502
Total Invested	3,387,242	(18,469)	(3,180,056)	3,245,941	3,339,826
Cash Deposits	138,523	1,317			220,042
Net Investment Debtors	2,727				4,136
Net Investment Assets	<u>3,528,492</u>	<u>(17,152)</u>			<u>3,564,004</u>

(b) Analysis of Investments

	2020/21 £000	2019/20 £000
Fixed Interest Securities		
UK Public Sector Quoted	<u>337,682</u>	<u>468,984</u>
Equities		
UK Unquoted	<u>1,182</u>	<u>833</u>
	<u>1,182</u>	<u>833</u>
Pooled Investments		
UK Equity	377,443	260,448
UK Property	279,864	276,103
UK Government Bonds	114,983	0
UK Corporate Bonds	141,521	0
Multi Asset Credit	192,755	0
Overseas Equity	2,299,233	1,655,171
Private Debt	100,708	96,859
Insurance Linked Securities	164,294	163,524
Infrastructure	13,641	8,549
Equity Protection	192,738	313,900
Diversified Growth Funds - UK	<u>170,503</u>	<u>142,871</u>
	<u>4,047,683</u>	<u>2,917,425</u>
Total Investments (excl Derivatives)	<u>4,386,547</u>	<u>3,387,242</u>
Cash Deposits	105,209	138,523
Net Investment Debtors	<u>2,129</u>	<u>2,727</u>
Net Investment Assets	<u>4,493,885</u>	<u>3,528,492</u>

(c) Investments analysed by Fund Manager

	31st March 2021		31st March 2020	
	£000	%	£000	%
Investments managed by Border to Coast				
Pension Partnership:				
BCPP - Global Equity Alpha	1,208,259	26.8	813,510	23.0
BCPP - UK Equities	172,881	3.8	120,164	3.4
BCPP - Index Linked Gilt Fund	141,521	3.1	0	0.0
BCPP - Investment Grade Credit	114,983	2.5	0	0.0
BCPP - Infrastructure	9,223	0.2	8,549	0.2
BCPP - Private Debt	5,332	0.1	0	0.0
BCPP - Infrastructure 2	4,418	0.1	0	0.0
BCPP - UK Unquoted Equities	1,182	0.0	833	0.0
	<u>1,657,799</u>	<u>36.6</u>	<u>943,056</u>	<u>26.6</u>
Investments managed outside of Border to Coast Pensions Partnership:				
Baillie Gifford & Co. - LTGG	761,048	16.8	595,897	16.8
M&G Investments	341,823	7.6	473,067	13.4
Veritas	273,800	6.1	216,499	6.1
Dodge & Cox	260,688	5.8	169,549	4.8
PIMCO	192,755	4.3	0	0.0
LGIM Equity Protection	192,738	4.3	313,901	8.9
Threadneedle	173,158	3.8	170,226	4.8
Newton Investments	170,503	3.8	142,871	4.0
NYCC Treasury Management	100,184	2.2	133,832	3.8
Legal & General	72,281	1.6	70,474	2.0
Leadenhall Remote Fund	57,898	1.3	55,491	1.6
Leadenhall Diversified Fund	55,174	1.2	54,266	1.5
Permira	52,008	1.2	57,539	1.6
Leadenhall NAT CAT Fund	51,222	1.1	53,767	1.5
Arcmont (formerly Bluebay)	43,368	1.0	39,319	1.1
Hermes	35,015	0.8	35,993	1.0
Fidelity International	2,421	0.1	2,719	0.1
UK Equity Transition	2	0.0	0	0.0
Standard Life Investments - Equities	0	0.0	25	0.0
Internally Managed (cash and net debtors)	16,228	0.4	13,044	0.4
	<u>2,852,314</u>	<u>63.4</u>	<u>2,598,479</u>	<u>73.4</u>
Total Net Assets	<u>4,510,113</u>	<u>100.0</u>	<u>3,541,535</u>	<u>100.0</u>

The investments with BCPP Global Equity Alpha, Baillie Gifford, M&G Investments, LGIM Equity Protection 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

The Fund does not hold derivatives.

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
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	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
Pooled investments – hedge funds	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

				<p>provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts</p> <p>Required by 6.5.5.1 d) and f), 7.4.2.13 of the Code.</p>
Freehold and leasehold properties	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)	<p>Existing lease terms and rentals</p> <p>Independent market research</p> <p>Nature of tenancies</p> <p>Covenant strength for existing tenants</p> <p>Assumed vacancy levels</p> <p>Estimated rental Growth</p> <p>Discount rate</p>	<p>Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices</p>
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	<p>EBITDA multiple</p> <p>Revenue multiple</p> <p>Discount for lack of marketability</p> <p>Control premium</p>	<p>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</p>

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 2021.

	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Assessed valuation range (+/-)			
Pooled investments- Private Debt	100,708	105,139	96,277
Pooled investments- Infrastructure	13,641	14,678	12,604
UK Unquoted Equities	1,181	1,181	1,181
Total	<u>115,530</u>	<u>120,998</u>	<u>110,062</u>

a. 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 2021				
Financial assets at fair value through profit and loss	468,796	3,933,335	115,530	4,517,661
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(7,548)	0	0	(7,548)
Net investment assets	<u>461,248</u>	<u>3,933,335</u>	<u>115,530</u>	<u>4,510,113</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 2020				
Financial assets at fair value through profit and loss	626,679	2,812,018	106,240	3,544,937
Non-financial assets at fair value through profit and loss	0	0	0	0
Financial liabilities at fair value through profit and loss	(3,402)	0		(3,402)
Net investment assets	<u>623,277</u>	<u>2,812,018</u>	<u>106,240</u>	<u>3,541,535</u>

b. Reconciliation of Fair Value Measurements Within Level 3

	Market Value at 1 April 2020 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases During the Year £000	Sales During the Year £000	Unrealised Gains and Losses £000	Realised Gains and Losses £000	Market Value at 31 March 2021 £000
Private Debt	96,858	0	0	9,796	(12,545)	6,097	502	100,708
Infrastructure	8,549	0	0	16,744	(2,978)	(8,241)	(434)	13,640
UK Unquoted Equities	833		0	349	0	0	0	1,182
	<u>106,240</u>	<u>0</u>	<u>0</u>	<u>26,889</u>	<u>(15,523)</u>	<u>(2,144)</u>	<u>68</u>	<u>115,530</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 2020			31st March 2021		
Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000	Designated as fair value through profit and loss £000	Loans and Receivables £000	Financial Liabilities amortised at cost £000
Assets					
468,984	0	0	Fixed Interest Securities	337,682	0
833	0	0	Equities	1,182	0
2,498,451	0	0	Pooled Investments	3,597,316	0
276,103	0	0	Pooled Property	279,864	0
142,871	0	0	Diversified Growth Funds	170,503	0
0	143,492	0	Cash	0	116,703
2,727	0	0	Investment Debtors	2,129	0
0	11,476	0	Non Investment Debtors	0	12,283
<u>3,389,969</u>	<u>154,968</u>	<u>0</u>		<u>4,388,676</u>	<u>128,986</u>
Liabilities					
0	0	0	Investment Creditors	0	0
0	0	3,402	Non Investment Creditors	0	7,548
0	0	3,402		0	7,548
<u>3,389,969</u>	<u>154,968</u>	<u>(3,402)</u>		<u>4,388,676</u>	<u>(7,548)</u>

(b) Net Gains and Losses on Financial Instruments

	2020/21 £000	2019/20 £000
Fair Value Through Profit & Loss	982,096	(17,152)
Loans and Receivables	(264)	(65,503)
	<u>981,832</u>	<u>(82,655)</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 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 risk-adjusted return.

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 Pension Fund Committee (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 consultants, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period.

Asset Type	Potential Market
	Movements
	(+/-) %
Cash and Cash Equivalents	1.0
UK Bonds	0.5
UK Equities	0.0
Overseas Equities	7.2
UK Pooled Equity	7.2
Overseas Pooled Equity	7.2
Pooled Property Investments	5.4
Diversified Growth Funds	4.0
Other Pooled Investments	2.3
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	Potential	Value on	Value on
	31st March	Market	Increase	Decrease
	2021	Movement	£000	£000
	£000	£000	£000	£000
Cash and Cash Equivalents	105,209	1,052	106,261	104,157
UK Bonds	337,682	1,637	339,320	336,045
UK Equities	1,182	0	1,182	1,182
Overseas Equities	0	0	0	0
UK Pooled Equity	377,443	27,176	404,619	350,267
Overseas Pooled Equity	2,299,233	165,545	2,464,778	2,133,688
UK Government Bonds	141,521	425	141,945	141,096
UK Corporate Bonds	114,983	1,725	116,708	113,258
Multi Asset Credit	192,755	5,783	198,538	186,973
Pooled Property Investments	279,864	15,113	294,977	264,751
Diversified Growth Funds	170,504	6,820	177,323	163,684
Other Pooled Investments	466,049	10,512	476,560	455,537
Non Investment Debtors/Creditors	4,735	0	4,735	4,735
Total Assets	<u>4,491,160</u>		<u>4,726,946</u>	<u>4,255,373</u>

Asset Type	Value as at 31st March 2020 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	138,523	1,108	139,631	137,415
UK Bonds	468,984	(1,006)	467,978	469,990
UK Equities	833	0	833	833
Overseas Equities	0	0	0	0
UK Pooled Equity	260,448	18,752	279,200	241,696
Overseas Pooled Equity	1,655,171	119,172	1,774,343	1,535,999
Pooled Property Investments	276,103	14,910	291,013	261,193
Diversified Growth Funds	142,871	6,429	149,300	136,442
Other Pooled Investments	582,832	9,750	592,582	573,082
Non Investment Debtors / Creditors	8,074	0	8,074	8,074
Total Assets	<u>3,533,839</u>		<u>3,702,954</u>	<u>3,364,724</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 2021 and 31 March 2020 is set out in the tables below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

	2020/21 £000	2019/20 £000
Cash and Cash Equivalents	105,209	138,523
Fixed Interest Securities	337,682	468,984
Pooled Investments	256,504	0
	<u>699,395</u>	<u>607,507</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. For illustrative purposes if it were to change by +/- 1% the values in the table above would change by £141m for 2020/21 and £131m for 2019/20.

Currency Risk

Currency risk is 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 (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

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 +/-8.4%. 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, an 8.4% 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 2021 £000	Value on 8.4% Increase £000	Value on 8.4% Decrease £000
Overseas Equities	<u>2,299,233</u>	<u>2,492,369</u>	<u>2,106,098</u>

Asset Type	Value as at 31st March 2020 £000	Value on 8.5% Increase £000	Value on 8.5% Decrease £000
Overseas Equities	<u>1,655,171</u>	<u>1,795,861</u>	<u>1,514,482</u>

(b) Credit Risk

Credit risk is 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, 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 2021 was £11.5m (31 March 2020, £5.0m) and was held with the following institutions:

	Credit Rating	31 March 2021 £000	31 March 2020 £000
Call Accounts			
Barclays Bank Plc (NRFB)	A+ / F1	1,273	678
Money Market Funds			
State Street Global LVNAV MMF	AAmmf	0	217
Fixed Term Deposit Notice Accounts			
Handelsbanken	AA / F1+	728	54
Santander UK	A+ / F1	1,457	371
Bank of Scotland	A+ / F1	1,335	650
National Westminster Bank PLC	A+ / F1	364	271
DBS Bank Ltd	AA- / F1+	243	0
Goldman Sachs	A / F1	243	325
Standard Chartered	A+ / F1	1,214	108
Helaba	A+ / F1+	0	217
Local Authorities	-	4,636	2,078
		<u>11,493</u>	<u>4,969</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 2021 the value of illiquid assets was £116m (31 March 2020, £107m).

All liabilities at 31 March 2021 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 Regulations 2013 the Fund's Actuary, Aon, 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 2019.

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 2019 Valuation the aim was to achieve 100% solvency over a period of 21 years from April 2020 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 2019 Triennial Valuation the Fund was assessed as 114% funded (90% at the 2016 Valuation). This reflected a surplus of £450m (deficit of £283m at the 2016 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 2020/21 the common rate (determined at the 2019 Valuation) is 19.3% 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 2019 Triennial Valuation Report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

	For Future Service Liabilities	
Investment Return	4.20%	per annum
Inflation	2.60%	per annum
Salary Increases	3.85%	per annum
Pensions Increases	2.10%	per annum

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

	Male	Female
Current Pensioners	21.8	23.8
Future Pensioners (assumed current age 45)	23.4	25.6

Commutation Assumption

It is assumed that future retirees will take 75% 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

	31st March 2021 £000	31st March 2020 £000
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Debtors

Investment Debtors

Accrued Dividends	396	435
Withholding Taxes Recoverable	1,733	2,292
	<u>2,129</u>	<u>2,727</u>

Other Debtors

Contributions due from Scheduled (Government) Bodies	10,791	8,916
Contributions due from Admitted Bodies	0	254
Pensions Rechargeable	752	877
Other	536	1,387
	<u>12,079</u>	<u>11,434</u>

Cash

	<u>11,494</u>	<u>4,969</u>
	<u>11,494</u>	<u>4,969</u>
	<u>25,702</u>	<u>19,130</u>

(a) Long Term Debtors

	31st March 2021 £000	31st March 2020 £000
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Long Term Debtors

Reimbursement of Lifetime Tax Allowances	<u>203</u>	<u>42</u>
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22. Current Liabilities

	31st March 2021 £000	31st March 2020 £000
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Creditors

Sundry Other Creditors	7,548	3,402
	<u>7,548</u>	<u>3,402</u>

23. Additional Voluntary Contributions (AVCs)

We have been unable to obtain from our AVC provider Prudential the figures for market value of the AVCs as at 31 March 2021 and the contributions paid during the year 2020/21. The market value of the AVCs as at 31 March 2020 was £20,222k and contributions paid directly to Prudential during the year 2019/20 was £2,047k.

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 £1.6m (£1.5m in 2019/20) 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 £56.9m to the Fund in 2020/21 (£48.2m in 2019/20).

The Fund's cash holdings for cashflow purposes 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 2021 the Fund had an average investment balance of £9.0m (£11.3m during 2019/20) and received interest of £42.6k (£102.7k received in 2019/20) on these funds. The Fund also holds a cash investment with NYCC Treasury Management. The value of this investment at the end of 2020/21 was £100.3m (£133.8m in 2019/20).

Governance

As at 31 March 2021 there were no Pension Fund Committee Members who were also active members of the Fund. The Corporate Director – Strategic Resources, who was also the Treasurer of the Fund was an active member. Benefits for 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

Outstanding capital commitments (investments) at 31 March 2021 were £177.1m (31 March 2020 £165.5m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt and infrastructure parts of the portfolio.

27. Contingent Assets

Four admitted body employers hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the 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 2019/20).

Statement of the Actuary

North Yorkshire Pension Fund**Statement of the Actuary for the year ended 31 March 2021****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 last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £3,575.2M) covering 114% of the liabilities 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 2020 was:
 - 19.3% of pensionable pay. This is 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

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

Less

- 1.6% of pensionable pay to remove surplus in excess of a funding level of 110% over a recovery period of 21 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 30 March 2020 (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.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.3	1.2
2021	18.5	1.3
2022	17.1	1.4

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Secure scheduled body employers *	4.2% p.a.
Intermediate funding target	3.8% p.a.
Ongoing Orphan employers	3.3% p.a.
Low risk funding target	1.3% p.a.
Discount rate for periods after leaving service	
Secure scheduled body employers *	4.2% p.a.
Intermediate funding target	3.8% p.a.
Ongoing Orphan employers	1.6% p.a.
Low risk funding target	1.3% p.a.
Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

* The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with s_k of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	23.8
Current active members aged 45 at the valuation date	23.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations and reflected in the Funding Strategy Statement as appropriate, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities
- **Increases to Guaranteed Minimum Pensions (GMPs):**
The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response sets out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

▪ **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

▪ **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. 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 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.

11. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.nypf.org.uk/Documents/Actuarial%20valuation%20report%202019.pdf>

Aon Solutions UK Limited

May 2021

Annual Governance Statement 2020/21

Contents

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2. Executive Summary
3. The Purpose of the Governance Framework
4. The Governance Framework
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7. Significant Governance Issues
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September 2021

1.0 INTRODUCTION AND SCOPE OF RESPONSIBILITY

1.1 Good governance can mean different things to people – in the public sector it means:

"Achieving the intended outcomes while acting in the public interest at all times"

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

1.2 North Yorkshire County Council's (the County Council) governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner,
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
- meets the needs of North Yorkshire communities – secures continuous improvements in the way it operates.

1.3 Our governance framework comprises of the culture, values, systems and processes by which the County Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full Governance Framework can be found at paragraph 3 in this document.

1.4 Each year the County Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the County Council's Corporate Governance Officers Group and Audit Committee undertake a review of our Governance Framework and the development of the AGS.

1.5 It is crucial to the County Council's success that its governance arrangements are applied in a way that demonstrates the spirit and ethos of good governance – this cannot be achieved by rules and procedures alone. The County Council is expected to have a culture that places the public and integrity at the heart of its business.

1.6 This AGS is linked to the County Council's **Local Code of Corporate Governance** through the seven Principles of Corporate Governance 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. Minor amendments have been made to the Local Code this year to ensure it represents continual corporate governance best practice. The current version was approved by the Audit Committee and the Chief Executive (as permitted in the Constitution under the Officers' Delegation Scheme) in March 2021. A copy of the Code can be obtained from the County Council website [here](#). The Audit Committee also review the County Council's corporate governance arrangements usually in June of each year alongside the Annual Governance Statement.

1.7 This AGS 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**.

1.8 This AGS confirms that the financial management arrangements within the County Council conform with the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2015)*. The AGS also makes reference to the County Council's compliance with the CIPFA *Financial Management (FM) Code (2019)* which applies from 1st April 2021.

1.9 Coronavirus has had an impact on the County Council since March 2020 which resulted in changes being made to governance arrangements. These included decision making arrangements and

County Council meetings, delivery of services and working practices, funding and emergency assistance.

- 1.10 The latest governance guidance issued by CIPFA called Bulletin 06 Application of the Good Governance Framework 2020/21. The updating of this Statement has taken the guidance into account and has been amended to conform where appropriate.

North Yorkshire Pension Fund

- 1.11 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 AGS 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 AGS 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).
- 1.12 NYPF is one of 11 members of the Borders to Coast Pensions Pool (BCPP). This Company is now in full operation and has assets under management. NYPF has assets of circa £1.7 billion as at 31 March 2021 invested with BCPP and further plans to increase this amount. BCPP has established governance rules and procedures including a Joint Committee and how it engages with shareholders. Administration of the NYPF, at this stage, remains entirely within the remit of the County Council's Pension Fund Committee.

2.0 EXECUTIVE SUMMARY

- 2.1 North Yorkshire County Council is responsible for ensuring that resources are directed in accordance with agreed policy, 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.
- 2.2 A key focus of the County Council's governance processes and structure is the attainment of sustainable economic, societal, and environmental objectives. The County Council's governance arrangements are the framework by which the County Council operates in order to achieve its objectives. The focus on sustainability and the links between governance and public financial management are crucial. Furthermore, the County Council in exercising its responsibilities takes into account the impact of current decisions and actions on future generations.
- 2.3 The Governance Framework operating during 2020/21 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.
- 2.4 Having considered all the principles in the *CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014*, on behalf of the County Council the signatories of this Statement are satisfied that the County Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.
- 2.5 Some issues that require further attention have, however, been identified and these are set out in **Section 7** together with details of how they will be addressed during 2020/21. Reports on progress will be submitted to the Audit Committee.

2.6 The impact of the Coronavirus has also been taken into account, with Section 7 reflecting the lessons learned and actions to be taken in the recovery from the Virus during 2021/22.

3.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

3.1 The Governance Framework as detailed in the Local Code comprises the systems, processes, 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.

3.2 The **system of internal control** is a significant part of that Governance 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.

3.3 The overall Governance Framework, and in particular the system of internal control, described in this AGS, has been in place within the County Council for the year ended 31 March 2021 and up to the date of approval by the Audit Committee of this Statement alongside the Statement of Final Accounts on 20 September 2021.

4.0 THE GOVERNANCE FRAMEWORK	
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	Governance in Action
<ul style="list-style-type: none"> • Elected Members have to agree to follow a Code of Conduct and an ethical framework 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 Behaviours Framework which is used to develop staff skills and monitor performance. A Manager's Pocket Book is in place and outlines key behaviours for all managers in NYCC. • Following the formation of the Brierley Group of commercial companies appropriate governance arrangements have been put in place. A Shareholder Sub Committee of Executive and a Shareholder Board to support the Shareholder Sub Committee, are in place. • There is a Local Code of Corporate Governance in place that is fully consistent with the CIPFA / SOLACE Framework <i>Delivering Good Governance in Local Government</i>. The Local Code defines: <ul style="list-style-type: none"> ○ 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. 	<p>Code of Conduct</p> <p>Local Code of Corporate Governance</p>

<ul style="list-style-type: none"> • 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 	<p>Whistleblowing Policy</p> <p>Complaints Procedure</p>
<p>b) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful</p>	
<ul style="list-style-type: none"> • The Assistant Chief Executive (Legal and Democratic Services) is the officer designated by the County Council as the Monitoring Officer and is responsible for performing the duties required by S.5 of the Local Government and Housing Act 1989 which relate to ensuring the legality of the County Council's operations and the duties in the Localism Act 2011 relating to the promotion of high ethical standards. <ul style="list-style-type: none"> ○ 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 overseen by the Corporate Information Governance Group (CIGG), the Corporate Director – Strategic Resources is the Senior Information Risk Owner (SIRO) for the County Council. The Corporate Director – Strategic Resources with support from CIGG has developed and implemented a comprehensive Information Governance Framework which continues to be reviewed and updated in light of further guidance and developments. • Following implementation of the General Data Protection Regulation (GDPR) and Data Protection Act 2018 in May 2018, updated policies and processes have been put in place to comply with the new legislation. A Data Protection Officer (Veritau) has also been appointed. Veritau provides internal audit and a range of related services to both the City of York Council and the County Council. Both authorities jointly own the company. For governance purposes, Veritau reports to the Audit Committee in the same way as an in-house function. • The County Council operates an Information Security Management System which is certified to the requirements of ISO/IEC 27001 (Information Security). Compliance will continue to be monitored, and further review audits by BSI (British Standards Institute) will be carried out every six months. <ul style="list-style-type: none"> ○ the next full re-certification to the ISO 27001:2013 will take place in December 2022 with regular annual assessments. The work to maintain this standard is coordinated by the Senior Information Security Compliance Officer working in conjunction with the Data Governance Team. • In addition, the County Council operates an Information Technology Service Management System which was awarded re-certification to ISO/IEC 20000 in February 2019. The next re-certification will be in February 2022. 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 	<p>S.5 Local Government and Housing Act 1989</p> <p>Localism Act 2011</p> <p>S.151 Local Government Act 1972</p> <p>Data Protection Act 2018</p> <p>Freedom of Information Act 2000</p>

<ul style="list-style-type: none"> ○ by achieving and maintaining certification of both standards this serves to deliver services which are compliant, quality assured, and provide continual improvement. ● The County Council is also certified to the Public Sector Network (PSN) Code of Connection. 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 and access to Department for Work and Pensions systems ● The Corporate Health and Safety Policy is reviewed annually in May and the revised and approved Policy is then issued in June. 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. <ul style="list-style-type: none"> ○ each Directorate has a health and safety action plan which is reviewed on a quarterly basis to ensure that health and safety risks are identified and appropriately managed across the County Council ● The Equality and Diversity Policy Statement is reviewed annually and revised when necessary. The County Council uses equality impact assessments as part of ensuring that due regard is paid to eliminating unlawful discrimination, advancing equality of opportunity and fostering good relations. 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. This year compliance with the National Minimum Wage Regulations was reviewed. All policy updates go through a full consultation with unions recognised by the County Council. ● Public bodies employing more than 250 staff are required to publish figures on the gender pay gap; gender bonus gap; the proportion of men and women receiving bonuses and the proportion of men and women in each quartile of the pay structure. The County Council publishes information annually relating to the gender pay gap. Information about this can be found on the County Council website. ● 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 a risk based Audit Plan following consultation with individual Directorates and the External Auditor. The Audit Committee approves the Audit Plan and receives, thereafter, regular reports on its progress. <ul style="list-style-type: none"> ○ the Head of Internal Audit expresses an opinion on the County Council's framework of governance, risk management and control on an annual basis. ○ during 2020/21, 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. ● Coronavirus related governance arrangements - in the Constitution the Chief Executive can be given delegated authority for decision making arrangements. At the beginning of the pandemic this delegated authority was invoked so that the County Council could continue to function. This decision making by the Chief Executive was done in full consultation with the Executive. The Council then quickly embraced the new regulations which allowed for virtual decision making meetings and Members continued to make decisions during the pandemic and the appropriate 	<p>Public Sector Network (PSN)</p> <p>Health and Safety Policy</p> <p>Equality and Diversity Policy Statement</p> <p>Gender Pay Gap</p>
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<p>changes to the Constitution were made to ensure transparent decision making. 98 formal virtual Committee meetings have been held up to 31 March 2021.</p> <ul style="list-style-type: none"> In 2019 CIPFA developed the Financial Management (FM) Code as historically the general financial management of a local authority has not been supported by a specific professional code. The FM code is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. It is consistent with other CIPFA Codes in that it is based on principles rather than narrow prescription. The Code doesn't, therefore, detail specific financial management processes that each organisation must follow. Instead, the local authority must demonstrate that the principles of the Code, the Financial Management Standards, are being satisfied. 	
<p>c) Documenting a commitment to openness and acting in the public interest</p>	
<ul style="list-style-type: none"> 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 County Council's vision, ambitions and priorities for the next four years and the previous year's achievements and outcomes A Medium Term Financial Strategy, the Annual Revenue Budget including its impact on Council Tax, are published and consulted on each year 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 Beyond 2020 Change Programme and an Engagement Promise <ul style="list-style-type: none"> the Engagement Promise is a statement of principles about how the Council enables and encourages people to influence decisions. They are high level principles, so it is not anticipated that regular changes will be required but they are reviewed by officers annually There are 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. 	<p>Council Plan</p> <p>Final Accounts</p> <p>Consultation and Community Engagement</p>
<p>d) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation</p>	
<ul style="list-style-type: none"> Elected Members have a significant role to play in ensuring compliance and propriety, either collectively (e.g. 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 – <ul style="list-style-type: none"> publishing a Council Plan which sets out the Council's vision, ambitions and priorities for the next four years the Council Plan, and annual Statement of Final Accounts also inform stakeholders and services users of the previous year's achievements and outcomes 	<p>Council Plan</p>

<ul style="list-style-type: none"> ○ opportunities for the public to engage effectively with the County Council including attending meetings and submitting petitions ○ North Yorkshire Views is our online engagement community where residents can have their say and share ideas about the way the County Council operates. ○ Consultation toolkit and on-line training package that provide 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. ○ 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 ○ 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 	<p>N Y Views</p> <p>Engagement promise</p>
<p>e) Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning</p>	
<ul style="list-style-type: none"> ● The key corporate strategy documents (i.e. the Council Plan, Medium Term Financial Strategy and Revenue Budget), are reviewed and updated annually ● The Terms of Reference of the Audit Committee require it to maintain an on-going assessment of the adequacy and effectiveness of the internal control environment within the County Council. The published Work Programme for the Audit Committee includes provision to review the impact of changes to service delivery and / or management processes on the governance arrangements of the County Council ● The Members' Constitution Working Group supported and advised by the Monitoring Officer review the Constitution as required on an ongoing basis and conduct a formal review of the whole Constitution every four years. 	
<p>f) Translating the vision into courses of action for the County Council, its commercial companies, its partnerships and collaborations</p>	
<ul style="list-style-type: none"> ● 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 ● Commercial Companies – the County Council has a number of companies which it uses to deliver specific services/functions. Along with the in-house traded services to schools, these companies are grouped together to form the 'Brierley Group'. An Executive Shareholder Committee has been created to oversee the governance of the commercial companies and a number of delegations have been made to the Chief Executive for operational activities. Briefings have been provided for 	<p>Council Plan</p>

<p>Members, Audit Committee and a further review is to take place on governance of commercial companies.</p> <ul style="list-style-type: none"> 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 County Council's approach to governance. 	
<p>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</p>	
<ul style="list-style-type: none"> 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 includes 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. 	Constitution
<ul style="list-style-type: none"> 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. Partnership Arrangements – the County Council's Constitution and Finance Procedure Rules cover the issues to be considered before the County Council becomes involved in a partnership (see paragraph i) below for further detail). Coronavirus Pandemic - in the Constitution the Chief Executive can be given delegated authority for decision making arrangements. At the beginning of the pandemic this delegated authority was invoked so that the County Council could continue to function. This decision making by the Chief Executive was done in full consultation with the Executive. The Council then quickly embraced the new Regulations which allowed for virtual decision making meetings and Members continued to make decisions during the pandemic, and the appropriate changes to the Constitution were made to ensure transparent decision making. 98 formal virtual Committee meetings have been held during the pandemic up to 31 March 2021. 	
<p>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</p>	
<ul style="list-style-type: none"> 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 individual performance management through team plans and service plans to County Council ambitions and priorities. There is quarterly reporting of key performance information to Management Board and a quarterly meeting of the 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 County Council spending. This is supplemented by more frequent reporting and monitoring processes within Directorates.

- **Comprehensive budgeting systems** are applied across all Directorates. These systems are regularly reviewed and improved and include greater use of systems by budget managers and stakeholders into a more consolidated service. The Finance function is also regularly reviewed and improved where necessary.
- Priority has been given to frontline services in determining the **savings programme** as part of the Beyond 2020 Change 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.
- In the past benchmarking statistics have shown an overall level of high **performance and value for money** for the County Council. Ofsted benchmarking data tends to continue to show the County Council in a positive light and in other areas greater reliance is made on “softer” networking in order to identify areas of best practice across the County. 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 **Beyond 2020 Change Programme** provides a framework within which the County Council continues to plan to meet the challenging savings requirement. The Programme still seeks to ‘simplify; standardise; and share’ and also builds in a number of related 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 County 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 North Yorkshire Education Services and the commercial companies.
 - 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 the space more efficiently.
 - Organisational Development - developing the workforce and culture to ensure the County Council is fit for purpose in the future.

Management Board acts as the Programme Board and governance arrangements are in place to ensure plans are well developed and implementation is monitored

- The **Asset Management Strategy** sets out key corporate processes (e.g. 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.

<p>This dovetails with the County Council’s property partners. This Strategy sets out the key role of property in supporting the County Council’s objectives.</p> <ul style="list-style-type: none"> ● 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 – <ul style="list-style-type: none"> ○ 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 and statements to every Council meeting by the Scrutiny Committee Chairs 	
<p>i) Defining and documenting the roles and responsibilities of Members and management, with clear protocols for effective communication in respect of the authority, its commercial companies and partnership arrangements</p>	
<ul style="list-style-type: none"> ● As explained in paragraph 4(g) above as per the Constitution ● All 72 Councillors meet together as the County Council. Meetings are open to the general public. At its annual meeting in May each year the County Council appoints its Chairman. The Leader is elected by the County 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 County 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 County 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. 	<p>Constitution</p>

<ul style="list-style-type: none"> ● Pursuant to its powers under Section 101 of the Local Government Act 1972 the County Council arranges for certain of its functions (non-executive functions) to be discharged by officers of the Council, these are included in the Officers Delegation Scheme ● Commercial Companies – the County Council has a number of companies which it uses to deliver specific services/functions. Along with the in-house traded services to schools, these companies are grouped together to form the ‘Brierley Group’. An Executive Shareholder Committee has been created to oversee the governance of the commercial companies and a number of delegations have been made to the Chief Executive for operational activities. Briefings have been provided for Members, Audit Committee and a further review is to take place on governance of commercial companies. ● 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 	
<p>j) Ensuring that financial management arrangements conform to the governance requirements of the CIPFA Statement on the <i>Role of the Chief Financial Officer in Local Government (2015)</i> and, where they do not, explain why and how they deliver the same impact</p>	
<ul style="list-style-type: none"> ● The statutory duties of the Corporate Director – Strategic Resources in relation to financial management derive from five principal sources: <ul style="list-style-type: none"> ○ 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 	<p>S.151 Local Government Act 1972</p> <p>S.114 Local Government Financial Act 1988</p> <p>Local Government Act 2000</p> <p>Local Government Act 2003</p> <p>Accounts and Audit Regulations 2015</p>

<p>systems, and associated controls, within their Directorates – this responsibility is defined in the Financial Procedure Rules.</p> <ul style="list-style-type: none"> ● 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 County Council’s appointed external auditor is Deloitte. They will publish an Annual Audit Letter on the completion of their audit that follows the end of each financial year ● Under the <i>Accounts and Audit Regulations 2015</i>, 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 provides internal audit and a range of related services to both the City of York Council and the County Council. Both authorities jointly own the company. 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 – <ul style="list-style-type: none"> ○ 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 ○ 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. The results of audit work in each Directorate are reported to the Audit Committee in accordance with an agreed programme. ● 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. 	
<p>k) Ensuring effective arrangements are in place for the discharge of the monitoring officer function.</p>	

<ul style="list-style-type: none"> 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 County Council's Management Board, and has sight of all Committee and Executive reports before they are presented to Members. 	
<p>l) Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function</p>	
<ul style="list-style-type: none"> 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 County Council's Management Team and appropriate resources are made available for him/her to undertake the role. 	
<p>m) Providing induction and identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training</p>	
<ul style="list-style-type: none"> Developing the skills of Members continues to be 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 County Council and individual Members. 	
<p>n) Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability</p>	
<ul style="list-style-type: none"> 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. 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. 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. An annual progress report on risk management is made to the Audit Committee. 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 has been further refined in order to strengthen the links between individuals, teams and services. Benchmarking and best practice from other Authorities is an inherent part of the planning process to ensure that each plan can look for further improvements. The service planning process also involves identification of savings as an initial part of the generation of savings proposals for the Budget / MTFS. 	

<ul style="list-style-type: none"> There is quarterly reporting of key performance information to Management Board and a quarterly meeting of the 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. 	
<p>o) Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the <i>Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</i>.</p>	
<ul style="list-style-type: none"> 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 robust action to be taken against any perpetrators. The risks of fraud and corruption are kept under constant review. A formal Fraud and Loss Risk Assessment is also completed each year by Veritau 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, 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>p) Ensuring an effective Scrutiny function is in place</p>	
<ul style="list-style-type: none"> 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 County 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. These Committees are supported by a small team of officers including a Statutory Scrutiny Officer (the Democratic Services and Scrutiny Manager). The Overview and Scrutiny Committees have continued to meet virtually (both formally and informally) throughout the pandemic which has led to only minor disruption to the ways of working. In addition Scrutiny Board has coordinated scrutiny of the recovery from the pandemic and how it has changed the way in which the County Council and partner agencies and organisations work. 	

<p>q) Ensuring that assurance arrangements conform to the governance requirements of the CIPFA Statement on the <i>Role of the Head of Internal Audit (2019)</i> and, where they do not, explain why and how they deliver the same impact</p>	
<ul style="list-style-type: none"> • The Head of Internal Audit is responsible for reviewing and reporting on the adequacy and effectiveness of the County Council's governance, risk management and control framework. 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 <i>CIPFA Statement on the Role of the Head of Internal Audit</i> contains five principles which set out the governance arrangements necessary to ensure that the Head of Internal Audit (HIA) is able to operate effectively and perform his/her core duties. These five principles are: <ul style="list-style-type: none"> - The HIA plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments. - The HIA plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control. - The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee. - The HIA must lead and direct an internal audit service that is resourced to be fit for purpose. - The HIA must be professionally qualified and suitably experienced. <p>The County Council's arrangements for internal audit are assessed against the five principles on an annual basis and the HIA and Internal Audit were able to comply and operate in accordance with the five principles.</p>	
<p>r) Undertaking the core functions of an audit committee, as identified in <i>Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2018)</i></p>	
<ul style="list-style-type: none"> • A separate Audit Committee, which includes external independent Members, has been in operation since April 2006. (see section 5 below for activities during 2019/20). 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 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 bring additional knowledge and expertise to the working of the Audit Committee. 	

<p>s) Ensuring that the County Council provides timely support, information and responses to External Auditors and properly considers audit findings and recommendations</p>	
<ul style="list-style-type: none"> • The County Council's appointed External Auditor is Deloitte. The External Auditor attends Audit Committee meetings. • 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 arrangements to secure value for money. • the External Auditor publishes an External Audit Report 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 setting out how the County Council will address such recommendations and areas of concern. 	
<p>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</p>	
<ul style="list-style-type: none"> • 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 (NYnet, Veritau, Yorwaste, Align Property Partners, Brierley Homes, First North Law, N Y Highways) it ensures 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. 	<p>Local Code of Corporate Governance</p>

5.0 ACTIVITIES OF THE AUDIT COMMITTEE

5.1 During 2020/21 and up to the date this AGS was signed, the Audit Committee had met 5 times both formally and informally (not including this meeting). During this period it had:-

- approved the Internal Audit Plan for 2021/22.
- considered the County Council's overall counter fraud arrangements together with the outcome of the annual Fraud and Loss risk assessment. The Committee also reviewed the work of Veritau in respect of the management of fraud risks including the results of investigations into matters reported via the County Council's whistleblowing facilities or directly by management.
- assessed the performance of the County Council's internal audit provider, Veritau. The Committee also considered the outcome of the internal audit quality assurance and

improvement programme (QAIP). The Committee was pleased that internal audit practices continue to meet the required professional standards and therefore continued reliance could be placed on the results of internal audit work.

- continued to assess the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in each Directorate Risk Register.
- considered the annual report on partnership governance. The report included details of the County Council's current partnerships, changes which had occurred in the year and the arrangements in place to monitor the management and performance of key partnerships. The report included details of 60 partnerships. The reporting process helps to ensure that the governance arrangements of all high and medium risk partnerships are monitored on a regular basis.
- ensured that the ongoing work in relation to improvement issues on Corporate Governance, Information Governance (and in particular compliance with the UK General Data Protection Regulation and Data Protection Act), Business Continuity and Risk Management, was progressing
- considered the external audit plan prepared by Deloitte for the audit of the 2020/21 financial statements and the review of the County Council's arrangements for securing value for money;
- considered the arrangements made by the County Council for securing value for money
- reviewed the progress made to implement the Procurement and Contract Management Strategy, and the Strategy Action Plan.
- continued to scrutinise the Treasury Management arrangements of the County Council
- considered the Annual Report of the Head of Internal Audit expressing his opinion on the framework of governance, risk management and controls operating within the County Council. In giving an opinion, the Head of Internal Audit has recognised that Coronavirus has significantly affected the County Council over the last year, with a wide ranging impact on business operations, controls and risks.
- considered and approved the Statement of Accounts including the Annual Governance Statement of the County Council and the North Yorkshire Pension Fund submitted by the Corporate Director – Strategic Resources following detailed work by a sub group of the Committee.
- received details of the revised *Code of Practice on Local Authority Accounting 2019/20*. The updated Code resulted in certain changes to the classification and measurement of financial assets and the treatment of revenue from contracts. There was no impact as a result of these changes on the Statement of Accounts.
- received briefings on a number of topics including the Council's Treasury Management and Commercial Investment activities, the Property Rationalisation programme.
- reviewed its Terms of Reference and its own effectiveness.
- reviewed arrangements for Corporate Governance within the County Council including approval of changes to the County Council's Local Code of Corporate Governance
- received training on relevant topics

5.2 All this work has been used in supporting the preparation of the County Council's (ie this) Annual Governance Statement for 2020/21.

6.0 REVIEW OF EFFECTIVENESS

- 6.1 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. The review relates to the Governance Framework which has been in place at the County Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. Any issues identified as a significant governance issue are reported within the AGS, and the progress made by management in 2021/22 to address these issues will be reported regularly to the Audit Committee as the body charged with governance.
- 6.2 The review of effectiveness of governance and internal control systems is informed by the work of the Executive, the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment; by the Internal Audit function (as carried out by Veritau) and the Insurance and Risk Management Service; comments made by External Auditors and other review agencies and inspectorates. The Corporate Governance Officers Group is responsible for co-ordinating the review.

Delivery/Operational Area of Assurance

- 6.3 Management Board and all of the Corporate Directors have reviewed their service areas in relation to the governance and internal control procedures and confirm that the functions they are responsible for comply and conform to the Governance Framework. Significant governance issues are provided in section 7.
- 6.4 In addition the County Council has identified a suite of key performance indicators to help assess the effectiveness of its arrangements. These are reported quarterly to the Executive, and include the outcome of external inspections (see below in paragraph 6.6 for further details).

Oversight of Management Activity

- 6.5 A range of reports are produced annually or throughout the year from those responsible for the oversight of management activity which provide assurance on the operation of elements of the governance framework, including those listed below:
- The latest published version of the Constitution, and on the County Council website (see link above)
 - Annual Report of the Standards Committee – The Standards Committee consider and approve the annual report on the work undertaken by the Committee which includes a review of ethical framework developments, Members attendance at Committees, dispensations and complaints. There are 2 independent persons on the Committee who provide independent assurance in respect of ethical behaviour and conduct. No significant ethical failings were found and the report was approved at Full Council.
 - Counter Fraud annual report (including fraud and loss risk assessment) - the Audit Committee received and considered the annual report prepared by Veritau and the actions being taken to mitigate possible fraud risks. No significant frauds or losses occurred during the period.
 - Internal audit - the 2020/21 Head of Internal Audit Report and Opinion - provided “substantial” assurance in relation to the County Council’s framework of governance, risk management and control. In giving an opinion, the Head of Internal Audit has recognised that Coronavirus has significantly affected the County Council over the last year, with a wide ranging impact on business operations, controls and risks. Information governance remains an area that requires improvement. (see Section 7 for further detail)
 - Annual Report of the Audit Committee for the year ended 30 September 2020 – this is based on details of the work carried out by the Audit Committee and details of how the Audit

Committee has fulfilled its Terms of Reference. See paragraph 5 above for further details of the activities of the Audit Committee.

- Treasury Management and Investment Strategy Report- regular reports are provided to the Audit Committee throughout the year, with an Annual report presented to Full Council. This shows compliance with investment policy and strategy.
- Annual Information Governance Report - the Audit Committee is provided with an annual update on developments in the County Council's information governance arrangements and compliance with relevant legislation. Progress has been made in developing the County Council's information governance arrangements during the year. However information governance continues to be identified as a high risk area on the corporate risk register. This is in part due to the consequences should the County Council suffer a serious data breach. See also Section 7 for further details.
- Annual Partnership Governance Report – the Audit Committee is provided with an annual update on partnerships and noted that in 2020/21 none of the partnerships were identified as being high risk and there had been no governance failures in the year.
- Risk Management – the Audit Committee is provided with an annual update on the risk management process, and regular audits on the risk management strategy and process are also carried out. Internal Audit activities show that the Council is managing its risks appropriately.
- Self-assessment against the “Role of Chief Financial Officer” – confirmed conformance in all material respects.
- Local Safeguarding Children's Partnership - the Independent Scrutineer's Annual Report detailed the establishment of the North Yorkshire Safeguarding Children Partnership (NYSCP) which now undertakes the work formerly done by North Yorkshire Children's Trust and North Yorkshire Safeguarding Children Board. The aim of the Partnership is to ensure all children in North Yorkshire are safe, happy, healthy and achieving, agree the Vision and Values and Priorities from Young and Yorkshire 2 at the first meeting of the NYSCP full Strategic Partnership Group. The Group will also develop future working arrangements and plans for the new Partnership.
- Local Safeguarding Adults Board - the latest annual report noted work with the North Yorkshire Learning Disability Partnership Board and Inclusion North to produce easy read books about 'Keeping Safe' for those with learning disabilities. There has also been the creation of a webpage full of information and advice on how to keep safe during the Coronavirus. It should also be noted that there is a decrease in the number of safeguarding concerns received from the previous year. .
- Assurance is provided by the Monitoring Officer in relation to legality issues and a section 5 report is issued in circumstances where the County Council is not operating lawfully. No section 5 notices were issued during this period.
- Procurement and Contract Management - the Audit Committee is provided with an annual report on procurement and contract management activities. Activities this year included responding to the impact of Coronavirus and successfully sourcing personal protective equipment, sustaining a positive supply chain resilience, appropriate preparation for the end of the Brexit transition period and continuing delivery of savings.
- Attendance Management Annual Report – sickness absence is measured in number of FTE days lost and was 8 days per FTE in 2019/20, still amongst the lowest of county councils nationally. In the first 3 quarters of 2020/21 this decreased significantly with a projected 2020/21 figure of around 6.5 days. This reduction in sickness absence in year is seen nationally across sectors and is a response to Coronavirus whereby staff find it easier to manage illness where they are working from home and are less likely to feel they need to

declare themselves “off sick”. This will be considered as part of the work looking at working arrangements in the future and “the new normal” post Coronavirus. In addition the furloughing of around 800 staff will have impacted on absence levels. Work continues to support staff to be resilient and providing support with mental health issues, much of which is in response to life challenges and events.

- Numerous qualitative and quantitative returns have been provided to Government in response to Coronavirus.
- Assessment of compliance with the latest CIPFA Financial Management Code 2019 – the Audit Committee was provided with a report on a self-assessment and overview of compliance with the FM Code. See the link [CIPFA Financial Management Code report to Audit Committee in December 2020](#) for full details. The assessment found a high level of compliance with the Standards and no areas of significant concern. However some areas for improvement were identified and details can be found within the report along with the responsible officer or information. A further report will be provided to Audit Committee on progress of the identified areas ahead of the deadline for full compliance.

Independent Oversight

6.6 Independent oversight includes the following:

- *Ofsted outcomes for Primary and Secondary Schools*

Over the course of the past year, the proportion of all pupils in North Yorkshire primary schools graded as “Good” or “Outstanding” has fallen from 81.8% at January 2020 to 80.5% at December 2020, the national rate rose slightly from 87.7% to 88.2% over the same period.

Similarly, the proportion of all pupils in “Good” or “Outstanding” North Yorkshire secondary schools has fallen from 76.7% to 74.4% over the course of the year, whereas there was a slight increase nationally from 76.1% to 76.5%.

However, these statistics need to be considered against the wider picture, which saw Ofsted suspend routine graded inspections early in 2020/21, and a move to remote monitoring inspections of schools judged as “requires improvement” or “inadequate”. This means that a number of schools which may not have been previously graded as “good” or “outstanding” have not had the opportunity to be fully re-inspected and demonstrate the improvements that have been made since the schools’ previous inspection.

- *GCSE Examinations*

Our children continue to out-perform their peers across England at GCSE. In 2020 despite radical changes to assessment practices (cancellation of exams, use of algorithms and teacher assessment), 54% of children achieved a grade 9-5 in both English and Maths this year in North Yorkshire, compared to 50% nationally.

- *Care Market Quality*

Care Quality Commission (CQC) published inspection results show that the proportion of social care service provision in the County that is rated “good” or better (88.6%) remains higher than the national (84.6%) and regional (84.0%) averages. For in-house service provision this figure is higher still, at 97.3%.

- *Increasing Public Satisfaction with Highways and Transportation*

The 2020 National Highways and Transportation public satisfaction survey showed an increase in public satisfaction with the majority of the key measures including overall satisfaction with highways and transportation. For these key indicators, performance is in the top or second quartile nationally.

- *Kickstart*
Under the Government's "Kickstart" scheme, part of their plan for jobs in response to Coronavirus, NYCC has plans approved to become a gateway organisation which will offer 33 placements for young people within NYCC, and a further 205 placements within 46 partner organisations.
- *Ombudsman Investigations*
In 2020/21 there were 28 Ombudsman investigations received. 35 decisions were made (some cases go across financial years), 44 of which were upheld. The Ombudsman paused investigations at the beginning of the pandemic so numbers are lower than usual.

7.0 SIGNIFICANT GOVERNANCE AND BUSINESS CHALLENGES

- 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. It also needs to be recognised that the current external challenges to local government and the wider public sector are such that there are an unparalleled number of business risks and challenges; an effective governance framework therefore helps but cannot by itself eliminate such issues.
- 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 2020/21. **There were, however, some areas identified which require attention either as a result of weaknesses or as a result of external challenges. The most significant of these areas (ie business challenges and Coronavirus recovery) are set out below in a spirit of ensuring continuous improvement of governance; internal control arrangements; and service delivery.**
- 7.3 At the time of writing the items included in the table below represent the list of key issues requiring attention in 2021/22.

Significant Governance and Business Challenges requiring attention in 2021/22	
Challenge	
A1	Information Governance The Council continues to need to ensure that information is properly managed. Information should be managed effectively and used to its full potential whilst ensuring the confidentiality, integrity and availability of the information. However, there continues to be inherent risks with how information is handled and kept secure (responsible officer: Senior Information Risk Owner)
Actions	
a)	Deliver a revised Information Asset Register template along with required communication, guidance and training for all Asset Owners (by Dec 2021)
b)	Develop or update Privacy Notices to reflect new data processing activities demonstrating transparency and the rights of the Data Subject and review and update of all pre-existing Privacy Notices to reflect new template (by Mar 2022)
c)	Deliver a revised assessment for data protection template, and carry out an awareness campaign and training. (by Dec 2021)
d)	Continue to work with services to improve classification and retention of documents and where they should be stored to ensure maximum use is made of system opportunities (by Mar 2022)

e)	Ensure that Information Governance Framework policies are reviewed on an annual basis.
f)	Continue to be certified to high standards for Information Security. Annual review November 2021.
g)	Roll-out new training on Information Security and General Data Protection Regulation to improve awareness of all staff on identifying potential threats and working securely wherever they are working. To start from September 2021.
h)	Review the way data breach incidents are handled and categorised to improve consistency and enable the County Council to increase its understanding of where information risks arise (by Dec 2021)
Challenge	
A2	Coronavirus The County Council has been at the forefront of responding to Covid-19 in North Yorkshire. This includes delivering the public health function; working with health to arrange discharge from hospital for Covid patients; supporting care homes; leading on outbreak management; supporting schools; supporting vulnerable people and people who are self-isolating in communities; promoting local businesses; and playing a leadership role with the Local Resilience Forum. In addition to responding to the pandemic there is a need to plan and deliver as part of the recovery, to move to the "Living with Covid" phase whilst being able to maintain the ability to respond as cases of Covid increase in any subsequent waves (responsible officers: Management Board).
Actions	
a)	We will continue to protect the health and well-being of our residents and the local economy; we will work with our partners to promote the recovery from the pandemic (ongoing)
b)	Implement and monitor a countywide framework for economic recovery for example, providing the County Council's response to COVID-19 economic recovery, and focussing on supporting the well-being of our residents, businesses and visitors.
c)	Work with partners including the Local Enterprise Partnership, to support skills and training provision in North Yorkshire, especially as we emerge from the COVID-19 pandemic and adapt to new ways of working.
d)	Through NYCC's Trading Standards and licensing functions, continue to support legitimate businesses to trade successfully, recover from the economic impact of the COVID-19 pandemic and promote good growth.
e)	Review and update the Outbreak Management Plan as required, and at least quarterly, to prevent, identify and manage Covid-19 outbreaks throughout the county including communities, care homes, schools and businesses (ongoing)
f)	As part of the post "Living with Covid" phase, lead the overall responsibility for the multi-agency management and response to the Covid-19 outbreak across North Yorkshire. (ongoing monthly meetings)
g)	Deployment of resources to support key areas of priority on an as and when basis. Ensure that financial impact of COVID is reported to Executive through Quarterly Monitoring reports and is addressed in the budget. Ensure that spending is tracked to comply with any national grant conditions.
Challenge	
A3	Local Government Reorganisation Consideration has been given to local government reorganisation and a proposition for a single unitary council for North Yorkshire has now been approved by the Secretary of State. Work is now beginning to plan and deliver the new council by 1st April 2023, alongside seeking to secure a devolution deal for York & North Yorkshire (responsible officer: Chief Executive)
Actions	
a)	Approval of governance arrangements for the transition to the new council (informal by Oct 2021, formal following Structural Change Order).
b)	Development of transition documentation and plans and establishment of programme management arrangements to support delivery within the timetable laid out by the Secretary of State (by Oct 2021).
c)	Approval of Transition Budget and associated Resource plans to support transition (by Oct 2021).
d)	Production and approval of the Structural Change Order as the legal instrument for change, including formal governance arrangements and ward arrangements for the new council (by Feb 2022).

e)	Implementation of the new unitary Council in line with the timetable laid out by the Secretary of State (by 1 April 2023).
f)	Continue to progress and secure devolution deal for York and North Yorkshire.
Challenge	
A4	Financial Uncertainty The financial outlook for local government is subject to significant uncertainty and volatility as a result a number of external factors including, Brexit, Covid-19, and associated economic impacts along with the Government's plans for future funding frameworks for local government as a whole and Local Government Re-organisation in North Yorkshire. The Medium Term Financial Strategy approved February 2021 identifies a further £39.5m recurring savings will be required by 2023/24. (responsible officer: Corporate Director Strategic Resources)
Actions	
a)	Use of specialist advisors and relevant professional organisation technical teams (e.g. Society of County Treasurers) to identify and understand the financial implications of government proposals (ongoing)
b)	Explore potential future developments, in consultation with services to identify potential issues early (ongoing)
c)	Anticipate change, prepare responses and create strategies as part of budget setting to identify the financial implications of different assumptions (by end of November 2021)
d)	Twice a year review of reserves and maintenance of healthy reserve balances which can be used to offset short to medium term financial turbulence (including implementation costs of Local Government Reorganisation) whilst enabling longer term management of financial challenges (ongoing)
e)	Undertake risk reviews to identify significant areas of financial risk and where appropriate make financial provision as part of the budget/Medium Term Financial Strategy process, e.g. Brexit, Health and Adult Services care market pressures (by end of November 2021)
f)	Management of a £10m contingency to meet exceptional and unpredictable budget pressures as we move through the Covid pandemic (as and when required throughout this financial year)
g)	Undertake robust financial forecasting with all services in-year to enable emerging issues to be captured and managed as appropriate (ongoing on a quarterly basis)

8.0 CONCLUSION

- 8.1 The County Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, the County Council has a duty to seek continuous improvement and will take steps in 2021/22 to further enhance governance arrangements.
- 8.2 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 2021/22. Reports on progress will be submitted to the Audit Committee.
- 8.3 The governance arrangements that are in place have proved to be robust as they have managed to withstand unforeseen developments such as Coronavirus. As Local Government Reorganisation for the County Council and the District Councils takes place in North Yorkshire, preparations for appropriate governance arrangements will be developed for the successful transition to a new unitary Council.

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 significant governance and business challenges and will monitor their implementation and operation as part of the next annual review.

Signed:

Cllr Carl Les
Leader of the County Council

Date: 25th October 2021

Richard Flinton
Chief Executive

Date: 25th October 2021

- 9.2 I confirm that the Audit Committee (meeting on the 25th October 2021) was satisfied, on the basis of the information available to it, that this Annual Governance Statement for 2020/21 has been prepared and approved after due and careful enquiry.

Cllr Clifford Lunn
Chairman of the Audit Committee

Date: 25th October 2021

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 the last day of the financial year (31st March).

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.

Debtors

Amounts owed to the County Council at the last day of the financial year (31st March) 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

FVOCI

Financial Assets Measured at Fair Value through Other Comprehensive Income

FVPL

Financial Assets Measured at Fair Value through Profit or Loss

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 the current financial year relating to services to be delivered in the following financial year.

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.

MHCLG

Ministry of Housing, Communities and Local Government (formerly DCLG - Department of Communities and Local Government).

MTFS

Medium Term Financial Strategy

NAHT

National Association of Head Teachers.

NASUWT

National Association of Schoolmasters Union of Women Teachers.

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.

NEU

National Education Union (formerly NUT National Union of Teachers and ATL Association of Teachers and Lecturers).

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.

NYES

North Yorkshire Education Services.

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.

PPP

Public Private Partnership. A long-term contract between a private party and a government entity for providing a public asset.

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 the current financial year that relate to goods and services not received until the following financial year.

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.

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.

VOICE

This is a union for Education Professionals.

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.

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NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 OCTOBER 2021

ANNUAL REPORT OF THE AUDIT COMMITTEE

Report of the Chair of the Audit Committee

1.0 PURPOSE OF THE REPORT

- 1.1 To enable Members to consider the draft annual report of the Audit Committee for the year ended 30 September 2021, prior to its submission to County Council.

2.0 ANNUAL REPORT

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance which recommends that audit committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this Audit Committee is attached at **Appendix 1**. A copy of the Audit Committee's Terms of Reference is attached to the report as **Appendix A**, for information.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members:

- (i) note this report; and
- (ii) consider and approve the draft annual report of the Audit Committee prior to its submission to the County Council.

Cllr Cliff Lunn
CHAIRMAN OF THE AUDIT COMMITTEE

BACKGROUND DOCUMENTS

Relevant public reports presented to the Audit Committee and minutes of the meetings of the Audit Committee

Report prepared by Max Thomas, Head of Internal Audit and presented by Cllr Clifford Lunn, Chair of the Audit Committee

County Hall
Northallerton

6 October 2021

PURPOSE OF THE REPORT

To provide Members of the County Council with details of the work carried out by the Audit Committee during the year ended 30 September 2021. The report also details how the Audit Committee has fulfilled its Terms of Reference during this period.

BACKGROUND

The Audit Committee is responsible for overseeing the County Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in Schedule 1 of the Constitution under the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is attached at **Appendix A** for information.

Audit Committees are a key component of corporate governance and provide an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees are operating effectively¹. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

WORK UNDERTAKEN AND OPINION

The Audit Committee has met on 5 occasions during the year. This had enabled the Committee to monitor the adequacy and effectiveness of the County Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers and the internal auditors, Veritau. The Committee has also received reports from the external auditors, Deloitte.

As would be expected, the Committee has focused attention on the impact of the Covid-19 pandemic on the Council's priorities and risks, and its framework of controls and governance. Despite the challenges caused by the pandemic, the Audit Committee is satisfied that the County Council has maintained an adequate and effective control framework through the period covered by this report.

The specific work undertaken by the Committee is set out below.

¹ CIPFA – Audit Committees Practical Guidance for Local Authorities and Police, 2018

The Committee:

External Audit

- 1 Received regular progress reports and updates from the external auditors, Deloitte on the annual audit of the County Council and the North Yorkshire Pension Fund. It was noted that the 2019/20 audit had been particularly difficult with audit work conducted remotely during lockdown and the Council's finance teams under pressure due to the additional tasks caused by the pandemic. The 2020/21 audit is progressing and the external auditors have not identified any matters of concern. However, it was noted that Deloitte would not be able to sign-off their audit of the accounts by the deadline of 30 September 2021 due to issues identified by the Financial Reporting Council's (FRC's) Audit Quality Team who had carried out an inspection of Deloitte's file for the 2019/20 audit. The inspection had identified a number of deficiencies in the previous year's audit which meant further audit testing was now required. The Committee expressed its disappointment for the delay and noted the impact it would have on the Council's finance teams;
- 2 Received and considered the Deloitte's report on the 2019/20 audit. The Committee was pleased to note that the external auditors had not raised any significant issues and intended to issue unqualified audit opinions for both the County Council and the North Yorkshire Pension Fund. Deloitte also intended to issue an unqualified value for money conclusion and an unqualified opinion on the Whole of Government Accounts return. It was noted that Deloitte also intended to highlight the uncertainties to the valuation of the Council's property portfolio caused by the Covid-19 pandemic;
- 3 Considered the external audit plan prepared by Deloitte for the audit of the 2020/21 financial statements and the review of the County Council's arrangements for securing value for money. It was noted that a new Code of Audit Practice had been issued by the National Audit Office which means the Annual Audit Letter will be replaced by a new 'Auditor's Annual Report'. The new Code will also mean that the auditor's conclusion on value for money will be replaced with a narrative commentary;

Internal Audit

- 4 Continued to oversee the internal audit arrangements for the County Council and North Yorkshire Pension Fund;
- 5 Received and considered the results of internal audit work performed in respect of each Directorate and across different thematic areas. Monitored the progress made by management during the period to address identified control weaknesses;
- 6 Approved the Internal Audit Plan for 2021/22. The plan ensures that limited internal audit resources are prioritised towards those systems and areas which are considered to be the most risky or which contribute most to the achievement of the County Council's corporate objectives. The Committee noted that the plan is flexible and will be kept under review to ensure it continues to reflect the changing risk environment and the County Council's priorities;

- 7 Monitored the delivery of the annual Internal Audit work programme through regular update reports presented by the Head of Internal Audit. Reviewed changes to the work programme to reflect new or changed County Council priorities;
- 8 Received and considered the Annual Report of the Head of Internal Audit for 2019/20 which provided an overall opinion on the County Council's control environment. The Committee noted that the work of internal audit is primarily focused on those areas which represent the highest risk for the County Council. The Head of Internal Audit confirmed that the Council's framework of governance, risk management and control provided substantial assurance. In forming this opinion, the Head of Internal Audit had considered the progress made by management during the year to address identified control weaknesses. The Head of Internal Audit also highlighted information security as being an area which required continuing attention;
- 9 Considered the outcome of the internal audit quality assurance and improvement programme (QAIP). The Committee was pleased that internal audit practices continue to meet the required professional standards and therefore continued reliance could be placed on the arrangements operating within the County Council;
- 10 Counter Fraud
- 11 Received regular reports outlining the key fraud risks facing the public sector and local government. The Committee also received details of the updated national strategy for managing the risks of fraud and corruption within local government; *'Fighting Fraud and Corruption Locally – a Strategy for the 2020s'*.
- 12 Considered the results of the annual fraud risk assessment and approved the County Council's updated Counter Fraud Strategy. The Committee also noted the results of the fraud investigations conducted during 2020/21 which helped to deliver savings of £93k.

Financial Statements

- 13 Approved the 2019/20 Statement of Accounts for the County Council and the related letter of representation;

Risk Management

- 14 Continued to oversee the County Council's risk management arrangements and strategy;
- 15 Reviewed the progress made by the County Council to identify and address corporate risks. This included consideration of the updated Corporate Risk Register and the relevant mitigating actions. At the time of the report (in December 2020) a number of the existing risks had been modified to reflect developments during the year including the impact of the Covid-19 pandemic and local government reorganisation. The Committee recognised that the Covid-19 pandemic had resulted in a significant level of strain being placed on the Council's normal operating arrangements. The pandemic had also had an adverse impact on the health and wellbeing of residents and staff, and resulted in potential damage to the local economy, the education of children and young people, and the financial position of the Council;

- 16 Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in each Directorate Risk Register. The Committee also noted the outcomes of workshops which had helped to identify risks associated with a number of specific activities or projects (for example the establishment of the NY Highways 'Teckal' company and the development of the new Middle Deepdale School in Scarborough);

Corporate Governance

- 17 Considered changes to the Local Code of Corporate Governance prior to approval;
- 18 Approved the Annual Governance Statement for 2019/20;
- 19 Received details of the latest update to the Corporate Governance self-assessment checklist, the improvements made to the County Council's governance arrangements during the year as well as future planned improvements, and the changes that were required in decision making due to the Covid-19 pandemic;
- 20 Considered the annual reports on partnership governance for 2019/20 and 2020/21. The reports included details of the County Council's current partnerships, changes which had occurred during each year and the arrangements in place to monitor the management and performance of key partnerships. The report included details of over 50 partnerships. The governance arrangements of all high and medium risk partnerships are monitored on a regular basis. The Committee noted that none of the partnerships were identified as being high risk and there had been no governance failures during either year. The Committee also noted a number of changes that had occurred during the last two years, including the creation of the North Yorkshire Safeguarding Children Partnership (NYSCP), the Harrogate Rural Alliance, the Borders to Coast Pension Partnership, the North Yorkshire Outbreak Management Board (in response to the Covid-19 pandemic) and the Market Development Board (for adult social care). The Committee concluded that partnership governance remains effective and the existing arrangements are proportionate and commensurate to the risks;
- 21 Received a report outlining the work of the Procurement and Contract Management Service during the year. The report included details of the actions taken in response to the Covid-19 pandemic, including the procurement of personal protective equipment (PPE) and the creation of a supply chain resilience process to ensure service continuity and to create the conditions to allow suppliers to resume normal contract delivery once the pandemic was over. Plans had also been developed to ensure continuity of supply in the event of a no-deal Brexit. The Committee noted that the Procurement and Contract Management Service continued to play a leading role in developing regional and national strategy within local government. The Committee was also pleased that the Service had been highly commended in the Team of the Year Award for Local Government at the GO National Awards;
- 22 Considered the ongoing work of the Corporate Information Governance Group (CIGG) which is responsible for updating the corporate information policy framework, identifying new or emerging risks, sharing best practice, and monitoring compliance with corporate information governance standards. The Committee received details of the work done to mitigate cyber security risks and to comply with the requirements of the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018. The Committee was also informed of the work undertaken in response to the

Covid-19 pandemic which included updating privacy notices, preparing new data sharing agreements with partner organisations and issuing guidance on document retention and safe data protection practices to staff working at home. The Committee also considered recent data security incidents and the move to MS Office 365. The Committee shares the view that information governance remains a key corporate risk;

- 23 Received a report outlining the County Council's current resilience and business continuity arrangements. The report provided details of the Business Continuity Policy and Plan and how the County Council had responded to the Covid-19 pandemic and a number of other challenges;

Financial Management

- 24 Received a report outlining the new Financial Management Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in October 2019. The Code applied from April 2020 onwards although the first year was considered to be a transitional period. The Committee noted the results of a self-assessment of the County Council's compliance with the Code. This showed a relatively high level of compliance but also identified some areas for improvement. It was noted that officers proposed to take further action to ensure full compliance in 2021/22;
- 25 Received details of possible future changes to the timetable for publishing the audited accounts. The Committee also noted that the anticipated change in the treatment of leases had been delayed until 2022/23 due to the Covid-19 pandemic. The change in treatment results from the adoption of IFRS 16, and will result in the reclassification of certain operating leases. This will impact on the balance sheet, the comprehensive income and expenditure statement and the cash flow statement. Additional disclosures will also be required. The change could also have an impact on the Council's prudential borrowing.

Other

- 26 Considered the County Council's arrangements for securing value for money. The Committee noted that the new Code of Audit Practice requires the external auditors to consider and report on the arrangements for achieving financial sustainability, good governance, and economy, efficiency and effectiveness in the delivery of services. The report outlined the existing framework for planning, decision-making, managing resources and reporting outcomes in respect to service delivery. This includes the Council Plan, Medium Term Financial Strategy, Beyond 2020 transformation programme, service planning arrangements and the quarterly performance reports;
- 27 Received a report outlining the outcome of the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond Review). The review was undertaken by Sir Tony Redmond and considered the effectiveness of the current arrangements for external audit including the fee structure, scope of work and the level of assurance provided. The review also considered the existing regulatory framework and the need to improve transparency of local government finance. The report provided details of the key findings and conclusions from the review and the recommendations made to the Government. The Committee considered the potential impact to the financial reporting process if

the recommendations contained in the report were adopted although it was noted that some of the recommendations would require changes to legislation;

- 28 Continued to scrutinise the County Council's treasury management arrangements. This included reviewing the updated Treasury Management Strategy for 2021/22. The Strategy includes details of treasury indicators covering the investment of surplus funds, the future investment and borrowing strategies, capital financing and expenditure plans and the associated prudential indicators, and a minimum revenue provision (MRP) policy;
- 29 Considered proposed changes to the County Council's Property Procedure Rules;
- 30 Considered the results and recommendations from the member working group established to review the effectiveness of the Audit Committee. The working group concluded that the Committee adds value and is generally effective in promoting good governance and the maintenance of appropriate risk management and control arrangements within the Council. A number of areas of good practice were identified including the ability to question Corporate Directors, the appointment of independent Members to the Committee and the time allowed to discuss substantive matters. The working group also identified some areas requiring change or improvement, including the need to adopt a more structured approach to Member training and the need to do more to explain the role and purpose of the Committee to the rest of the Council, and the relationship between the Committee and the Council's Executive, Scrutiny functions and Standards Board;
- 31 Reviewed the progress which had been made by officers to address other issues raised at meetings of the Committee;
- 32 Received briefings from officers on the governance of the County Council's owned companies and the pension fund;
- 33 During the year, the Committee continued to benefit from the attendance and participation of its three independent members, David Portlock, David Marsh and Nick Grubb. I would like to extend my thanks to them for their contribution to the work of the Committee and their ongoing diligence, enthusiasm and support;
- 34 No changes are considered necessary to the Committee's Terms of Reference

Councillor Clifford Lunn
Chairman of the Audit Committee

AUDIT COMMITTEE

TERMS OF REFERENCE

1. In respect of **Internal Audit**

- to approve the Internal Audit Charter, Annual Audit Plan and performance criteria for the Internal Audit Service.
- to review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary.
- to review the effectiveness of the anti-fraud and corruption arrangements throughout the County Council.
- consider the annual report from the Head of Internal Audit.
- to obtain assurance that the work of internal audit conforms to the Public Sector Internal Audit Standards.

2. In respect of **External Audit**

- to ensure the independence of External Audit is maintained
- to review the annual audit plan and monitor its delivery

3. To review, and recommend to the Executive, changes to Contract, Finance and Property Procedure Rules.

4. In respect of **financial statements**

For both the County Council and the North Yorkshire Pension Fund

- to approve the respective annual Statements of Final Accounts
- to receive and review the Annual Audit Letters and associated documents issued by the External Auditor
- to review changes in accounting policy

5. In respect of **Corporate Governance**

- to assess the effectiveness of the County Council's Corporate Governance arrangements
- to review progress on the implementation of Corporate Governance arrangements throughout the County Council
- to approve Annual Governance Statements for both the County Council and the North Yorkshire Pension Fund
- to liaise, as necessary, with the Standards Committee on any matter(s) relating to the Codes of Conduct for both Members and Officers
- to work with the Standards Committee to promote good ethical standards within the County Council
- to review the arrangements in place for ensuring good governance in the County Council's key partnerships and owned companies

6. In respect of **Risk Management**

- to assess the effectiveness of the County Council's Risk Management arrangements.
- to review progress on the implementation of Risk Management throughout the County Council.

7. In respect of **Information Governance**

- to review all corporate policies and procedures in relation to Information Governance.
- to oversee the implementation of Information Governance policies and procedures throughout the County Council.

8. In respect of **Treasury Management**

- to be responsible for ensuring effective scrutiny of the County Council's Treasury Management strategy and policies as required by the CIPFA Treasury Management Code of Practice.
- To review these Treasury Management strategies, policies and arrangements and make appropriate recommendations to the Executive.

9. In respect of **Value for Money**

- to have oversight of the arrangements across the County Council in securing Value for Money.

10. To consider any other relevant matter referred to it by the County Council, Executive or any other Committee. In addition any matter of concern can be raised by this Committee to the full County Council, Executive or any other Member body.

11. To exercise all functions in relation to the making and changing of policy relating to such audit and counter-fraud matters which fall within the remit of the Committee (save as may be delegated otherwise).

12. To periodically review the effectiveness of the Audit Committee itself.

13. To meet not less than four times a year on normal business and review its Terms of Reference on an annual basis.

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NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 OCTOBER 2021

INTERNAL AUDIT WORK FOR THE BUSINESS AND ENVIRONMENTAL SERVICES DIRECTORATE

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the internal audit work performed during the year ended 30 September 2021 for the Business and Environmental Services (BES) directorate.

2.0 BACKGROUND

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to the Business and Environmental Services (BES) directorate, the Committee receives assurance through the work of internal audit (as provided by Veritau) as well as receiving a copy of the latest directorate risk register.
- 2.2 This agenda item is considered in two parts. This first report considers the work carried out by Veritau and is presented by the Head of Internal Audit. The second part is presented by the Corporate Director and considers the risks relevant to the directorate and the actions being taken to manage those risks.

3.0 WORK CARRIED OUT DURING THE YEAR ENDED 30 SEPTEMBER 2021

- 3.1 Details of the work undertaken for the directorate and the outcomes of these audits are provided in **Appendix 1**. The Covid-19 pandemic has caused some delays in audit work over the last year. A number of other audits are therefore currently at draft report stage or fieldwork is progressing. No significant issues have been identified in the work completed to date.
- 3.2 Veritau has also been involved in carrying out a number of other assignments for the directorate. This work has included;
- Providing ad-hoc advice on various control issues
 - Auditing and certifying a number of grant returns such as the Local Transport Plan, the Local Enterprise Partnership (LEP) Growth Hub, Local Authority Bus Subsidy Grant, Transforming Cities Fund and Covid-19 related support such as the Bus Service Support Grant and the Travel Demand Management Grant. For each grant we review relevant supporting information to ensure expenditure has been incurred in accordance with the scheme conditions

- Meeting with BES management and maintaining ongoing awareness and understanding of key risk areas such as highways maintenance, planning and waste services
 - Specific matters raised via 'whistleblowing' procedures
- 3.3 As with previous audit reports, an overall opinion has been given for each of the specific systems or areas under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in control identified. Where weaknesses are identified then remedial actions will be agreed with management. Each agreed action has been given a priority ranking. The opinions and priority rankings used by Veritau are detailed in **appendix 2**. Where the scope of the audit work is limited or the audit focused on value for money or the review of specific risks as requested by management then no audit opinion will be given. The work completed for the directorate and the opinions given following each audit contribute to the annual report and opinion of the Head of Internal Audit.
- 3.4 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau follow up all agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. **On the basis of the follow up work undertaken during the period, the Head of Internal Audit is satisfied with the progress that has been made by management to implement previously agreed actions necessary to address identified control weaknesses.**
- 3.5 The programme of audit work is risk based. Areas that are assessed as well controlled or low risk are reviewed less often with audit work instead focused on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern.

4.0 **RECOMMENDATION**

- 4.1 That Members consider the information provided in this report and determine whether they are satisfied that the internal control environment operating in the Business and Environment Services Directorate is both adequate and effective.

MAX THOMAS
Head of Internal Audit

Veritau Ltd
County Hall
Northallerton

6 October 2021

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau.

Report prepared by Stuart Cutts, Assistant Director – Audit Assurance, Veritau and presented by Max Thomas, Head of Internal Audit, Veritau

AUDIT REPORTS ISSUED IN THE YEAR ENDED 30 SEPTEMBER 2021

	System/ Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken
A	Trading Standards	Substantial Assurance	<p>Trading Standards uses a 'Filter & Matrix' system to assess, record and action all service requests and complaints received. The service also hosts:</p> <ul style="list-style-type: none"> • NYtech which provides digital forensics' services across the UK • the National E-Crime unit, under an agreement with National Trading Standards. <p>The audit reviewed whether:</p>	November 2020	<p>The 'Filter and Matrix' system was being used effectively and had supported decision making on the responses to consumer advice cases.</p> <p>All the cases we reviewed were recorded correctly with sufficient information entered on the case management system. The cases had also been appropriately discussed, reviewed, and re-scored, where necessary.</p> <p>Appropriate governance and financial monitoring was in place for NYtech. All staff members of the National E-Crime unit had been appropriately vetted. All mandatory corporate training and technical CPD training had also been completed appropriately and was up to date.</p> <p>Expenditure on goods and services below £25k was not always following NYCC procedures (including the need to complete a best value form) or ISO17025 (that all purchases should</p>	<p>2 P3 actions were agreed.</p> <p>Responsible Officer: National E-Crime Co-ordinator</p> <p>A procurement plan developed for the E-Crime lab, consistent with NYCC and ISO 17025 policies is to be produced. Appropriate records of all procurements retained to evidence best value.</p> <p>An E-Crime training plan, establishing role specific training requirements will be put in place for all NYCC contracted staff within the team.</p>

	System/ Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken
Page 241			<ul style="list-style-type: none"> The Filter & Matrix system was being used effectively The performance of NYtech was being regularly monitored The E-Crime unit performed key processes in line with the council's procedures. 		<p>only be made from suppliers on an Approved Suppliers List).</p> <p>Whilst members of the E-crime team had training plans for each individual, both NYCC and ISO17025 require training plans to be role based.</p>	
	Fleet Management	Substantial Assurance	<p>The audit reviewed the systems and processes operating within the fleet management service to determine whether:</p> <ul style="list-style-type: none"> The processes for procurement and leasing are operating effectively 		<p>The Council has a framework for purchasing and leasing vehicles which the Procurement Assurance Board, and the Assistant Director (IPT) have reviewed and approved. Other appropriate supporting processes and documentation are also in place.</p> <p>All long-term and short term hire arrangements reviewed had been made in line with the framework agreement. However, the Fleet Management procedure notes for procurement do not clearly outline authorisation</p>	<p>1 P3 action was agreed.</p> <p>Responsible Officer: Assistant Director – BES</p> <p>A form has recently been designed which outlines the required authorisation for orders. The form will be used for all future orders.</p>

	System/ Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken
Page 242			<ul style="list-style-type: none"> All vehicles are subject to appropriate servicing and maintenance, and systems enable adequate management of this function All expenditure is appropriately authorised and accurate payments are made, including the use of fuel cards 		<p>requirements from the service area requesting the vehicle.</p> <p>The Council currently uses a spreadsheet for documenting MOT and servicing information which is time consuming and resource intensive to maintain. The Council is in the process of procuring a new fleet management system which should remove the need to use spreadsheets and enable processes to be automated.</p> <p>Council records at the time of the audit showed all required MOT's and services had been completed.</p> <p>The process in place for the payment of invoices, orders and allocating and managing fuel cards was operating as expected.</p>	
C	Highways Opening Balances	No opinion given	On 1 June 2021 North Yorkshire Highways (a Council owned Teckal company) became responsible for maintaining the road	June 2021	<p>Officers agreed schedules and prices of all assets in advance of the transfer.</p> <p>On the morning of 1 June 2021, we visited three Highways sites and reviewed and compared the assets 'on-site' with those included on the previously agreed schedules. In the</p>	All identified discrepancies followed up as necessary. No further action required.

	System/ Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken
Page 243			<p>network in North Yorkshire.</p> <p>Council officers worked closely with the previous contractor (Ringway) to help identify and agree those assets which transferred to the new organisation.</p> <p>Veritau worked closely with officers, and external audit to plan site visits to provide management and external audit with sufficient assurance over the existence of those assets being transferred.</p>		majority of instances we confirmed the existence of the assets on the lists provided. There were a small number of minor differences, details of which were provided to NY Highways and NYCC to investigate further.	
D	Countryside Services – follow up	No opinion given	Following an audit in 2019/20 a number of areas were identified as requiring	October 2021	We found that good progress has been made in addressing the weaknesses identified in the 2019/20 audit report.	Further audit follow up work will be undertaken to confirm the remaining issues have been addressed.

	System/ Area	Audit Opinion	Areas Reviewed	Date Finalised	Comments	Action Taken
Page 244			improvement in the management and operation of the service. The final report was issued in June 2020. This audit reviewed the progress made by management to implement the agreed actions from the previous audit report.		<p>A new Principal Definitive Map Officer was appointed in December 2020, training objectives have been developed, changes have been made to the allocation of work and a new case management system has been implemented. The team also now review the risk register every six months, and the results are shared with the wider Countryside Access Services Team. Service planning and performance management have also improved.</p> <p>Whilst good progress has been made by the Service there are still a number of areas where further work is required. An increase in the number of applications for Definitive Map Modification Orders (DMMOs) and the impact of Covid-19 has also resulted in a backlog of case work. Performance remains below target and additional resources have therefore been allocated to the Service to help address the issue.</p>	

AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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North Yorkshire County Council

Audit Committee

25 October 2021

Internal Control Matters for the Business and Environmental Services Directorate

Report of the Corporate Director – Business & Environmental Services

1.0 Purpose of the report

- 1.1 To provide an update to members of progress against the areas for improvement identified through internal procedures.
- 1.2 To provide details of the latest Risk Register for the Business and Environmental Services (BES) Directorate.

2.0 Background

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to the BES Directorate, the Committee receives assurance through the work of internal audit (detailed in a separate report to the Committee) and the Directorate Risk Register.
- 2.2 To ensure governance and internal control matters are monitored on an on-going basis the BES Management Team receives and considers a report on a quarterly basis.

3.0 Directorate Update

The main areas of note for the Directorate are:

COVID-19

- 3.1 The impact of COVID-19 has been extensive across all walks of life and whilst it is too significant to ignore for this report, in the same breath, it cannot be covered in great detail; and so, this section will cover the impact and response by each service in the Directorate at a relatively high level.

Highways & Transportation

- 3.1.1 The key focus for the highways service was to deliver as close to a business as usual service as possible throughout the pandemic whilst also providing traffic management and safe access to local public spaces, e.g. temporarily widening footways into town centres to facilitate social distancing, temporary traffic management measures to address queueing at household waste recycling centres (HWRCs).
- 3.1.2 Support to Ringway and then North Yorkshire Highways (NYH) from 1 June 2021 – as the front-line delivery agency – to help ensure staff on the ground were and are able to operate in a relatively low risk & safe environment. This was and continues to be critical in making sure the roads in North Yorkshire are open to travel. Looking ahead and, as we approach the winter period, the service once again has prepared for a possible further wave of COVID-19 coupled with poor weather. The service,

working closely with suppliers including NYH, continue to review business continuity & service resilience plans.

Waste Management

- 3.1.3 One of the immediate responses to lockdown and, for the safety of public and staff, led to the closure of HWRCs. Naturally this created pressure elsewhere within the waste management system plus required additional public communication. Subsequently it was determined safe for a phased reopening of those sites and working with the Highways service & Yorwaste safe practice was put in place to reduce risk to individuals, for example traffic management measures were imposed to control numbers of people on site at any one time.
- 3.1.4 On behalf of NYCC, waste transfer operations are completed through Yorwaste. It was and continues to be important that front-line staff are able to complete their activities in a relatively safe way. Aside from HWRCs, Yorwaste manage a number of waste transfer stations across the county. These sites are critical to how waste moves from collection to disposal and so ensuring continued operation is important to the overall delivery of the service. Yorwaste have put safety measures in place to reduce risk, as far as able, to allow the operation to continue. For example, the company has placed emphasis on the health & safety of staff and has received recognition on its good practice (e.g. ISO 45001).

Integrated Passenger Transport (IPT)

- 3.1.5 The Public Transport team covers three main areas of travel: home to school transport (H2S), public transport and local bus services, and meeting internal staff demand for transport through fleet management.
- 3.1.6 Demand for H2S transport is clearly aligned to schools being open. With schools open, the challenge is providing services adhering to Government policy on safe practice. On one level, this is simply requiring the driver to wear a facemask, however a more complex level is the necessity for social distancing getting on and off the vehicle but also in the vehicle itself. The service continues to react to updates in guidance and also regularly communicates with parents and schools.
- 3.1.7 When schools were closed during lockdown this resulted in a significant reduction in demand for public transport which continues and there is substantial risk that local travel operators are at risk of insolvency. For NYCC to provide long term H2S transport services as well as help support public transport in the county, it has been important to provide support to the sector throughout COVID-19. As well as Government funding, NYCC has provided direct financial aid to bus operators in the area. NYCC's Supply Chain Resilience Board has provided support and advice to bus operators via the IPT service (e.g. advice on the furlough scheme) as well as financial stimuli directly to operators. Whilst it is too soon to call on the long-term impact of this activity, feedback from the sector has been resoundingly in favour of this intervention.

Economy & Business

- 3.1.8 As has now been widely reported, the country's economy experienced an unprecedented shock due to lockdown measures and North Yorkshire was not immune to this. As part of NYCC's role of helping protect jobs and stimulate the economy, in conjunction with the Local Enterprise Partnership, NYCC set up a Local Economy Work stream. This group coordinated research, communication and advice on the impact of Covid and actions to assist businesses and the community, working with other organisations such as the Chamber of Commerce. In addition, Trading Standards worked jointly with environmental health officers and NYCC Public Health

to enforce restrictions and provide advice on events. Officers were seconded to public health in order to support the Covid response.

- 3.1.9 Finally, staff in the Directorate had to accommodate a different way of working and – through the support of technology – moved nearly entirely to home based operation (excepting front-line staff). As we move out of restrictions, the Directorate, like the rest of the Council, is exploring new ways of working and what a ‘new normal’ may look like, with a blend of office based and remote working.

Non Covid Matters

- 3.2 Local Government Reorganisation (LGR) - Capacity and prioritisation continue to be significant issues in the Directorate, particularly in light of the challenges presented by Covid and the impending Local Government Review. The Directorate will play a key role in a range of council initiatives (eg Local Government Review; devolution).

North Yorkshire Highways

- 3.3.1 The project to launch North Yorkshire Highways has taken significant time and resource over the last 18 months to ensure a successful company could go live on 1 June 2021 with the appropriate governance and internal control processes in place. Internal Governance is addressed in the following areas:

3.3.2 Legal & Governance

The Company was set up in the right way to ensure it has appropriate legal status.

- Board of Directors – balanced composition following sector best practice advice, e.g. recruitment of an independent Non-Executive Director (NED) as Chair of the Board.
- Articles of Association established and approved – in order to govern which decisions the company is able to take in its own right and which decisions are reserved for the shareholder (NYCC).
- Contract management – both in respect of the contract between NYH and NYCC.
- Trademarking
- Finance & Procurement rules – determine how the company operates day-to-day.
- Schemes of Delegation agreed
- 5 year Business Plan signed off
- Union JNCC Agreement signed

Workforce – Communication & Engagement

- 3.3.3 People are an integral part of how the service operates and this area focusses on ensuring staff feel engaged with the process and any and all queries are responded to appropriately through regular and specific communications. The TUPE process, although complex, went well and work is ongoing to ensure the culture of the organisations is aligned.

- 3.3.4 Additionally, the Managing Director role was recruited early in the process, in September 2020, to ensure the company had a ‘voice’ in decision making and, importantly, meant the company had a degree of autonomy from the client from the start. In line with regulations, the company is run by the Board of Directors with only “reserved matters” referred back to the shareholder.

3.3.5 Procurement, IT Infrastructure & Support Services

Ensuring the supporting infrastructure which enables the business to operate is available and working appropriately. As the overall objective was to ‘lift & shift’ the operation, NYCC looked to replicate the services provided by Ringway Head Office

as far as possible through a range of SLA'd services, subject to the same governance as through the company Board and direct support/provision from NYCC teams.

LEP Governance

- 3.4 As was featured in the October 2020 Audit Committee report, the future status of the LEP (Local Enterprise Partnership) is still not concluded. Confirmed actions since last time, and to meet Government's criteria through the Mary Ney review, are:
- 3.4.1 A shadow company for the LEP has been formed which will sit as a shell in the background pending the outcome of current devolution discussions. This is to meet the criteria for all LEPs to have an independent "legal personality".
- 3.4.2 All LEPs were instructed to remove overlapping geographic boundaries. For York, North Yorkshire & East Riding LEP there were two points of overlap that existed: some of the North Yorkshire Districts & York had status within Leeds City Region LEP; and East Riding is part of the Hull/Humber LEP. Consequently, those LEPs have taken respective decision to realign boundaries such that no overlap exists. This means that this LEP now covers York & North Yorkshire exclusively.
- 3.4.3 The LEP Review dictated that LEPs must achieve a Board representation of a minimum: 66% Private sector, 33% Public sector; and 33% Female, 66% Male (aspiration is 50-50). The LEP Board, following its recruitment earlier in 2021 currently stands at 66% Private sector, 33% Public sector; and 47% Female, 53% Male.

Capital Programme

- 3.5 Whilst this is identified separately within the Directorate Risk Register there are key items of note:
- 3.5.1 Construction costs and tender prices are a significant risk due to post-EU Brexit arrangements and the easing of Covid lockdown restrictions and so projects will continue to be carefully monitored to assess the potential for inflation pressures in the construction market to impact on the delivery of the Capital Programme.
- 3.5.2 The YNY Local Enterprise Partnership has been awarded funding over two years from the Government's Getting Building Fund (GBF) for investment in local, 'shovel-ready' infrastructure projects to stimulate jobs and support economic growth in the wake of the Covid 19 pandemic. The Council's programme is now in its second year and is being actively managed with projects within the programme having progressed through the appraisal and contracting stages.
- 3.5.3 As previously reported, best practice for capital management is to utilise a method called "overprogramming". Whilst this could be considered 'business as usual' for the service, Audit Committee should be aware of the associated risks and what governance is in place to help mitigate them. In short, the service programme to spend more than the capital budget allocated in the financial year on the basis that typically some schemes are delayed for a variety of reasons, overprogramming therefore improves the likelihood of spending on budget but at the risk of overspending. The Capital Projects Board monitor this practice on a monthly basis taking intervention as appropriate. The position is reported to Executive through the Capital Plan and quarterly forecast updates.

4.0 Directorate Risk Register

- 4.1 The Directorate Risk Register (DRR) is the end product of a systematic process that identifies risks at Service level, and then aggregates these via a sieving process to Directorate level. A similar process sieves Directorate level risks into the Corporate Risk Register.
- 4.2 The Risk Prioritisation System used to derive all risk registers across the Council categorises risks as follows:
- Category 1 and 2 are high risk (RED)
 - Category 3 and 4 are medium risk (AMBER)
 - Category 5 is low risk (GREEN)
- 4.3 These categories are relative and not absolute assessments. The DRR represents the principal risks being managed in BES that may materially impact on the performance, financial and reputational outcomes of the Directorate as a whole in the year.
- 4.4 A summary of the DRR is also attached at **Appendix A**. As well as providing a quick overview of the risks and their ranking, it also provides details of the change or movement in the ranking of the risk since the last review in the left hand column.
- 4.5 The latest detailed DRR is shown at **Appendix B**. This shows a range of key risks and the risk reduction actions designed to minimise them together with a ranking of the risks both at the present time and after mitigating actions.
- 4.6 A review of the BES DRR took place at the end of September 2021 and has been signed off by the Corporate Director and Management Team. A further review of the register will take place in April 2022.
- 4.7 The key changes that have been made to the DRR since October 2020 (date of last progress report to the Committee) are as follows:-
- 4.7.1 Delivering Change Programmes within BES – as well as other issues such as considering and acting upon matters arising from the Staff Survey 2021 and new ways of working, there is also focus on the impact of Local Government Reorganisation and the need to ensure effective engagement in the LGR change programme. The probability has as a consequence changed from Low to Medium on the first ranking.
- 4.7.2 Delivery of Transport Schemes with the LEP’s Strategic Economic Plan and Growth Plan – The probability of this risk has been increased on the first ranking from Low to Medium. This reflects the complexity of the schemes that need to be managed.
- 4.7.3 Long Term Waste Service Strategy – this risk reflects the work and actions required by the Council, Districts and Partners relating to the Phase II consultation of the Resources and Waste Strategy. In addition it recognises the work that needs to be done with the North Yorkshire Waste Forum to achieve an effective waste management function.
- 4.7.4 Capital Programme – this risk reflects the need to be agile and respond to funding announcements quickly and appropriately when they arise at short notice. The probability on the first ranking has increased to Medium from Low and actions have been added to enable continued good and effective management of the capital programme.
- 4.7.5 NY Highways – this risk has significantly changed (indicated as ‘new’ in the Change column of the summary risk register). The risk now reflects the fact that over the last year the arrangements for highways maintenance services

are now operational and managed by NY Highways. Ongoing support and monitoring arrangements are considered important going forward to ensure the success of this venture.

5.0 Recommendations

5.1 That the Committee:

- i) Note the Directorate update salient points; and
- ii) Note the Directorate Risk Register for the Business & Environmental Services Directorate; and
- iii) Provide feedback and comments on the Directorate Risk Register and any other related internal control issues.





KARL BATTERSBY
Corporate Director – Business & Environmental Services

Report prepared by Vicki Dixon

Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**




Report Date: **30th September 2021 (pw)**

Identity		Person		Classification												Fallback Plan				
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	7/174 - Opportunities for Devolution in York and North Yorkshire and Consideration of a Combined Authority	Failure to take advantage of Devolution opportunities in York and North Yorkshire resulting in reduced investment and impact on the growth and jobs across North Yorkshire.	CD BES	CD BES	H	H	H	M	H	1	5	31/03/2022	M	L	H	L	M	2	Y	CD BES
	7/175 - Delivering Change Programmes within BES	Failure to embed a strong change culture, processes and supporting capacity to deliver ongoing improvement programmes of change in BES e.g. Local Government Reorganisation and the BES Beyond 2020 Change Programme. This could result in adverse impact on service delivery, inability to fully meet current and future financial requirements, internal and external criticism.	CD BES	BES MT	M	H	H	H	M	2	8	31/12/2021	L	M	M	H	L	3	Y	CD BES
Page 253 	7/173 - Minerals and Waste Joint Plan	Failure to complete the examination process and then adopt the Minerals and Waste Joint Plan by the end of December 2021 as the basis for development control decision-making resulting in risk of legal challenge through judicial review, appeals with resulting financial and workload implications, adverse implications for the local economy, risk of National Government passing on European fines	CD BES	BES AD GP&TS	M	M	M	M	H	2	6	30/11/2021	L	M	M	M	H	3	Y	BES AD GP&TS
	7/189 - Delivery of transport schemes within the LEP's Strategic Economic Plan and Growth Plan	Failure to deliver the programme of transport schemes (particularly Scarborough junction and A1 Junction 47) within the LEP's Strategic Economic Plan results in reputational damage to the County Council and impacts upon the potential to secure funding for transport schemes in future rounds of the Local Growth Fund. There is a direct role for H&T to deliver the schemes promoted by the County Council and support the LEP in the Transport role, but also a supporting role to assist third party scheme promoters specifically the district councils.	CD BES	BES AD H&T	M	M	H	L	H	2	5	31/03/2022	L	M	H	L	H	3	Y	CD BES

Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**



Report Date: **30th September 2021 (pw)**

Identity			Person		Classification												Fallback Plan			
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	7/18 - Long Term Waste Service Strategy	Failure to further develop the long term waste service strategy (including Resources and Waste Service Strategy, LGR, total system efficiency, realisation of commercial opportunities through increasing recycling, reducing residual household waste, maximising potential through flexibility and reconfiguration to take advantage of opportunities through changes in market conditions, changes in waste composition and changes in consumer behaviour) following delivery of AWRP results in lost efficiencies, inflexibility, reputational damage, poor value for money and ineffectiveness of AWRP	CD BES	BES AD TE&CS	M	L	H	L	H	2	8	30/11/2021	L	L	H	L	M	3	Y	CD BES
Page 254 	7/24 - Capital Programme	Ineffective management of capital programme including Highways major schemes, LEP, LTP, Waste Management and projects resulting in significant overspend/underspend, weak use of resources, loss of reputation and performance.	CD BES	CSD AD SR (VD)	M	M	H	M	M	2	12	31/03/2022	L	M	H	M	M	3	Y	CD BES
- new -	7/247 - NY Highways	Failure to ensure the arrangements for highways maintenance services in place are performing as required and not resulting in service disruption, increased costs and criticism	CD BES	BES AD H&T	M	H	H	H	H	2	7	31/10/2021	L	H	H	H	H	3	Y	BES H&T HoCS
	7/232 - Growth	Failure to deliver the ambition of Sustainable Economic Growth through the delivery of the right housing, transport, and connectivity infrastructure and recover from the Coronavirus, whilst protecting the outstanding environment and heritage, and within the context and partnership arrangements of two-tier local government structure and wider macro-economic policy and processes. This results in an inability to recover from the impact of the Virus, attract, retain and grow businesses, increase the house building rate, raise living standards and increase spending power.	CD BES	CSD AD SR (VD) BES AD GP&TS	M	H	H	H	M	2	8	31/03/2022	L	H	H	H	L	3	Y	BES AD GP&TS




Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**

Report Date: **30th September 2021 (pw)**

Identity			Person		Classification											Fallback Plan				
Change	Risk Title	Risk Description	Risk Owner	Risk Manager	Pre						RR		Post						FBPlan	Action Manager
					Prob	Obj	Fin	Serv	Rep	Cat	RRs	Next Action	Prob	Obj	Fin	Serv	Rep	Cat		
	7/23 - Major Incident and Business Continuity	Failure to plan and respond effectively to a major incident without major impact upon routine service performance or longer term impact on service delivery. Such incidents may include animal health disease, flooding and other severe weather, Service breakdown including critical resources (eg property, people and ICT) resulting in the need to deliver additional service in order to ensure effective enforcement/containment and minimal disruption to critical services.	CD BES	CD BES	L	M	H	H	M	3	6	30/09/2021	L	M	H	H	M	3	Y	CD BES
	7/7 - Statutory Duties	Failure to carry out statutory duties or meet statutory deadlines (e.g. Health and Safety, safe guarding, information governance, prevention of waste pollution, planning responsibilities, statutory property related issues, driver/vehicle guidance) resulting in Corporate Manslaughter, increased cost/claims, fines/prosecution and criticism.	CD BES	CD BES	L	M	M	M	H	3	7	30/09/2022	L	M	M	M	H	3	Y	CD BES

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Key	
	Risk Ranking has worsened since last review.
	Risk Ranking has improved since last review
	Risk Ranking is same as last review
- new -	New or significantly altered risk

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/174	Risk Title	7/174 - Opportunities for Devolution in York and North Yorkshire and Consideration of a Combined Authority				Risk Owner	CD BES	Manager	CD BES	
Description	Failure to take advantage of Devolution opportunities in York and North Yorkshire resulting in reduced investment and impact on the growth and jobs across North Yorkshire.					Risk Group	Strategic	Risk Type	EPU 176/211		
Phase 2 - Current Assessment											
Current Control Measures		Devolution proposals submitted to Govt., LEP strategic economic plan in place; NYCC retains the Infrastructure Delivery Steering Group; NYCC wide co-ordination of development needs linked to District plans; local authorities are moving towards a joint committee & considering a combined authority; LA Director group in place; plan detailing powers and funding developed; consensus of Yorkshire local authorities on Devolution geography and opportunities; York and North Yorkshire geography and proposition established;									
Probability	H	Objectives	H	Financial	H	Services	M	Reputation	H	Category	1
Phase 3 - Risk Reduction Actions											
						Action Manager	Action by	Completed			
Reduction	7/1969 - Carry out consultation for a York/North Yorkshire proposition and following approval, submit to Govt (in July 2020) and then negotiate and obtain relevant financial opportunities and powers for a combined authority.					Chief Exec	Thu-31-Mar-22				
Reduction	13/533 - Continue to monitor the Devolution agenda and communication with stakeholders to maximise opportunities (ongoing); the York/NY geography is being used in some areas of growth work (ongoing)					BES AD GP&TS	Thu-31-Mar-22				
Reduction	176/280 - Gain political support both locally and nationally (ongoing)					Chief Exec	Thu-31-Mar-22				
Reduction	176/320 - Negotiate the economic barriers and opportunities which Devolution can take advantage of with Government including interim devolution deals					CD BES	Thu-31-Mar-22				
Reduction	176/470 - Ensure link with delivery of LGR					Chief Exec	Fri-31-Mar-23				
Phase 4 - Post Risk Reduction Assessment											
Probability	M	Objectives	L	Financial	H	Services	L	Reputation	M	Category	2
Phase 5 - Fallback Plan											
Fallback Plan	176/544 - Carry out further discussions with Central Government if required								Action Manager		
									CD BES		

Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**

Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/175	Risk Title	7/175 - Delivering Change Programmes within BES					Risk Owner	CD BES	Manager	BES MT
Description	Failure to embed a strong change culture, processes and supporting capacity to deliver ongoing improvement programmes of change in BES e.g. Local Government Reorganisation and the BES Beyond 2020 Change Programme. This could result in adverse impact on service delivery, inability to fully meet current and future financial requirements, internal and external criticism.					Risk Group	Change Mgt	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures			CD BES Staff Updates; reps on Beyond 2020 theme; key messages; cascade of Beyond 2020 vision and approach; regular AD updates provided on Beyond 2020 themes; quarterly performance monitoring at BES MT; quarterly MTFs savings monitoring at BES MT; political agreement and acknowledgement of risks; BES MT engagement on budget; regular reporting on Beyond 2020 Infrastructure theme at BES MT; staff survey outcomes implemented as and when necessary; ideas generation and review process established; regular reporting on customer based theme on change at BES MT;								
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	7/93 - Continue communication/engagement arrangements with staff on Beyond 2020 Change programme (ongoing)					BES MT	Fri-30-Sep-22				
Reduction	7/260 - Continue to monitor impacts of Beyond 2020 Infrastructure theme (ongoing)					BES MT	Fri-30-Sep-22				
Reduction	7/265 - Promote and embed cultural change through key messages, KITs, manager and non-manager objectives, regular reporting on progress of change projects and impacts of daily operations on delivery of aims (ongoing)					BES MT	Fri-30-Sep-22				
Reduction	7/450 - Continue to provide the support to innovate new ideas to contribute to the MTFs (ongoing)					CSD AD SR (VD)	Fri-30-Sep-22				
Reduction	7/451 - Ensure appropriate allocation of resources to deliver change projects (ongoing)					CSD AD SR (VD)	Fri-30-Sep-22				
Reduction	7/568 - Ensure that the emergence of Beyond 2020 is taken into account					BES MT	Thu-30-Sep-21	Fri-30-Apr-21			
Reduction	7/612 - Ensure effective engagement in the LGR change programme					BES MT	Fri-31-Mar-23				
Reduction	7/613 - Consider and respond to any issues arising from the Staff Survey 2021					BES MT	Fri-31-Dec-21				
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	M	Services	H	Reputation	L	Category	3
Phase 5 - Fallback Plan											
								Action Manager			
Fallback Plan	7/539 - Review approach to the delivery of change programmes and cultural change management within BES							CD BES			

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/173	Risk Title	7/173 - Minerals and Waste Joint Plan					Risk Owner	CD BES	Manager	BES AD GP&TS
Description	Failure to complete the examination process and then adopt the Minerals and Waste Joint Plan by the end of December 2021 as the basis for development control decision-making resulting in risk of legal challenge through judicial review, appeals with resulting financial and workload implications, adverse implications for the local economy, risk of National Government passing on European fines						Risk Group	Performance	Risk Type	GP&TS 13/31	
Phase 2 - Current Assessment											
Current Control Measures			Performance monitoring; awareness of new developments; resource monitoring; briefing of BESMT; delivery of in house sustainability appraisal work and appointment of consultants to support the work; memorandum of understanding to govern principles of joint working; Exec approval to move date; preferred options consultation completed; publication version of plan launched; Sustainability Appraisal / Strategic Environmental Assessment and Appropriate Assessment under the Habitats Regulations produced								
Probability	M	Objectives	M	Financial	M	Services	M	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	7/267 - Work closely with City of York Council and the North Yorks Moors National Park Authority on joint Minerals and Waste Local Plan						BES AD GP&TS	Wed-31-Aug-22			
Reduction	7/583 - Go out to consultation on the proposed main modifications to the plan and the above assessments						BES AD GP&TS	Sat-31-Jul-21	Wed-21-Jul-21		
Reduction	7/584 - Request Inspector response to main modifications and obtain approval from Full Council						BES AD GP&TS	Tue-30-Nov-21			
Reduction	13/54 - Continue to review progress against milestones, review and update milestones as necessary						BES AD GP&TS	Wed-31-Aug-22			
Reduction	13/519 - Continue to keep budget priorities under review						BES AD GP&TS	Wed-31-Aug-22			
Reduction	13/523 - Continue to monitor new developments eg impact of central govt planning reform, LGR, fracking, using planning officers society and peer groups						BES AD GP&TS	Sun-31-Jul-22			
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	M	Services	M	Reputation	H	Category	3
Phase 5 - Fallback Plan											
									Action Manager		
Fallback Plan	13/553 - If plan is deemed to be unsound we would need to recommence the local plan work								BES AD GP&TS		

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/189	Risk Title	7/189 - Delivery of transport schemes within the LEP's Strategic Economic Plan and Growth Plan					Risk Owner	CD BES	Manager	BES AD H&T
Description	Failure to deliver the programme of transport schemes (particularly Scarborough junction and A1 Junction 47) within the LEP's Strategic Economic Plan results in reputational damage to the County Council and impacts upon the potential to secure funding for transport schemes in future rounds of the Local Growth Fund. There is a direct role for H&T to deliver the schemes promoted by the County Council and support the LEP in the Transport role, but also a supporting role to assist third party scheme promoters specifically the district councils.						Risk Group	Performance	Risk Type	Dir Only	
Phase 2 - Current Assessment											
Current Control Measures			Programme in place for delivery of County Council promoted schemes; support being provided to the third party scheme promoters; risk analysis for each scheme undertaken; effective engagement with LEP; Senior Transport Planning Officer (Transport projects) now in post to support the LEP and NYCC in delivery of SEP funded schemes; necessary local contributions secured for the schemes in the LEP programme that are being delivered (Mar 2021);								
Probability	M	Objectives	M	Financial	H	Services	L	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	7/318 - Continue to engage with the LEP (Local Growth Fund concludes end of Mar 2021) and support them to manage risks associated with specific scheme programmes (ongoing)						CD BES	Thu-31-Mar-22			
Reduction	7/436 - Continue to ensure sufficient resource in H&T to effectively promote County Council schemes (ongoing)						BES AD H&T	Thu-31-Mar-22			
Reduction	9/538 - Complete review of the major schemes reserve list complete and agreed by Exec Members in June 2019						BES H&T HoNS	Wed-30-Sep-20	Fri-31-Jan-20		
Reduction	9/583 - Ensure NYCC identify appropriate sources of funding to provide at least a minimum of 15% local capital contribution to the scheme implementation costs; ongoing						BES AD H&T BES H&T HoNS	Thu-31-Mar-22			
Reduction	9/585 - Continue to work closely with WSP (and where appropriate, Align Property Partners) to ensure that resources match programme of transport schemes requirements (ongoing)						BES AD H&T	Thu-31-Mar-22			
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	L	Reputation	H	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	7/537 - LEP to consider re-profiling Local Growth Fund programme								Action Manager		CD BES

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/18	Risk Title	7/18 - Long Term Waste Service Strategy				Risk Owner	CD BES	Manager	BES AD TE&CS	
Description	Failure to further develop the long term waste service strategy (including Resources and Waste Service Strategy, LGR, total system efficiency, realisation of commercial opportunities through increasing recycling, reducing residual household waste, maximising potential through flexibility and reconfiguration to take advantage of opportunities through changes in market conditions, changes in waste composition and changes in consumer behaviour) following delivery of AWRP results in lost efficiencies, inflexibility, reputational damage, poor value for money and ineffectiveness of AWRP					Risk Group	Performance	Risk Type	W&CS 14/168		
Phase 2 - Current Assessment											
Current Control Measures			Waste Strategy in place; NYCC/CoY/Yorwaste working group in place; AWRP; consultants advising on systems; intelligence through networking; network of waste transfer stations; access to external advisors; Contract Management Manual/Register of Obligations; suite of monitoring documents in place; Project Board in place; monthly project team meetings; S106 and S278 delivery arrangements in place; network of Amey Cespa clients; monthly compliance monitoring check; existing contracts in place; extensive modelling; agreement for Teckal; feasibility with consultants and modelling of opportunities of single system for waste and incentive for reduced residual waste bin capacity completed; Single System project identified as high priority; agreement on settlement of disputes relating to first contract year; new head of service appointed; YNY Waste Partnership (to include transition through LGR), paper on Resources and Waste Service Strategy,								
Probability	M	Objectives	L	Financial	H	Services	L	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
Reduction	7/376 - Prepare a position statement for discussion with Management Board and CX Group (Mar 2021). Develop and implement a business case for a single system for waste following introduction of legislation					Action Manager	BES AD TE&CS	Action by	Fri-31-Dec-21	Completed	Wed-31-Mar-21
Reduction	7/377 - Continue to review Government Resources and Waste Strategy including food waste collections, and engage with Government through network groups to help shape the next level of legislation. Continue to assess impacts and opportunities.					Action Manager	BES TE&CS HoS(W)	Action by	Thu-31-Mar-22	Completed	
Reduction	7/419 - Develop proposals for separate food waste collections and consistent recycling as required by the new legislation (ongoing)					Action Manager	BES TE&CS HoS(W)	Action by	Sun-31-Jul-22	Completed	
Reduction	7/430 - Review and respond to Extended Producer Responsibility/Deposit Return Scheme consultations					Action Manager	BES TE&CS HoS(W)	Action by	Wed-30-Jun-21	Completed	Wed-30-Jun-21
Reduction	7/432 - Consider review of contract management arrangements					Action Manager	BES TE&CS HoS(W)	Action by	Tue-30-Nov-21	Completed	
Reduction	7/439 - Work with North Yorkshire Waste Forum to achieve an effective waste management function, through actions including staff engagement and regular quality meetings					Action Manager	BES AD TE&CS	Action by	Fri-31-Mar-23	Completed	
Reduction	14/557 - Working with districts and partners on response and changes that may be required as a result of the Phase II consultation – ongoing					Action Manager	BES TE&CS C&CM BES TE&CS HoS(W)	Action by	Sun-31-Jul-22	Completed	
Reduction	14/578 - Continue to monitor Amey's progress against their improvement plan targets					Action Manager	BES TE&CS WCM	Action by	Sun-31-Jul-22	Completed	
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	L	Financial	H	Services	L	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	7/73 - Rely short term on recently procured arrangements, review strategy, media management								Action Manager	CD BES	

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/24	Risk Title	7/24 - Capital Programme				Risk Owner	CD BES	Manager	CSD AD SR (VD)	
Description	Ineffective management of capital programme including Highways major schemes, LEP, LTP, Waste Management and projects resulting in significant overspend/underspend, weak use of resources, loss of reputation and performance.					Risk Group	Financial	Risk Type	H&T 9/195		
Phase 2 - Current Assessment											
Current Control Measures		Project management - regular financial and project planning, monitoring and reporting of the projects; risk assessment for major schemes; project management training for key BES staff; PIR of major projects; lessons learnt/implemented; Programme management - operational and strategic programme management/monitoring and reporting through NYH, H&T and BES management structures and Executive Members, reporting through NYH; risk assessment carried out in Capital Plan reports feed into MTFs; highways capital programme resource / manager to drive delivery of the programme implemented; Schemes portal; 3 year rolling works programme with realistic targets and alignment of internal and external delivery resources; specific monitoring of separately funded capital works; LEAN review of Capital Programme completed; introduction of efficiency measures for capital projects and programmes where relevant; lessons learnt/implemented; external review of capital programme carried out; Highways Maintenance Investment tool being used; Governance – Gateway training carried out; Capital Projects Board in operation; sub group of Capital Projects Board in place when required; Full Capital Plan meetings at appropriate times; NYH Board; Finance Officer support to Capital; risk register for major schemes and schemes in the capital works programme; project board for major schemes; Infrastructure Delivery Working Group; Development Management Working Group; assurance framework for LEP in place, contract management health measurement and reporting in place; substantial assurance audit report;									
Probability	M	Objectives	M	Financial	H	Services	M	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
Reduction	Action	Action Manager	Action by	Completed							
Reduction	7/427 - Ensure effective delivery of the Transforming Cities Fund (TCF) project in Skipton, Harrogate and Selby working with District Councils and within the WYCA governance arrangements (project end March 2023); TCF project manager appointed	BES AD H&T	Wed-31-Aug-22								
Reduction	7/581 - Active engagement in setting up of the Teckal and ensuring seamless transition from RIS to NYHighways	BES AD H&T	Mon-31-May-21	Mon-31-May-21							
Reduction	7/1504 - Monitor impact of the reduction in the 2021/22 capital programme in comparison with the previous forecast and consideration of budget and programme scenarios ahead of future years' LTP budget allocation	BES AD H&T	Thu-31-Mar-22								
Reduction	7/1967 - Active involvement in NYH post Go Live to ensure processes and procedures are working properly and are fit for purpose	BES AD H&TC SD AD SR (VD)	Wed-31-Aug-22								
Reduction	7/1968 - Active forward planning by the service to ensure it is agile and has the ability to respond to funding announcements quickly and appropriately that arise at short notice and / or late in the financial year.	BES AD H&T	Wed-31-Aug-22								
Reduction	7/1973 - Weekly capital update meetings to ensure programme on track	BES H&T HoNS CD BES CSD AD SR (VD)	Thu-31-Mar-22								
Reduction	7/1974 - Monitoring of the national environment re price and delivery times to ensure the service can react in a timely manner to changes	BES AD H&T	Wed-31-Aug-22								
Reduction	9/353 - Need for LTP capital programme process mapping session, followed later by a LEAN review	BES AD H&T	Wed-31-Aug-22								
Reduction	9/355 - Regular weekly meetings between H&T, Procurement and NYH teams to ensure NYH programme delivery	BES AD H&T	Wed-31-Aug-22								
Reduction	9/472 - Ensure effective engagement with Veritau and suitable post audit responses are produced following reviews of different aspects of capital programme	BES H&T HoNS	Wed-31-Aug-22								

Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**

Report Date: **30th September 2021 (pw)**

Reduction	9/551 - hNY Improvement Action Plan including continuous improvement within the service				BES H&T HoNS	Wed-31-Aug-22					
Reduction	11/182 - Continue to assess current capabilities and put in place any requirements necessary to enable effective delivery of capital projects (carried out through Capital Projects Board) (ongoing)				CSD AD SR (VD)	Wed-30-Sep-20	Wed-30-Sep-20				
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	M	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	7/72 - Review of all resources and procedures; media management; member engagement; intervention by Capital Projects Board						Action Manager				
							CD BES				

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/247	Risk Title	7/247 - NY Highways					Risk Owner	CD BES	Manager	BES AD H&T
Description	Failure to ensure the arrangements for highways maintenance services in place are performing as required and not resulting in service disruption, increased costs and criticism						Risk Group	Contracts	Risk Type	H&T 9/246	
Phase 2 - Current Assessment											
Current Control Measures			Governance arrangements in place; ; initial operating model completed; NY Highways Managing Director appointed; governance framework in place, mobilisation plans in place, Company Board in operation								
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	H	Category	2
Phase 3 - Risk Reduction Actions											
Reduction	7/580 - Continued close monitoring of the remaining procurement arrangements and timelines to ensure impact of any issues are understood and managed						Action Manager	BES H&T HoCS	Action by	Sun-31-Oct-21	Completed
Reduction	7/588 - Ensure H&S is appropriately managed during the transition period and into the operational phase; H&S mobilisation plan produced to ensure that day one training and compliance is in place; some further H&S accreditation and training to complete						Action Manager	BES AD H&T	Action by	Fri-31-Dec-21	Completed
Reduction	7/597 - Complete the mobilisation of the contract including staff implementation and understanding of acceptable working practice norms; need to continue recruitment to vacant posts, recognising current demand pressures around drivers						Action Manager	BES H&T HoCS	Action by	Wed-31-Aug-22	Completed
Reduction	7/598 - Obtain final board sign off for go live following risk reviews on all workstreams						Action Manager	CD BES	Action by	Wed-21-Apr-21	Wed-21-Apr-21
Reduction	9/235 - Ensure monitoring and reporting arrangements are in line with agreed governance arrangements, to include close budget monitoring and adjustment where necessary						Action Manager	CD BES	Action by	Wed-31-Aug-22	Completed
Reduction	9/561 - Put support service arrangements in place between NYCC and new company; need to produce next iteration of support service costed proposals based on information from operating model; SLAs to sign off						Action Manager	BES H&T HoCS	Action by	Sun-31-Oct-21	Completed
Reduction	9/567 - Support NYH in the development of the operations manual including performance indicators						Action Manager	BES H&T HoCS	Action by	Mon-31-Jan-22	Completed
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	H	Financial	H	Services	H	Reputation	H	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	9/559 - Consider extension of existing arrangements or retender									Action Manager	BES H&T HoCS

Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**

Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/232	Risk Title	7/232 - Growth				Risk Owner	CD BES	Manager	CSD AD SR (VD) BES AD GP&TS	
Description	Failure to deliver the ambition of Sustainable Economic Growth through the delivery of the right housing, transport, and connectivity infrastructure and recover from the Coronavirus, whilst protecting the outstanding environment and heritage, and within the context and partnership arrangements of two-tier local government structure and wider macro-economic policy and processes. This results in an inability to recover from the impact of the Virus, attract, retain and grow businesses, increase the house building rate, raise living standards and increase spending power.					Risk Group	Strategic	Risk Type	GP&TS 13/233		
Phase 2 - Current Assessment											
Current Control Measures			Direct contribution and support, including through provision of accountable body function, to the YNYER Local Enterprise Partnership; maintenance of an Economic Growth Function within BES; Proactive engagement in LGNY Y partnership working including through Directors of Development, Chief Housing Officers, Heads of Planning and Economic Development Officer Groups; Lead role in enabling and further developing YNYERH Spatial Framework; Lead role in supporting and developing the NYCC Growth Plan Steering Group and sub-ordinate arrangements; Lead role in initiating and developing the NYCC Economic Growth Plan and annual Delivery Framework (endorsed by Executive); Work to monitor and support opportunities to secure alternative governance arrangements including a Devolution deal with Government; District Liaison groups established with 76 Districts; Brexit consultations undertaken on behalf of NYCC and responses intelligence used for strategic response including Devolution requirements; Phase 2 options and plans for strategic natural capital investment defined in strategic Devolution documents with monetary and resource requirements;								
Probability	M	Objectives	H	Financial	H	Services	H	Reputation	M	Category	2
Phase 3 - Risk Reduction Actions											
							Action Manager	Action by	Completed		
Reduction	7/1502 - Carry out an annual review of progress of the NYCC Economic Growth and Delivery Plan and Action Plan including the Coronavirus recovery plan (ongoing) (refreshed draft Growth Plan produced as at 31 March 2020. Timetable including consultation agreed at Growth Plan Steering Group 1 July and an Executive meeting is booked for Dec 2020)						BES AD GP&TS BES GP&TS HoSP&EG	Thu-31-Dec-20	Fri-26-Mar-21		
Reduction	7/1958 - Continue to embed enhanced collaborative working arrangements with District Councils (annual review of progress and developed a pipeline of strategic projects to work together on.) – ongoing with regular review of resources needed to deliver projects						BES AD GP&TS	Wed-31-Aug-22			
Reduction	7/1959 - Complete YNYERH Spatial Framework SDZ Long Term Development Statements to enable effective long-term planning and investment of infrastructure for growth; approval by LGNY Y Board / Leaders for publication and open release of the framework; spatial framework now available online						BES AD GP&TS	Thu-31-Dec-20	Mon-30-Nov-20		
Reduction	7/1960 - Maintain good working relationship with the LEP (including work to align LEP funding initiatives with Council Initiatives and with the Directors of Development master planning funding, Coordinated devolution asks. Carbon abatement pathways, local energy action plans) (ongoing)						CD BES	Wed-31-Aug-22			
Reduction	7/1961 - Continue to understand and investigate any impacts of Brexit and ensure opportunities are taken – considered through weekly local economy work stream meetings, impacts of change from CAP to ELMS payments in agriculture being monitored; ex EU Funding now becoming UK funding streams eg. CRF, levelling up and Shared Prosperity Fund						BES AD EPU CD BES	Wed-31-Aug-22			
Reduction	7/1971 - Continue to understand and investigate the impacts of the Coronavirus pandemic and work with partners to carry out the actions identified from the recovery plan work to assist North Yorkshire businesses (including Trading Stds contributing a range of business advice/support initiatives to the plan and management of "Buy Local")						BES AD GP&TS CD BES	Wed-31-Aug-22			
Reduction	13/532 - Deliver strategic natural capital investment via the Local Nature Partnership (LEP/LNP lead) Taking forward phase 2 implementation options with partners (Local Authorities, DEFRA, Universities, Business) with link to 25 Year Environment plan and						BES AD GP&TS	Wed-31-Aug-22			

Risk Register: **Month 0 (September 2021) – detailed**

Next Review due: **March 2022**

Report Date: **30th September 2021 (pw)**

	government policy changes (planning net gain, agriculture ELMs, Local Industrial Strategy & Natural Capital plans) ongoing; action plan produced; waiting for govt legislation through environment bill and devolution ask										
Reduction	13/533 - Continue to monitor the Devolution agenda and communication with stakeholders to maximise opportunities (ongoing); the York/NY geography is being used in some areas of growth work (ongoing)						BES AD GP&TS	Thu-31-Mar-22			
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	H	Financial	H	Services	H	Reputation	L	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	7/551 - Review and revise existing arrangements for sustainable economic growth							Action Manager			
								BES AD GP&TS			

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification											
Risk Number	7/23	Risk Title	7/23 - Major Incident and Business Continuity				Risk Owner	CD BES	Manager	CD BES	
Description	Failure to plan and respond effectively to a major incident without major impact upon routine service performance or longer term impact on service delivery. Such incidents may include animal health disease, flooding and other severe weather, Service breakdown including critical resources (eg property, people and ICT) resulting in the need to deliver additional service in order to ensure effective enforcement/containment and minimal disruption to critical services.					Risk Group	Performance	Risk Type			
Phase 2 - Current Assessment											
Current Control Measures		Leadership of BES Management Team and appropriate lead manager; work with other appropriate partners; appropriate major incident and emergency plans; inspection monitoring programmes; systems resilience & back up arrangements in place; business impact analyses and incident management plans are in place; disaster recovery plan; NYCC silver command exercises carried out; implementation of solutions based upon lessons learned from previous major incidents; BES RMG; biannual multi-agency training events; command structure / information flow for business continuity incidents finalised; emergency protocol agreed with Kier and Yorwaste in the event that sites to be open on days when they may otherwise be shut; critical infrastructure network in line with HMEP recommendations in place;									
Probability	L	Objectives	M	Financial	H	Services	H	Reputation	M	Category	3
Phase 3 - Risk Reduction Actions											
	Reduction	Description	Action Manager	Action by	Completed						
	Reduction	7/374 - Ensure that resources are flexible enough to manage unexpected major and business continuity incidents including Coronavirus (ongoing)	BES MT	Fri-30-Sep-22							
	Reduction	7/444 - Continually review procedures plans and training in relation to major incidents (ongoing)	BES MT	Fri-30-Sep-22							
	Reduction	7/446 - Annual live or desk top exercises to test plans, and including the incident and response and continuity plan with NY Highways (ongoing)	BES MT	Fri-30-Sep-22							
	Reduction	7/587 - Ensure sufficient capacity is present to be able to manage a major incident	BES MT	Fri-30-Sep-22							
	Reduction	7/1970 - Consider recent significant natural events relative to the impact of climate change and plan accordingly	BES MT	Fri-30-Sep-22							
	Reduction	7/1972 - Consider change over to NY Highways from Ringway, and develop and implement an appropriate incident response and continuity plan	BES AD H&T	Mon-31-May-21	Fri-30-Apr-21						
Phase 4 - Post Risk Reduction Assessment											
Probability	L	Objectives	M	Financial	H	Services	H	Reputation	M	Category	3
Phase 5 - Fallback Plan											
Fallback Plan	7/75 - Review the plans, media management, advise Members								Action Manager	CD BES	

Risk Register: **Month 0 (September 2021) – detailed**Next Review due: **March 2022**Report Date: **30th September 2021 (pw)**

Phase 1 - Identification												
Risk Number	7/7	Risk Title	7/7 - Statutory Duties				Risk Owner	CD BES	Manager	CD BES		
Description	Failure to carry out statutory duties or meet statutory deadlines (e.g. Health and Safety, safe guarding, information governance, prevention of waste pollution, planning responsibilities, statutory property related issues, driver/vehicle guidance) resulting in Corporate Manslaughter, increased cost/claims, fines/prosecution and criticism.					Risk Group	Performance	Risk Type	Dir Only			
Phase 2 - Current Assessment												
Current Control Measures		Service plans; service unit risk registers; allocation of responsibility training for key staff; prof. bodies incl. HSE; CPD; CDM; RMWGs; routine inspecs; contractor selection proc; NYCC legal and safety advisers; annual contractor training; Designated Directorate H&S Manager and support; regular item on BESMT; SMTs; Partnership and contract managers group; Directorate H&S working group; risk assessment; incident feedback; previous risk assessment on most sites; landfill gas perimeter controls; annual review of all sites (monitoring results); regular monitoring; use of consultants; agency staff; documented proc; record of dec. actions; audit and review of proc/compliance, inspecs, actions and training; corporate policies, procedures and champions; services to employ sufficient numbers of professionally trained/qualified officers; prioritisation matrix for resources in place in Trad Stds; training relating to new CDM Regulations for construction work; Incident plan for former landfill sites;										
Probability	L	Objectives	M	Financial	M	Services	M	Reputation	H	Category	3	
Phase 3 - Risk Reduction Actions												
Page	267	Reduction	7/458 - Ensure that the current H&S procedures are audited to ensure compliance (ongoing)				Action Manager	CD BES	Action by	Fri-30-Sep-22	Completed	
Reduction	7/459 - Review/monitor the H&S arrangements of Contractors and Partner organisations (ongoing)						Action Manager	BES AD H&T	Action by	Fri-30-Sep-22	Completed	
Reduction	7/461 - To monitor all service plans and risk registers and ensure they are checked on a regular basis (ongoing)						Action Manager	BES MT	Action by	Fri-30-Sep-22	Completed	
Reduction	7/462 - Review incidents and claims statistics including large losses and develop action plans (ongoing)						Action Manager	BES MT	Action by	Fri-30-Sep-22	Completed	
Reduction	7/483 - Continue to source and deliver relevant contracts to TS work to mitigate against budget cuts and maintain service resilience (ongoing)						Action Manager	BES AD GP&TS	Action by	Fri-30-Sep-22	Completed	
Reduction	7/1965 - Work closely with the Data Governance team in Strategic Support to review and update local information governance arrangements (ongoing)						Action Manager	BES MT	Action by	Fri-30-Sep-22	Completed	
Reduction	7/1966 - Continue to implement awareness raising campaign for information governance (ongoing)						Action Manager	BES MT	Action by	Fri-30-Sep-22	Completed	
Phase 4 - Post Risk Reduction Assessment												
Probability	L	Objectives	M	Financial	M	Services	M	Reputation	H	Category	3	
Phase 5 - Fallback Plan												
Fallback Plan	7/78 - Implement appropriate management and contingency plans; review priorities and reprioritise service delivery; media management							Action Manager	CD BES			

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NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

25 OCTOBER 2021

COUNTER FRAUD POLICY FRAMEWORK

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To consider the outcome the Annual Fraud Risk Assessment
- 1.2 To approve the new Counter Fraud Strategy action plan and to note the results of the annual fraud risk assessment
- 1.3 To consider and comment on the draft revised Counter Fraud and Corruption, and Whistleblowing policies

2.0 BACKGROUND

- 2.1 To protect public funds it is important for the County Council to have a framework in place to prevent, detect and deter fraud, and to recover any losses that may occur. A strong anti-fraud framework that minimises loss through fraud and error will ensure that the Council has more resources available to focus on providing services to residents. This report provides Members with details of the impact of fraud nationally and in particular the risks facing local government.
- 2.2 Fighting Fraud and Corruption Locally is the national counter fraud strategy for local government. The strategy is refreshed periodically and has the support of counter fraud professionals, the LGA, and HM Government. The most recent iteration, Fighting Fraud and Corruption Locally – A Strategy for the 2020s was published in April 2020. The Strategy identifies five areas for local authorities to focus on:
 - **Govern** – having robust arrangements and executive support to ensure counter fraud measures are embedded
 - **Acknowledge** – understanding fraud risks and committing resources to tackle fraud
 - **Prevent** – developing an anti-fraud culture, maintaining controls and using information and technology to help prevent and detect fraud
 - **Pursue** – investigating fraud and recovering losses
 - **Protect** – protecting individuals from becoming victims of fraud, and protecting against the harm that fraud can do to the community (including from serious and organised criminals)
- 2.3 Veritau completes an annual Fraud Risk Assessment, designed to identify the areas of fraud that present the greatest risk to the County Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities as well

as the fraud reported to and investigated by the counter fraud team. The risk assessment helps to prioritise counter fraud work within the County Council.

3.0 **POLICY FRAMEWORK**

- 3.1 The counter fraud policy framework includes the Counter Fraud Strategy, the Counter Fraud and Corruption Policy, the Whistleblowing Policy, and the Anti Money Laundering (AML) Policy. The policy framework is reviewed annually and updated to reflect national guidance and best practice.
- 3.2 This year the Counter Fraud and Corruption, and Whistleblowing policies have been subject to more detailed review and revision. The revised policies are still subject to consultation with HR and Unison so at this stage we are asking the committee to provide comments prior to them being approved. Our intention is to present the final versions to the next meeting of this committee.
- 3.3 The Counter Fraud Strategy action plan and the annual Fraud Risk Assessment have also been updated.
- 3.4 The counter fraud policy framework report is attached as **appendix 1**. The report includes the:
- 2021/22 fraud risk assessment [**annex 1**]
 - updated counter fraud strategy action plan [**annex 2**]
 - draft counter fraud and corruption policy (and associated fraud and corruption prosecution and anti-bribery policies) [**annex 3**]
 - draft whistleblowing policy (and associated guidance for managers) [**annex 4**]

4.0 **RECOMMENDATIONS**

Members are asked to:

- 4.1 note the results of the annual fraud risk assessment
- 4.2 approve the updated counter fraud strategy action plan
- 4.3 comment on the draft revised Counter Fraud and Corruption and Whistleblowing policies

M A THOMAS
Head of Internal Audit

BACKGROUND DOCUMENTS

Relevant audit and fraud reports kept by Veritau Ltd

Report prepared and presented by Max Thomas, Head of Internal Audit.

County Hall

Northallerton

7 October 2021



COUNTER FRAUD FRAMEWORK REPORT

25 October 2021



Appendix 1

Assistant Director - Corporate Fraud:
Jonathan Dodsworth

Head of Internal Audit: Max Thomas



INTRODUCTION

- 1 Fraud is a significant risk to the UK public sector. Losses to local government due to fraud results in less funding for public services. It is estimated that the cost of fraud against local authorities is as much as £7.8 billion annually.¹ An estimated 40% of all crime committed in the UK is categorised as fraud.²
- 2 To effectively combat fraud the Council needs to have a counter fraud framework that helps prevent, detect and deter fraud. Counter fraud work also needs to develop at least as quickly as the techniques used by fraudsters.



NATIONAL PICTURE

- 3 The Covid-19 pandemic has created opportunities for fraudsters to attack public sector organisations, private businesses, and members of the public. In March 2021, the National Audit Office (NAO) reported a significant rise in the risk fraud and error due Covid-19.³
- 4 Cybercrime remains a significant risk to all organisations, public and private. High profile attacks across the UK and worldwide have continued throughout the pandemic, and cybercriminals have shown disregard for the effects of their actions. An attack in the United States in May 2021 stemmed from a single compromised password and account, and resulted in the company involved paying a ransom of over £3 million.
- 5 Supply chain attacks have also become prevalent in the last 12 months. These attacks occur when a software or IT supplier is targeted and criminals use the knowledge they gain to attack the end users of the company's software. Several high profile attacks in 2020 resulted in governments and businesses in the United States, the UK, and Europe being affected. This included unauthorised access to email accounts and confidential documents, leading to data breaches. It's essential that oversight of organisational ICT infrastructure is maintained to ensure controls remain up to date and able to reduce the impact of emerging threats.



FRAUD RISK ASSESSMENT

- 6 Veritau completes an annual Fraud Risk Assessment, designed to identify the areas of fraud that present the greatest risk to the County Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities as well as the fraud reported to and investigated by the counter fraud team. The results of the assessment are used by:
 - management to develop or strengthen existing fraud prevention and detection measures;

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

² Public Accounts Committee Report – Fraud and Error, June 2021, HM Government

³ Economic Crime Plan 2019-22, HM Government

- Veritau to further revise the Counter Fraud Policy Framework;
 - Veritau to focus future audit and counter fraud work.
- 7 The 2021/22 Fraud Risk Assessment is included at **annex 1**. The assessment identifies the following areas as representing the highest risk for the County Council:
- Adult Social Care fraud
 - Creditor fraud
 - Cybercrime
 - Procurement fraud
- 8 The threat of theft of assets has been downgraded this year as the Covid-19 pandemic has eased and there is a greater presence within Council offices and buildings.
- 9 The fraud risk assessment will be kept under review so that any significant new or emerging risks are addressed.



COUNTER FRAUD FRAMEWORK

- 10 The Council has a robust counter fraud framework which includes a counter fraud strategy and associated action plan, a counter fraud policy, a fraud risk assessment, and a number of related policies (e.g. whistleblowing). A review of the framework is conducted annually.
- 11 A new counter fraud and corruption strategy was adopted last year. The strategy sets out the Council's aims for counter fraud work over the next few years. The strategy also includes actions needed to maintain and develop counter fraud arrangements at the Council. The associated strategy action plan is reviewed and updated annually. This year's update is included at **annex 2**. It details progress made against last year's plan and introduces new priorities for the counter fraud team in 2021/22. New objectives this year include:
- Raising awareness of cyber security issues with members of staff;
 - Promoting the Council's counter fraud framework, raising issues internally relating to bribery, money laundering, and whistleblowing.
- 12 The review determined that the Council's counter fraud and corruption policy, which was last amended in 2015, should be updated. The refreshed policy, included at **annex 3**, has been updated to meet current best practice and latest guidance from the Attorney General.
- 13 The review also found that the Council's whistleblowing policy, adopted in 2016, should also be updated. A revised policy, included at **annex 4**, has been updated to meet best practice. This includes the Government's Whistleblowing: Guidance for Employers and Code of Practice and the National Audit Office's Assessment Criteria for Whistleblowing Policies.

- 14 The revised policy and related guidance builds on the aims, principles and information set out in the current policy. Areas updated include the following:
- Further clarification for employees of the types of issues that may be reported and the protections the law affords them.
 - The introduction of more detailed guidance for managers on how to respond when a whistleblowing report is made to them.
- 15 Once the updated policy has been approved an awareness campaign will be undertaken for both members of staff and managers. Human Resources and Veritau will continue to provide ongoing support and advice to all parties. Veritau will regularly report relevant whistleblowing activities to the Chief Executive, Corporate Director – Strategic Resources, and the Monitoring Officer. Veritau will also report annually to the Audit Committee, detailing numbers of whistleblowing reports, significant trends, and further details of any reports that lead to significant issues being uncovered.

ANNEX 1: Fraud Risk Assessment (October 2021)

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
<p>Adult Social Care Fraud</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 276</p>	<p>Fraud within the adult social care system is an area of concern for the Council in terms of loss to the authority and the impact on individuals affected. CIPFA reported a 104% increase in the value of social care fraud detected in 2019 compared to the previous year. The average loss in individual cases of fraud detected in this area is £29k.</p> <p>Losses can occur through deprivation or non-declaration of capital which can involve the transfer or disguise of property in order to avoid paying for residential or domestic care provision. Further fraud occurs through the misuse of the Direct Payment scheme, where monies allocated to meet a customer's assessed needs are not then used to procure these services. Residential homes could also continue to claim for customers who are no longer in residence (e.g. after they pass away).</p>	<p>Applications for care funding are carefully assessed to ensure that recipients meet the eligibility criteria and that any financial contribution for care by the customer is correctly calculated.</p> <p>A range of monitoring and verification controls are operated by the service. This includes requiring customers in receipt of Direct Payments to have a separate bank account for managing these funds and complying with monitoring procedures to verify spending.</p>	<p>High</p>	<p>Counter Fraud Team (CFT) to deliver a rolling programme of fraud awareness training with staff in safeguarding, financial assessments and with relevant legal services team members.</p> <p>Periodic reviews of the control environment through internal audits will further assist the Council in ensuring robust processes are in place.</p> <p>Concerns of fraud should be reported to the CFT who can determine if criminal investigation would be effective.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Creditor Fraud	<p>A range of frauds can be committed against the Council as a result of publically available creditor payment data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>The most common issue is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in bank details. Other types of fraud in this area include whaling, where senior members of the Council are targeted and impersonated in order to obtain fraudulent payments.</p> <p>In recent years there have been increased instances nationally of hackers gaining direct access to email accounts of suppliers and then attempting to perpetrate mandate frauds. These attempts are much more difficult to detect and prevent.</p> <p>With increased remote working due to Covid-19, there have been increased opportunities for</p>	<p>The Council has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details.</p> <p>Internal Audit undertake periodic reviews of the controls.</p>	High	<p>The CFT undertake work to raise staff awareness of these types of frauds. Increased awareness provides greater chances of stopping fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud reported to CFT will be reported to the relevant agencies, such as the National Cyber Security Centre, as well as directly to the email provider from where the false emails originated from.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds.</p>			
<p>Cybercrime</p>	<p>Cybercrime is a constantly evolving area where criminals are continually refining their techniques in order to overcome controls put in place to protect organisations, to obtain unauthorised access and information, and to frustrate systems.</p> <p>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds, systems becoming unavailable to use impacting service delivery, and loss of data.</p> <p>There have been a number of high profile cyber-attacks on public and private sector organisations in recent years. Attacks stemming from the hacking of software or IT service providers have become more prevalent. These are known as supply chain attacks and are</p>	<p>The Council has a skilled ICT department which helps mitigate the threat of cybercrime.</p> <p>The Council participates in a regional group with other local authorities to share best practice and information about emerging threats.</p>	<p>High</p>	<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce cybersecurity messages to members of staff.</p> <p>An awareness campaign for staff is planned for cybersecurity awareness month in October.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	used by hackers to target the end users of the software created by the organisations targeted.			
Procurement Fraud	<p>Procurement fraud has been perceived as a high risk by local authorities in the CIPFA fraud tracker for a number of years.</p> <p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority (CMA) estimates that having a cartel within a supply chain can raise prices by 30% or more.</p> <p>CIPFA reported losses of £1.5m in 2019/20 for local authorities, due to procurement fraud. It found that 8% of fraud detected in this area involved 'insider fraud'.</p>	<p>The Council has established Contract Procedure Rules. The rules are reviewed regularly and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice.</p> <p>Contract monitoring is implemented to help detect and deter fraud.</p>	High	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. The CFT will continue to provide training to raise awareness of fraud risks in this area.</p> <p>CFT and Internal Audit will monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p> <p>Any suspected procurement fraud should be reported to the CFT for further investigation.</p>
Internal Frauds	There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking	The Council has a whistleblowing policy through which concerns can be raised. The Council has an anti-bribery policy that asks staff and members to report concerns through	Medium	The CFT will investigate any suspicions of corruption while internal audit ensure that appropriate checks and balances are in place to help

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Page 280	<p>alternative work while sick, or working for a third party on Council time. Some staff have access to equipment and material that may be misused for private purposes.</p> <p>With increased staff working remotely, working hours and associated claims may be more difficult to monitor. It is essential that these issues are tackled as they can cause reputational damage and affect staff morale and performance.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p> <p>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected.</p>	<p>the whistleblowing policy.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p> <p>Participation in the National Fraud Initiative helps the Council identify potential cases of internal fraud.</p>	Medium	prevent it.
	Recruitment Fraud	Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and		The Council has controls in place to mitigate the risk of fraud in this area. DBS checks are undertaken where necessary.

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>qualifications or providing false identification documents to demonstrate the right to work in the UK.</p>	<p>Additional checks are made on applications for roles involving children and vulnerable adults.</p>		<p>disciplinary action that may be taken.</p>
<p>Theft of Assets</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 281</p>	<p>The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.</p> <p>The reduction of staff at Council premises during the Covid-19 outbreak increased the risk of theft. This risk has reduced significantly as restrictions have lifted and staff have begun to return to offices.</p>	<p>Specific registers of physical assets (e.g. capital items, property and ICT equipment) are maintained.</p> <p>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>	<p>Medium (downgraded from High)</p>	<p>Members of staff should also be vigilant and report all possible thefts promptly to the Police and CFT.</p>
<p>Blue Badge Fraud</p>	<p>Blue Badge fraud doesn't carry a financial risk to the authority but can affect the quality of life for disabled residents and visitors. There is a risk of reputational damage to the Council if abuse of this scheme is not addressed.</p> <p>People using a Blue Badge that</p>	<p>Measures are already in place to control the legitimate issue of blue badges. The Council participates in the National Fraud Initiative which flags badges issued to deceased users, and badge holders who have obtained a blue badge from more than one authority, enabling their recovery to prevent misuse.</p>	<p>Low</p>	<p>n/a</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>does not belong to them and without the badge holder present are acting contrary to the law. They may also incorrectly be exempted from parking charges or pay reduced fees, in addition to being able to park in restricted areas including on many double yellow lines.</p>			
<p>Fraudulent Insurance Claims</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 282</p>	<p>The Council may receive exaggerated or fabricated insurance claims. CIPFA's 2019/20 report estimated that insurance fraud cost local government £3.9m.</p>	<p>The Council's Insurance team report suspicious claims to Veritau and/or the Council's insurers. The Council's insurers have established fraud detection and investigation systems.</p>	<p>Low</p>	<p>n/a</p>

ANNEX 2: COUNTER FRAUD STRATEGY ACTION PLAN

Veritau has responsibility for maintaining, reviewing, and strengthening counter fraud arrangements at the Council. This includes an annual review of the Council’s counter fraud policy framework.

Ongoing counter fraud work is targeted towards the high risk fraud areas (adult social care, creditors, cybercrime and procurement). This work includes both proactive activities (for example conducting a rolling programme of fraud awareness training for officers, sharing fraud alerts and undertaking data matching exercises) and reactive work (for example, investigations, prosecutions and fraud loss recovery).

A number of new developments and initiatives are also planned as follows:

New one off and developmental activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Raise awareness of cyber security issues and promote good practice.	October 2021	Veritau / Communications Team	Raise awareness of cyber security issues with all staff during cyber security awareness month in October 2021.
2	Refresh the Council’s counter fraud and whistleblowing policies.	October 2021	Veritau / Human Resources	The Council’s policies relating to Counter Fraud and Whistleblowing need to updated to reflect latest guidance and best practice.
3	Promote the Council’s counter fraud policy framework.	June 2022	Veritau / Communications Team	Raise awareness internally of issues such bribery, money laundering, and whistleblowing.
4	Explore the use of new techniques to enhance fraud and error detection in the adult social care	August 2022	Veritau / Adult Social Care Services	Use of new tools could help the Council to complete more accurate financial assessments and reduce the risk of fraud and error.

Ref	Action Required	Target Date	Responsibility	Notes
	financial assessment process.			
5	Increase sharing of counter fraud intelligence to enhance fraud prevention.	March 2022	Veritau	Veritau to promote sharing of counter fraud intelligence from regional and national forums.

Completed activities:

Ref	Action Required	Responsibility	Update
1	Prepare a refreshed counter fraud strategy which acknowledges fraud risks facing the Council and sets overall counter fraud aims. The strategy should set out actions required for developing counter fraud arrangements.	Corporate Director – Strategic Resources / Veritau	In October 2020, the Council adopted a new Counter Fraud Strategy for 2020-2024 with an associated action plan.
2	Develop a communication strategy to publicise counter fraud and corruption news internally.	Veritau / Communications Team	A schedule of fraud awareness is planned for 2021/22 (see action points 2 & 3 in New Activity). This content will be rolled out annually in future.
3	Participate in Fighting Fraud and Corruption Locally (FFCL) working groups.	Veritau	Veritau are organising and participating in an FFCL working group with other councils across the country looking at the issue of Adult Social Care fraud.

Ref	Action Required	Responsibility	Update
4	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	Veritau	Over the past 12 months Veritau have delivered fraud awareness training to Human Resources, Health and Adult Services, and staff working within schools.

ANNEX 3: Counter Fraud and Corruption Policy



COUNTER FRAUD AND CORRUPTION POLICY

1 Introduction

- 1.1 All organisations are at increasing risk of fraud and corruption. Some commentators estimate that annual fraud losses to local government in the UK could be £7.8 billion. It is therefore a risk that the Council cannot and should not ignore.
- 1.2 Any fraud committed against the Council effectively constitutes a theft of taxpayer's money. It is unlawful and deprives the Council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the Council can reduce losses which impact on service delivery as a contribution to the achievement of overall Council priorities.
- 1.3 This document sets out the Council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It includes the Fraud and Corruption Prosecution Policy contained in **annex A** and an Anti-Bribery Policy in **annex B**. It forms part of the Council's overall policy framework for combating fraud and corruption and should be read in conjunction with the counter fraud and corruption strategy, the constitution, financial regulations, contract procedure rules, the whistleblowing policy, anti money laundering policy, and disciplinary procedures.

2 Definitions and Scope

- 2.1 For the purpose of this policy, the term fraud is used broadly to encompass:
- acts which would fall under the definition in the Fraud Act (2006)
 - anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
 - any offences which fall under the Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013)
 - any act of bribery or corruption including specific offences covered by the Bribery Act (2010)
 - acts of theft
 - any other irregularity which is to the detriment of the Council whether financially or otherwise, or by which someone gains benefit they are not entitled to.
- 2.2 This policy does not cover fraud or corruption against third parties, except where there may be an impact on the service provided by the Council. In addition, it does not cover other acts – for example offences involving

violence - which may affect the Council, and which should in most cases be reported directly to the police.

3 Principles

- 3.1 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that members, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the constitution, the Council's policy framework, and all relevant professional and other codes of practice.
- 3.2 The Council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.
- 3.3 The Council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. The Council may refer any incident of suspected fraud to the police or other agencies for investigation, if appropriate.
- 3.4 To act as a deterrent, the Council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the Fraud and Corruption Prosecution Policy (**annex A**).
- 3.5 As a further deterrent, and to minimise losses, the Council will attempt to recover any losses incurred through civil or legal action. In addition, the Council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.
- 3.6 The Council will not tolerate any form of bribery to or by employees, members, or suppliers. Any act of bribery puts the council at risk of committing a criminal offence. Please see the Council's Anti-Bribery Policy which is contained in **annex B**.

4 Responsibilities

- 4.1 Overall responsibility for counter fraud arrangements rests with the Council's Corporate Director – Strategic Resources (Section 151 Officer) on behalf of the Council. The Corporate Director – Strategic Resources has a professional responsibility for ensuring the Council has appropriate measures for the prevention and detection of fraud and corruption, which are reflected in legislation.
- 4.2 The Audit Committee has responsibility to consider the effectiveness of counter fraud and anti-corruption arrangements at the Council. This includes monitoring of Council policies on raising concerns at work and counter fraud and corruption.
- 4.3 Management Board (MB) are collectively responsible for ensuring that the Council has effective counter fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.
- 4.4 Veritau (who provide internal audit and counter fraud services to the Council) is responsible for reviewing the Council's counter fraud and corruption policies on a regular basis and recommending any required changes to those policies. In addition, Veritau leads on fraud prevention and detection issues for the Council and is responsible for investigating suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Head of Internal Audit is required to report their professional opinion on the Council's control environment to members of the Audit Committee on an annual basis in accordance with proper practice.
- 4.5 All senior managers have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of internal audit or by other means are addressed promptly.
- 4.6 The Head of Internal Audit is the Council's nominated officer for the purposes of the Money Laundering Regulations (2007), and is responsible for reporting any issues referred to them in this capacity.
- 4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to Veritau. Where appropriate, staff may use the Whistleblowing Policy to raise concerns anonymously.

- 4.8 Officers within human resources have a responsibility to support service departments in undertaking any necessary pre-disciplinary investigation and disciplinary process.

5 Overall Counter Fraud Arrangements

Introduction

- 5.1 The purpose of this section is to set out the Council's overall framework for countering the risk of fraud and corruption. While the Council aims to follow best practice in relation to counter fraud activity¹, it recognises that new and emerging fraud risks will require a dynamic approach to fraud prevention and detection.

Measurement

- 5.2 The Council will assess the potential risks and losses due to fraud and corruption, will use these to prioritise counter fraud activity, and will review the resources available to counter those risks. The review will include an assessment of actual levels of fraud² and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will be reported to the Audit Committee on an annual basis as part of the audit and fraud planning cycle.

Culture

- 5.3 The Council will promote a culture whereby all staff, members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:
- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, council members, partners, stakeholders, contractors or members of the public;
 - investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the financial regulations, contract procedure rules, fraud and corruption prosecution policy, disciplinary procedures, code of conduct for members, or any relevant legislation or guidance;

¹ For example the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

² All suspected fraud should be reported to Veritau. A record of all such information will be maintained on a confidential basis.

- ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

Prevention and Detection

Controls

- 5.4 As part of its ongoing operating procedures, the Council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored and a formal report is made as part of the process for preparing the Annual Governance Statement. The Council maintains a system of internal audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.
- 5.5 Services will be encouraged to consider the risk of fraud as part of the Council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

Proactive Work

- 5.6 The Council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual work plan. Resources will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other councils.
- 5.7 The Council will take part in projects led by other agencies such as the Cabinet Office to identify potential fraud e.g. the National Fraud Initiative. Resources will be allocated to follow up high risk data matches, and will include support through the internal audit and counter fraud teams to review potential control issues and suspected fraud. Veritau will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

Relationships

- 5.8 The Council has established relationships with a number of other agencies. It will continue to support these relationships and develop new ones to further the prevention and detection of fraud. Organisations which the Council will work with include:
- the police
 - the courts

- the Cabinet Office
 - the Department for Levelling Up, Housing, and Communities
 - the Department for Works and Pensions
 - other councils
 - registered social landlords
 - community groups
- 5.9 Veritau will work with Council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust.

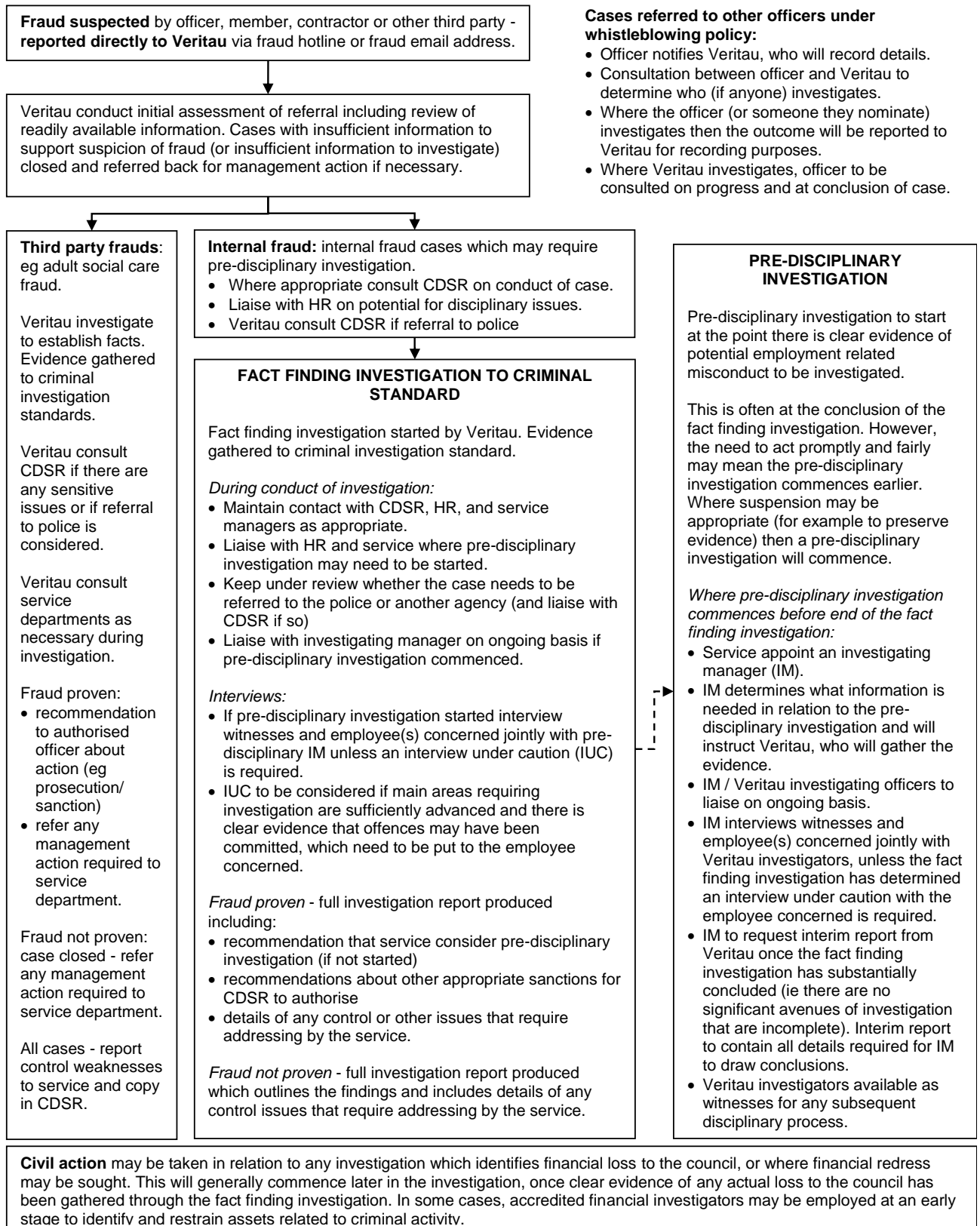
Fraud Awareness Training

- 5.10 As part of its annual work plan, Veritau will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

Investigation

- 5.11 Suspected cases of fraud, corruption, theft or other irregularity that are considered to be of high risk will be investigated. The nature of each investigation will depend on the circumstances of each case. Veritau will act as a first port of call for any suspected fraud and will provide advice on whether other agencies should be notified (e.g. the police). Veritau will determine the extent of the investigation to be carried out in consultation with the Corporate Director – Strategic Resources, service departments and human resources as appropriate. Where necessary, Veritau may refer cases to other agencies (for example the police) at the discretion of the Head of Internal Audit. Figure 1 overleaf outlines the fraud referral and investigation process.
- 5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the General Data Protection Regulation (GDPR), the Criminal Procedures Investigations Act (CPIA), and any relevant guidance from the Attorney General. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).
- 5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.

Figure 1: North Yorkshire County Council investigation process



- 5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with best practice.

Publicity

- 5.15 The Council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.

- 5.16 In addition, where appropriate, targeted publicity will be used to raise the awareness of fraud to staff, members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:

- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud;
- inform all stakeholders of the procedures to be followed if they have suspicions of fraud;
- ensure that all stakeholders are aware that the Council will not tolerate fraud and the consequences of committing fraud against it.

Recovery of Monies

- 5.17 Where any loss has been incurred by the Council or additional costs have been incurred as a result of fraud or corruption, the Council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the Council is minimised and act as a deterrent. As a further deterrent, the Council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.

- 5.18 Methods of recovery may include (but are not limited to):

- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation);
- bankruptcy where appropriate;
- recovery from future salary payments if an individual remains an employee of the Council;
- recovery of pension contributions from employees or members who are members of the North Yorkshire Pension Fund.

6 Monitoring & Review Arrangements

- 6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the audit and fraud planning cycle and will include the Fraud and Corruption Prosecution Policy (**annex A**) and other related guidance. Veritau will work with other departments to ensure that other related guidance and policy (such as the Whistleblowing policy) are reviewed on a regular basis and any amendments or necessary changes are reported to members for approval.

LAST REVIEWED AND UPDATED: 25 October 2021



FRAUD AND CORRUPTION PROSECUTION POLICY

1 Scope and Purpose

- 1.1 The fraud and corruption prosecution policy forms part of the Council's overall counter fraud and corruption arrangements. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or members of the Council, or committed by members of the public, or other organisations or their employees, against the Council.
- 1.2 The policy sets out the circumstances in which the Council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The policy does not cover internal disciplinary procedures which are the subject of the Council's separate disciplinary policy and procedures.
- 1.3 This policy should be read in conjunction with the Council's constitution, financial regulations, contract procedure rules, the counter fraud and corruption policy and strategy, the whistleblowing policy and the Council's disciplinary policy and procedures.
- 1.4 The policy contains specific guidelines for determining the most appropriate course of action when fraud has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.

2 Principles

- 2.1 The Council is committed to deterring fraud and corruption. As part of its overall strategy to do this the Council will seek to take appropriate action against anyone proven to have attempted and/or committed a fraudulent or corrupt act against it. The Council considers that those guilty of serious fraud or corruption must take responsibility for their actions before the courts.
- 2.2 The policy is designed to ensure that the Council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.
- 2.3 Staff and members who are found to have committed fraud or corruption against the Council may be prosecuted in addition to such other action(s) that the Council may decide to take, including disciplinary proceedings in the case of staff and referral to the relevant officer or body in the case of members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude remedial action being taken in accordance with the Council's disciplinary procedures or other policies.

- 2.4 This Policy is also designed to be consistent with Council policies on equalities. The Council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.
- 2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The Council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.
- 2.6 Any decision taken by an authorised officer to prosecute an individual or to offer a formal sanction will be recorded in writing. The reason for the decision being taken will also be recorded.
- 2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the Council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3 Prosecution

- 3.1 The policy is intended to ensure the successful prosecution of offenders in court. However, not every contravention of the law should be considered for prosecution. The Council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.
- 3.2 To consider a case for prosecution the Council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **evidential test**. Secondly, it must be in the public interest to proceed – the **public interest test**.
- 3.3 To pass the evidential test, authorised officers must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).
- 3.4 To pass the public interest test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;
- the likely sentence (if convicted);

- any previous convictions and the conduct of the defendant;
- whether there are grounds for believing the offence is likely to be repeated;
- the prevalence of the offence in the area;
- whether the offence was committed as a result of a genuine mistake or misunderstanding;
- any undue delay between the offence taking place and/or being detected and the date of the trial;
- the likely effect that a prosecution will have on the defendant;
- whether the defendant has put right the loss or harm caused.

3.5 It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;

- the actual or potential loss to the Council was substantial;
- the fraud has continued over a long period of time;
- the fraud was calculated and deliberate;
- the person has previously committed fraud against the Council (even if prosecution did not result) and/or there has been a history of fraudulent activity;
- the person was in a position of trust (for example, a member of staff);
- there has been an abuse of position or privilege;
- the person has declined the offer of a caution or financial penalty;
- the case has involved the use of false identities and/or false or forged documents.

3.6 Investigating officers and prosecutors will review the appropriateness of pre-charge engagement where prosecution is considered. This is likely to occur where such engagement may lead the defendant to volunteer additional information that may identify new lines of inquiry. Pre-charge engagement may be instigated by the investigating officer, the council prosecutor, the defendant's representative or a defendant themselves (if unrepresented).

4 Mitigating Factors

4.1 The following mitigating factors will be taken into account when determining whether to prosecute;

Voluntary Disclosure

4.2 A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the Council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;
- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the Council is already undertaking an investigation in this area and/or other counter fraud activity);
- offender only admits the facts when challenged or questioned;
- offender supplies the correct facts when making a claim to Legal Aid.

Ill Health or Disability

4.3 Where the perpetrator (and/or their partner) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not normally be prosecuted. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. It is also necessary to prove that the person understood the rules governing the type of fraud committed and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

Social Factors

4.4 A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

Exceptional Circumstances

4.5 In certain exceptional circumstances the Council may decide not to prosecute an offender. Such circumstances include;

- the inability to complete the investigation within a reasonable period of time;
- the prosecution would not be in the interests of the Council;

- circumstances beyond the control of the Council make a prosecution unattainable.

5 Alternatives to Prosecution

5.1 If some cases are considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the Council may consider the offer of a sanction instead. The two sanctions available are;

- a caution, or;
- financial penalty.

Simple Cautions

5.2 A simple caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. All cautions are recorded internally and kept for a period of six years. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.

5.3 For less serious offences a simple caution will normally be considered where all of the following apply;

- there is sufficient evidence to justify instituting criminal proceedings;
- the person has admitted the offence;
- there is no significant public requirement to prosecute;
- it was a first offence, and;
- a financial penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

5.4 Cautions will be administered by the Head of Internal Audit (or deputy), Assistant Director - Corporate Fraud, Corporate Fraud Manager, or a Senior Corporate Fraud Investigator, on behalf of the Council. If a caution is offered but not accepted then the Council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

Financial Penalties

5.5 The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, permit a financial penalty to be offered to claimants as an alternative to prosecution. The penalty is

set at 50% of the amount of the excess reduction, subject to a minimum of £100 and a maximum of £1,000. Once a penalty is accepted, the claimant has 14 days to change their mind.

5.6 Subject to the criteria set out in the guidelines below, a financial penalty will normally be offered by the Council in the following circumstances;

- the Council believes that there is sufficient evidence to prosecute;
- it was a first offence or a previous offence was dealt with by way of a caution, and;
- in the opinion of the Council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;
- the claimant has the means to repay both the overpayment and the penalty, and;
- there is a strong likelihood that both the excess reduction and the penalty will be repaid.

5.7 It is important to note that the claimant does not need to have admitted the offence for a financial penalty to be offered. Financial penalties will be administered by the Head of Internal Audit (or deputy), Assistant Director - Corporate Fraud, Corporate Fraud Manager or a Senior Corporate Fraud Investigator. If a financial penalty is not accepted or is withdrawn then the Council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

6 Proceeds of Crime Act 2002 (POCA)

6.1 In addition to the actions set out in this policy, the Council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the Council to recover its losses from assets which are found to be the proceeds of crime.

7 Implementation Date

7.1 This revised policy is effective from 25 October 2021 and covers all decisions relating to prosecutions and sanctions after this date.



ANTI-BRIBERY POLICY

1 Introduction

- 1.1 The Bribery Act became law in 2011 and was enacted to enable robust action to be taken against all forms of bribery. The Council is committed to protecting the public purse and the services it provides from being abused. The Council has a zero-tolerance approach towards bribery and promotes the prevention, deterrence and detection of bribery.
- 1.2 Bribery is defined as the offering, giving, receiving or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty. The act of bribery is the intention to gain a personal, commercial, regulatory or contractual advantage.
- 1.3 Facilitation payments are unofficial payments made to public officials to secure or expedite actions. These are not tolerated and are illegal.
- 1.4 This policy should be read in conjunction with the Council's Gifts and Hospitality Protocol.

2 Principles

- 2.1 The Council is committed to the prevention, deterrence and detection of bribery.
- 2.2 The Council commits to:
 - Making all employees and associated people aware of their responsibilities to adhere strictly to this policy at all times.
 - Training members of staff so that they are aware of the Bribery Act.
 - Encouraging all employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
 - Rigorously investigate instances of alleged bribery and assist the police and other authorities in any investigations or prosecutions they undertake.
 - Taking strong action against any individual(s) involved in bribery.

3 Scope

- 3.1 This policy applies to all of the Council's activities, members of staff (permanent and temporary), agency staff, volunteers, consultants, and members.
- 3.2 For partners, joint ventures, and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

- 3.3 All employees and members are required to:
- Raise concerns as soon as possible if it is believed or suspected that this policy has been breached or may be breached in the future.
 - Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.
- 3.4 As well as the possibility of civil and criminal prosecution, employees breaching this policy will face disciplinary action, which could result in dismissal in cases of gross misconduct.

4 Offences

- 4.1 There are four key offences under the Bribery Act 2010.

Section 1 – Offence of bribing another person

- 4.2 This section makes it an offence when a person offers, promises or gives a financial or other advantage to another person and intends the advantage to induce a person to perform improperly a relevant function or activity or to reward a person for the improper performance of such a function or activity.
- 4.3 It is also an offence when a person offers, promises or gives a financial or other advantage to another person and knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

Section 2 – Being bribed

- 4.4 This section makes it an offence when a person requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly.
- 4.5 It is an offence when a person requests, agrees to receive or accepts a financial or other advantage and the request, agreement or acceptance itself constitutes the improper performance of the person of a relevant function or activity.
- 4.6 It is an offence if a person requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance of a relevant function or activity.

- 4.7 It is also an offence if a person in anticipation of or in consequence of the person requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly.

Section 6 – Bribery of foreign public officials

- 4.8 Under this section of the Act an offence is committed when a person intends to influence a foreign official in their official capacity and intends to obtain or retain business or an advantage in the conduct of business.
- 4.9 It is also an offence to offer, promise or give any financial or other advantage to a foreign public official.

Section 7 – Failure of a commercial organisation to prevent bribery

- 4.10 A relevant commercial organisation is guilty of an offence if a person associated with the organisation bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation and the organisation fails to take reasonable steps to implement adequate procedures to prevent such activity.

Corporate Responsibility

- 4.11 North Yorkshire County Council is considered to be a commercial organisation under the Bribery Act. It is therefore important that the Council takes steps to prevent bribery from occurring within the organisation.
- 4.12 If an offence did occur then courts would consider six tests to determine whether the Council was culpable:
- Does the Council have proportionate procedures in place to prevent bribery by persons associated with it? These should be clear, practical and accessible.
 - Is there top level commitment to preventing bribery? This includes members as well as officials.
 - Is the Council's exposure to potential external and internal risks of bribery periodically assessed?
 - Does the Council take a proportionate and risk based approach to mitigate identified bribery risks.
 - Are anti-bribery policies and procedures embedded and understood throughout the organisation? Are they communicated internally and externally?
 - Are procedures monitored and reviewed regularly?

Penalties

- 4.13 A person guilty of an offence under sections 1, 2, or 6 of the Bribery Act is may be sentenced to:
- a maximum imprisonment of 12 month and/or a fine not exceeding £5,000 (if convicted in a magistrates court).
 - a maximum imprisonment of 10 years and/or an unlimited fine (if convicted at a crown court).
- 4.14 An organisation found guilty of allowing bribery offences to occur will be subject to an unlimited fine that is in part determined by the gain that was sought to be made through bribery offences and an assessment of an organisation's culpability by the court.

5 How to raise a concern

- 5.1 We all have a responsibility to help detect, prevent and report instances of bribery. If a member of staff or councillor has a concern regarding a suspected instance of bribery or corruption then please speak up. The sooner you act, the sooner it can be resolved.
- 5.2 Employees who raise concerns or report wrongdoing (e.g. that they have been offered a bribe, have been asked to bribe a third party, or are aware of bribery occurring within the Council or its suppliers) can be concerned that there may be repercussions. The Council aims to encourage openness and will support anyone who raises concerns under this policy, even if those concerns prove to be incorrect.
- 5.3 The Council is committed to ensuring nobody suffers detrimental treatment by refusing to take part in bribery or corruption, or because they report a concern that they believe is true.
- 5.4 Members of staff should consult the Council's Whistleblowing policy which sets out a number of routes for reporting concerns. Any concerns can be reported to the whistleblowing hotline, 0800 9179247 or via email to counter.fraud@veritau.co.uk.
- 5.5 Concerns can be raised anonymously and the Council will still take action. However, it is easier and quicker if concerns are not made anonymously. The Council will take all possible precautions to ensure that the identities of people who raise concerns are protected.

6 What to do if someone reports a concern

- 6.1 All reports of potential bribery within the Council should be reported to the Council's Corporate Director - Strategic Resources, Monitoring Officer, and Veritau.

Last reviewed and updated: 25 October 2021

ANNEX 4: Whistleblowing Policy



WHISTLEBLOWING POLICY

1.0 INTRODUCTION

- 1.1 North Yorkshire County Council is committed to achieving high standards of integrity and accountability. This policy provides a framework for employees and contractors, to raise concerns which they believe are in the public interest and may relate to illegal, improper or unethical conduct. The whistleblowing policy forms part of the Council's overall counter fraud framework. There are different mechanisms for members of the public or others with concerns to report them to the Council, for example through the counter fraud hotline or complaints procedures. Whilst many of the principles covered in the whistleblowing policy relate to any report of wrongdoing at the Council, this policy is designed solely for the use of employees and contractors.
- 1.2 The Council tries to create an open environment in which employees and those working on behalf of North Yorkshire County Council are encouraged to raise issues with the confidence that they will be acted upon appropriately. Our message to employees is straightforward - if in doubt, raise it!
- 1.3 The Public Interest Disclosure Act 1998 (PIDA) protects employees against detrimental treatment or dismissal as a result of any disclosure of information in the interests of the public. This policy is designed to conform to legislation³ as well as guidance from the government and relevant bodies⁴.
- 1.4 This policy should be used where there are concerns about consequences for other employees or the public, and does not apply to matters relating exclusively to one's own employment.
- 1.5 A guide for managers or other employees on how to proceed if they receive a whistleblowing report is contained in **Appendix A** of this policy.

2.0 AIMS AND SCOPE OF THE POLICY

- 2.1 The policy aims to:
 - encourage employees to raise any serious concerns they have about their workplace or working practices;
 - ensure that employees get a response to their concerns and that they are aware of how to pursue them if they are not satisfied with any action or inaction; and
 - assure employees that if they raise any concerns in the public interest then action will be taken to protect them from possible reprisals or victimisation.

³ PIDA 1998 was updated by the Enterprise and Regulatory Reform Act 2013.

⁴ Whistleblowing guidance has been issued by the Department for Business, Energy & Industrial Strategy, the National Audit Office and the charity, PROTECT.

- 2.2 This policy applies to any person working for the Council. This includes both permanent and temporary staff, staff from maintained schools, and also covers agency personnel and staff seconded to or from a third party. Contractors working for the Council may also use the provisions of this policy to make the Council aware of any relevant concerns.
- 2.3 Protection under PIDA is not provided to job applicants, self-employed workers or volunteers, however concerns can still be reported through whistleblowing channels.
- 2.4 Set out below is a list of circumstances that should be reported through this policy and qualify for protection under legislation:
- a) a criminal offence has been committed, is being committed, or may be committed, e.g. corruption, theft, or fraud⁵;
 - b) a person has failed, is failing, or may fail to comply with any legal obligation to which they are subject, e.g. breach of any statutory Code of Practice;
 - c) a miscarriage of justice has occurred, is occurring, or may occur;
 - d) the health or safety of any individual has been, is being, or may be endangered, e.g. abuse of any vulnerable adult or child;
 - e) the environment has been, is being, or may be damaged; or
 - f) information tending to show any matter falling within any of the above categories has been, is being, or may be deliberately concealed, e.g. failure to take reasonable steps to report or resolve any situation which is likely to cause significant financial loss to the Council.
- 2.5 This whistleblowing policy is intended for people to raise concerns that are in the public interest and where the interests of others or of the organisation itself are at risk. It is intended to supplement, rather than to replace, other employment procedures whereby employees of the Council may already raise complaints or matters of genuine concern relating to their own employment.

3.0 SAFEGUARDS

- 3.1 The Council recognises that the decision to report a concern can be a difficult one to make. In many cases it is employees who are most likely to be in the best position to learn of any malpractice or wrongdoing within the Council or school setting and to identify something which falls below the standards

⁵ If clarification is required as to whether an issue constitutes a criminal offence or comes under any other section on this list then employees and contractors can contact Veritau for advice.

which the Council and the public are entitled to expect. The Council is grateful to all employees who report their concerns.

- 3.2 Employees should have nothing to fear by reporting their concerns, if what they are reporting is true (or they honestly believe the information is true even if it is later found out to be incorrect). No action will be taken against anyone genuinely reporting a concern.
- 3.3 Deliberately providing false or misleading information however is a serious matter which may result in action being taken under the Council's disciplinary policy. Equally, deterring another employee from reporting their concerns is a serious matter and also may result in disciplinary action.
- 3.4 The Council will not tolerate the harassment or victimisation of anyone who has raised a concern. However, it is recognised that an individual may nonetheless want to raise a concern in confidence under this policy. If a member of staff asks the Council to protect their anonymity, efforts will be taken to protect their identity from being disclosed. If a situation arises where a concern cannot be resolved without revealing their identity (for instance, because evidence is needed in court or will be revealed as part of a subsequent investigation) this will be fully discussed with the employee in question.
- 3.5 The policy encourages employees to put their names to allegations. Concerns expressed anonymously will still be considered by the Council, however complaints of this type can be harder to substantiate and therefore have to be treated with a degree of caution. It will also not be possible to provide feedback to the member of staff reporting the concern during or following any investigation. Anonymous reports are preferred to silence however.

4.0 HOW TO RAISE A CONCERN

- 4.1 Whistleblowers should normally raise concerns with their immediate line manager. However, if it is believed that their line manager is involved in the malpractice being reported or has failed to take appropriate action when the matter has been raised previously, then their concern should be raised with their Assistant Director, or in the case of school based staff, the Chair of Governors. Contractors should report concerns to their contract manager.
- 4.2 It is, however, appreciated that there may be times when whistleblowers, including contractors, feel unable to use the above procedure; the issue may involve line managers and senior officers (e.g. Corporate Director or Assistant Director) or the issue was already raised through the normal channels but had not been addressed or resolved. In these cases they can

contact the Council's independent whistleblowing hotline on 0800 9179 247, which is overseen by Veritau.

- 4.3 If anonymous concerns are raised through social media then they will be considered under the more general counter fraud framework or complaints policy unless it is beyond doubt that the person raising the concern is an employee or contractor of the Council.

5.0 HOW THE COUNCIL WILL RESPOND

- 5.1 All whistleblowing reports will be carefully considered and initial enquiries will be made to help decide whether an investigation is appropriate, and if so what form it should take.
- 5.2 The Council will aim to acknowledge all whistleblowing reports within five working days. The officer(s) assigned to carry out the whistleblowing investigation will endeavour to write or speak to the whistleblower promptly to provide additional information on how the investigation will progress.
- 5.3 Officers assigned to investigate a whistleblowing report will be determined by the nature of the report, e.g. safety issues could be investigated by the Health & Safety Team, alleged fraud or criminality by the Counter Fraud Team, employment issues by a manager from another service with support from Human Resources.
- 5.4 The amount of contact between the officers considering the issues and the whistleblower will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information may be sought from the whistleblower.
- 5.5 If a face to face meeting is necessary or desirable the whistleblower has the right, if they so wish, to be accompanied by a Union representative or a colleague who is not involved in the area of work to which the concern relates.
- 5.6 The Council will, as far as it is able, take steps to minimise any difficulties that the whistleblower may experience as a result of raising a concern. For instance, if they are required to give evidence in criminal or disciplinary proceedings, the Council will, where appropriate and as far as it is able to do so, provide advice about the process.
- 5.7 The Council accepts the whistleblower needs to be assured that the matter has been addressed. Thus, subject to any legal constraints, e.g. data protection, information about the outcomes of any investigations will be provided.

5.8 All whistleblowing reports will be logged centrally. The Chief Executive (head of paid service), Corporate Director - Strategic Resources, and Monitoring Officer will be notified of relevant whistleblowing reports. Numbers of whistleblowing reports and significant trends in reporting will also be reported annually to the Audit and Governance Committee.

6.0 HOW MATTERS CAN BE TAKEN FURTHER

6.1 This policy is intended to provide staff with an appropriate avenue to raise concerns within the Council. If employees have reported concerns in accordance with the Council's whistleblowing policy but are not satisfied that the issues have been properly addressed then they may contact:

- the Council's External Auditor - Deloitte⁶;
- the NSPCC or Ofsted (for concerns about children at risk of abuse)⁷;
- relevant professional bodies or regulatory organisations⁸, for example, the Information Commissioner's Office, Care and Quality Commission (CQC), and the Health and Safety Executive.

6.2 Disclosure of a concern to a non-prescribed body (e.g. newspapers or social media) is not covered by whistleblowing legislation and the protections it offers. Before undertaking this type of action it is recommended that staff seek specialist advice.

7.0 INDEPENDENT ADVICE

7.1 Free confidential advice on how to raise a concern about malpractice at work can be sought from the independent charity PROTECT at www.protect-advice.org.uk, or via email info@protect-advice.org.uk. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

8.0 GENERAL DATA PROTECTION

8.1 When managing whistleblowing reports, the Council processes personal data collected in accordance with its Information Governance policies. Data collected from the point at which a report is made is held securely and accessed by, and disclosed to, individuals only for the purposes of managing and investigating the concern raised.

⁶ Deloitte act as the council's external auditor (Deloitte UK | Audit, Consulting, Financial Advisory and Tax services for further details).

⁷ The NSPCC and Ofsted offer dedicated national whistleblowing hotlines (see www.nspcc.org.uk and www.gov.uk/government/organisations/ofsted for further details).

⁸ The Department for Business, Innovations and Skills maintains a list of prescribed persons and organisations who may be contacted, www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies.

9.0 REVIEW OF THE POLICY

- 9.1 The Policy will be reviewed at least every three years or when significant changes to whistleblowing legislation, the organisation or case law occurs.



Managers' Guidance on Whistleblowing

1.0 **Introduction**

- 1.1 The Council's whistleblowing policy is designed to encourage and support employees and contractors in expressing their concerns about the workplace.
- 1.2 All Council employees in managerial or supervisory positions are expected to take employee concerns seriously and follow the process set out in this guidance.

2.0 **What is a whistleblowing complaint?**

- 2.1 Any concern about working practices or malpractice that is reported in confidence should be considered under the whistleblowing policy. It is not necessary for a member of staff or contractor to use the term "whistleblowing" in order for a report to be considered under the policy.
- 2.2 Whistleblowing relates to concern for others rather than oneself. If a member of staff is reporting that they solely have been mistreated, then this should be considered under other Council policies, e.g. Resolving Issues at Work.
- 2.3 Whistleblowing reports must come from Council workers (including temporary members of staff and contractors). Reports from members of the public are not considered to be whistleblowing and should be directed to the Council's Complaints and Feedback Team or the counter fraud hotline.
- 2.4 Whistleblowing reports are often made anonymously. However, where possible (e.g. where reports are taken over the phone or by email) the person making it should be informed that reporting concerns in this way may make it more difficult to follow up (see section 3.5 of the whistleblowing policy).
- 2.5 Any report that falls within the categories set out by legislation (see section 2.4 of the whistleblowing policy) afford the whistleblower protection under law. It is important to make this determination at an early stage in order to ensure that the whistleblower is given correct advice and the Council acts in accordance with legislation.
- 2.6 Concerns or complaints raised about councillors are not covered by the whistleblowing policy, but rather come under Standards procedures. Any issues relating to councillors should be referred to the Monitoring Officer for advice.

2.7 If, after consulting the whistleblowing policy, there is a doubt as to whether a report constitutes whistleblowing then advice should be sought from Veritau in order to reach a conclusion.

3.0 **Reporting receipt of a whistleblowing concern**

3.1 All whistleblowing reports should immediately be reported to three parties:

- Assistant Director responsible for service area or Chair of Governors in the case of a school.
- Human Resources advisor responsible for area;
- Veritau – Internal Audit & Counter Fraud Service⁹.

3.2 If the report involves any of the people or groups named above then the report should be escalated to a more senior officer, e.g. Corporate Director, Chief Executive or Head of Internal Audit.

3.3 Veritau maintains the Council's central log of all whistleblowing reports. They should be updated at the beginning and the end of any whistleblowing investigation in order to keep a complete record of the report and how it was dealt with. Where managers receive details of whistleblowing concerns raised with external bodies (the prescribed persons and organisations set out at 6.1 in the policy), details should also be forwarded to Veritau for recording in the central log.

3.4 In some cases, the details of the initial report will be sufficient to determine that it will not fall under whistleblowing policy. In this situation the member of staff making the report should be informed of the reasons why their concern is not covered and be signposted to an alternative route. A record of this discussion should be kept and an outline of the matter should be sent to Veritau to be entered in the central log.

4.0 **Taking a concern forward**

4.1 The person who first receives the whistleblowing report (i.e. supervisor or manager) should acknowledge it immediately and arrange a meeting with the whistleblower as soon as possible (see section 5.2 of the whistleblowing policy) to gather additional information on the issues. This meeting should flesh out the initial report and help determine how the issue should be investigated.

4.2 This initial meeting can be done in person, in or outside council offices, or via telephone. It is important to find an environment that the member of staff feels comfortable with. They may be supported by a trade union

⁹ Veritau should be contacted via whistleblowing@veritau.co.uk

- representative or colleague. A note taker can be brought to the meeting with prior agreement from the whistleblower.
- 4.3 If anonymity is requested then every effort should be made to keep the whistleblower's identity concealed. Anonymity however cannot be guaranteed. If there is a possibility due to the circumstances of the report that the whistleblower's identity will become known, then they should be advised of this at the earliest possible stage.
 - 4.4 All information relating to a whistleblowing report and any information gathered during an investigation should be kept confidentially. Information should be shared on a strictly need to know basis.
 - 4.5 A record of this meeting should be written either contemporaneously or shortly following the meeting. These notes must be kept securely.
 - 4.6 No commitments should be made about the process or outcome of the whistleblowing report, however the whistleblower should be reassured that their concerns will be taken seriously.
 - 4.7 Following the meeting further details should be provided to the Assistant Director (or more senior manager) in charge of the area and Veritau. The relevant Assistant Director (or more senior manager), with advice from Veritau, will assign the investigation to a suitable person. This may be the manager who initially took the whistleblowing report or a member of staff from another area. In cases of potential criminality or health and safety then Veritau and the Health and Safety Team respectively will normally take the responsibility for investigating the concern.
- 5.0 Conducting an investigation**
- 5.1 At the outset of an investigation the person responsible for looking into the concern should inform the whistleblower that they are taking the matter forward.
 - 5.2 Updates during the course of the investigation should be provided to the whistleblower but only if it is appropriate (e.g. is data protection observed) and does not prejudice the investigation. If this is the case then it may be appropriate to only update the whistleblower once the investigation has concluded.
 - 5.3 It is advisable that notes are taken throughout the investigative process in terms of actions taken and conclusions reached.
 - 5.4 The anonymity of the whistleblower should be considered before any and all actions are taken in connection with the investigation. If a situation arises

where it is not possible to resolve the whistleblowing report without the identity of the whistleblower becoming known, then this should be reported to and discussed with that person before the action is taken. The person's name should only be made known to other employees on a need to know basis. Equally if the whistleblowing report is about a specific person then that person's identity should also be protected.

- 5.5 Investigations instigated following a whistleblowing report should be dealt with as quickly as possible. Appropriate levels of resource should be made available to deal with the matter expeditiously. Where a whistleblowing investigation leads to other council processes being required (e.g. a disciplinary investigation) then relevant officers should be made aware at an early stage.
- 5.6 At the conclusion of an investigation a report should be drafted outlining any supporting or non-supporting evidence, conclusions reached, and recommendations. This report should be sent to the senior responsible manager (i.e. Assistant Director), Veritau, and if relevant the HR advisor assigned to the case.

6.0 **Special Circumstances**

Safeguarding Concerns

- 6.1 If a concern includes issues relating to safeguarding, the relevant assistant director, director, or Veritau should ensure that the matter is raised immediately through normal council safeguarding arrangements.

Anonymous Concerns

- 6.2 If a concern has been made anonymously then it must still be treated as credible and dealt with through the procedure detailed in this guidance.

Victimisation

- 6.3 If the whistleblower reports that their identity has become known and they are being victimised then this should be reported to the relevant HR advisor as soon as possible. The Council may be in contravention of whistleblowing legislation if action is not taken to address this.

Vexatious / Malicious reports

- 6.4 If a whistleblower acts in bad faith or raises malicious, vexatious, or knowingly untrue concerns in order to harm colleagues, their department or the Council then they may face disciplinary action. If you suspect this is the

case then this should be reported to the relevant HR advisor as soon as possible.

External Disclosures

- 6.5 It is important to be supportive and encouraging to those raising a concern. However, if an employee indicates that they are considering taking their concerns outside of the Council, for example to the media or social networking sites, you should advise them that:
- you will not be able to support them if they do so;
 - external disclosures to outside bodies may not be covered by the whistleblowing policy and relevant legislation;
 - their actions may represent an unauthorised disclosure;
 - they could jeopardise any legal protection they may have; and
 - they could face disciplinary action themselves.
- 6.6 If a whistleblower does make an external disclosure then this should be reported to the relevant HR advisor and Veritau as soon as possible. Some types of disclosure are covered by national legislation but a consideration of whether an appropriate action has taken place or not should be considered on a case by case basis.

Support

- 6.7 If you have any queries or issues concerning whistleblowing then seek advice from your manager, Human Resources or Veritau.

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NORTH YORKSHIRE COUNTY

COUNCIL AUDIT COMMITTEE

25 October 2021

BUSINESS CONTINUITY – UPDATE REPORT

1 Purpose of Report

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| 1.1 To provide an overview of the current business continuity (BC) arrangements for North Yorkshire County Council and to provide continued assurance for the management of risk within directorates and service areas. |
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2 Background

- 2.1 The NYCC Resilience & Emergencies Team (RET) is tasked with ensuring that all NYCC directorates and service areas have robust arrangements in place to ensure they are able to deal with a variety of impacts capable of disrupting their provision of service to the communities of North Yorkshire.
- 2.2 The business continuity arrangements have evolved to ensure that directorates have plans in place to mitigate and manage disruptive incidents such as a loss of staff, buildings, equipment or disruption to information technology or supply chains.
- 2.3 The Covid pandemic, as an unprecedented generational emergency, has stress tested numerous aspects of the Councils business continuity processes. Service areas have been required to readjust their expectations on accessing, previously critically identified, resources. This has created a number of additional benefits to ensure the delivery of critical services as well as create a number of risks as more services rely on the access to IT systems and applications. The constant malicious CYBER threat should not be underestimated as the attack on Redcar and Cleveland Council in February 2020 proved.
- 2.4 The NYCC Resilience and Emergencies Team continue to consider internal audit reviews and work with NYCC BC Champions via the Corporate Risk Management Group (CRMG) to maintain a dialogue with each service area, to focus on reducing bureaucracy, improving engagement and transparency and ensuring a consistent corporate process for business continuity across North Yorkshire County Council.
- 2.5 The decision on the Local Government Review creates a number of business continuity opportunities and risks but the new authority should find itself in a strong position with its Business Continuity process. Service Level Agreements have existing between the NYCC Resilience and Emergencies Team and six of the District and Borough Councils since 2004 (Scarborough Borough Council 2009). Although Harrogate Borough Council maintain their

own business continuity arrangements a fundamental consistency in approach between the majority of services should allow for manageable transition.

3. NYCC Business Continuity process

3.1 Corporate Business Continuity (BC) and disruption to NYCC services continue to be addressed through an embedded assessment considering loss of staff, equipment, technology, buildings and key suppliers. These impacts are risk assessment and mitigation measures documented in service area BC plans.

3.2 The NYCC Business Continuity plans consist of two key documents for all service provision;

Business Impact Analysis (BIA) - The Business Impact Analysis looks at priority business functions and quantifies the impact a loss of those functions may have.

Incident Management Plan (IMP) - The Incident Management Plan helps a service area plan a process to respond to and work around a range of possible impacts on their provision of priority services during any incident.

3.3 The NYCC corporate Business Continuity share-point site is the central portal for all relevant service-area and directorate documentation and is monitored and overseen by a Senior Resilience & Emergencies Officer from the Resilience and Emergencies Team, ensuring compliance and currency.

3.4 The share-point site is easily accessible and regularly updated providing service area practitioners and management, with up to date information, allowing informed business continuity decisions to be made. This also provides a framework for assurance during any disruption of service, information for the Corporate Risk Management Group and a mitigation pathway for loss of priority services.

3.5 The NYCC Corporate Business Continuity Policy states that each directorate is required to work with their allocated RET officer to assess their BC planning and their most likely risks. RET continue to facilitate BC exercises with all directorates to raise awareness and train relevant staff. This ensures that staff are regularly provided with realistic and current scenarios and what to expect during any relevant incident.

3.6 Policy adherence is overseen by named RET officers, designated with the task of reviewing service area BC arrangements. A reporting regime is in place and every directorate now has a designated BC champion to oversee their business continuity arrangements, to take ownership of the process and to represent their directorate at the Corporate Risk Management Group (CRMG).

3.7 The Corporate Director (Strategic Resources) continues to have overall responsibility for Business Continuity within NYCC, with the function co-ordinated and facilitated by the designated officers from the Resilience and Emergencies Team. The Corporate Risk Management Group oversee the

BC process. The executive portfolio for resilience, emergency planning and business continuity continues to sit with Leader of the Council, Cllr. Carl Les.

- 3.8 The CRMG have strategic oversight for business continuity and BC Champions work closely with relevant directors to ensure satisfaction with information and process to provide annual statements of assurance. Directorates report a BC RAG (Red, Amber, Green) status update to the CRMG every quarter.
- 3.9 A Corporate NYCC Business Continuity Plan is in place, ratified by NYCC Management Board and continues to ensure a consistent and co-ordinated response across the organisation during any disruptive incidents.
- 3.10 The provision of a structured BC framework across NYCC directorates, including links with the multi-agency Response to Major and Critical Incidents (RMCI) plan has enhanced management of information and supported a communication strategy that informs senior management across the organisation enabling them to identify priorities in the restoration of priority services.

4 BCP 2021 Update report

4.1 Since the last Audit Report

- 4.1.1 Since the last report in October 2019 NYCC has been continuing to maintain critical services during the global pandemic. The lack of access to buildings and equipment, the loss of staff due to isolation and the restrictions of moving around the County has all led to services area rethinking the resources required to deliver their most critical activities. The improvements of IT systems and applications, such as Officer 365 and Teams, have created new ways of working to support business continuity arrangements. Recently the council has also had to consider the impacts from the disruption to fuel supplies.
- 4.1.2 Although there has been a realistic expectation on the updating of business continuity documents during the height of the pandemic the RET continued to ensure that NYCC took every opportunity offered to support on-going learning and development for BC. During this time HAS have been drilled deeper into their Extra Care service area to a locality team level.
- 4.1.3 NYCC have worked collaboratively with a wide spectrum of multi-agency partners through the Local Resilience Forum (LRF) to ensure any interdependencies in service delivery or risks to critical services were co-ordinated and supported where required.
- 4.1.4 A number of single and multi-agency debriefs have occurred which assist in organisational learning from incidents. Lessons identified have been captured by a robust de-brief process and recommendations embedded for future practice.

4.2 Current position

- 4.2.1 Designated officers within the RET continue to provide on-going support for directorate BC champions and their staff within each directorate. Working together they look to ensure that service areas have the knowledge and support to meet their BC responsibilities.
- 4.2.2 Although there has been the annual expectation that service areas undertake a review of their BIAs and IMPs the priority of BCP for 2021 has been the loss of critical computer applications.
- 4.2.3 With many Covid ways of working now being embedded as business as usual NYCC RET have worked alongside Technology and Change during 2021 so that the risks of CYBER incidents, and the business continuity impacts, have formed the basis of the workshops and events. Working through the lessons identified from previous national CYBER incidents NYCC look to ensure that we can anticipate, prevent, respond and recover from loss of critical applications for a protracted period.
- 4.2.4 The RET have continued to work collaboratively with a wide spectrum of multi-agency partners within Local Resilience Forum (LRF). An Organisational Resilience Group has now been created to support planning for the multi-agency Cyber risks alongside sharing of Business Continuity processes and interdependencies.

4.3 Priorities for the next 12 months.

- 4.3.1 As we move into the winter period the impacts from Covid may continue to stress test the councils business continuity processes. The disruption in the fuel supply also reminds us that many front line services still require to travel around the County. The Resilience and Emergencies Team will continue to anticipate and co-ordinate the business continuity process for the Council.
- 4.3.2 Working with Technology and Change colleagues additional cyber workshops will be run at a Directorate/Service level to ensure BIA and IMP's are updated to reflect this eventuality.
- 4.3.3 Feedback from these workshops will be used to build up best practice on a number of areas to support services, such as communication (internal and external), relevant mitigations will support the ongoing delivery in services if there is a complete IT failure and Technology and Change can review the critical systems and look at appropriate additional options to speed recovery.
- 4.3.4 This work will feed into the wider LRF work in ensuring all organisations have their own Cyber Response Plans in place and that the LRF is prepared to support other organisations in the event of an attack whilst also responding to other emergencies at the same time.
- 4.3.5 It is planned that a corporate wide Cyber workshop will be run in the second quarter of next year to ensure all inter-dependencies are captured between services that will be effected by a significant Cyber incident.

4.3.6 Over the next few months the County Council will continue to embed the new ways of working. This will allow service areas to reconsider the resources that are required to provide critical services. Although services areas will be expected to update their business continuity documents on an on-going basis it is anticipated that the April 22 – April 23 reviewed period will be the best opportunity to discuss these changes.

5 Recommendations

5.1 Audit Committee to note the recent challenging incidents that have been managed by the NYCC Directorates, overseen by the Business Continuity Champions and fully supported by the Resilience & Emergencies Team and the continued efforts of all service areas at North Yorkshire County Council to embed resilient practice.

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AUDIT COMMITTEE - PROGRAMME OF WORK 2020 / 21

ANNUAL WORKPLAN		MAR 21	JUNE 21	SEPT 21	OCT 21	DEC 21	MAR 22	JUNE 22	SEPT 22
Audit Committee Agenda Items									
A	Training for Members (as necessary)	4	2	TBA	TBA	TBA			
	Annual Internal Audit Plan	*	*				*	*	
	Annual report of Head of Internal Audit		*					*	
	Progress Report on Annual Internal Audit Plan	*		*			*		*
	Internal Audit report on Children and YP's Service			*				*	
	Internal Audit report on Computer Audit/Corporate Themes/Contracts					*			
	Internal Audit report on Health and Adult Services					*			
	Internal Audit report on BES				*				
	Internal Audit report on Central Services		*				*		
	Annual Audit Letter				*				
B	Annual Audit Plan (NYCC & NYPF)								
	Annual Report / Letter of the External Auditor (ISA 260)			*					*
	Interim Audit Report								
	External Audit Appointments from April 2023					*			
C	Statement of Final Accounts including AGS (NYCC + NYPF)		*	*				*	*
	Letter of Representation			*					*
	Chairman's Annual Report				*				
	Audit Committee - terms of reference / effectiveness	*					*		
	Changes in Accounting Policies	*					*		
	Corporate Governance – review of Local Code + AGS – annual report inc re AGS	*	*				*	*	
	Risk Management (inc Corporate R/R) – annual report					*		*	
	Partnership Governance – annual report			*		*			*
	Information Governance – annual report	*					*		
	Review of Finance/Contract/Property Procedure Rules			*	TBA				*
	Business Continuity – annual report				*				
	Counter Fraud (inc risk assessment) – annual report		*		*			*	
	Procurement and Contract Management – annual report					*			
	CIPFA FM Code					*			
	Treasury Management – Executive February	*					*		
VFM – annual assurance review		*					*		
D	Work Programme	*		*	*	*	*	*	*
	Progress on issues raised by the Committee (inc Treasury Management)	*		*	*	*	*	*	*
E	Agenda planning / briefing meeting								
	Audit Committee Agenda/Reports deadline								
Audit Committee Meeting Dates		22/03	28/06	20/09	25/10	13/12	21/03		

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

- ⊙ before formal meeting
- 1 Beyond 2020 including Property rationalisation
- 2 Pensions Governance
- 3 Governance of the Highways Teckal
- 4 Governance of external companies
- Sessions to be sorted

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