

Chief Executive

Joanne Roney OBE

Your Ref.
Our Ref

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Date 10 March 2016

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Typetalk calls welcome

To: Members of the Management Committee of the Yorkshire Purchasing Organisation Joint Committee

Chief Executive of the Constituent Authorities (for information)

Dear Councillor

**YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE MEETING
– FRIDAY, 18 MARCH 2016**

You are invited to a meeting of the Management Committee of the Yorkshire Purchasing Organisation Joint Committee which is to be held at **10:30 am on Friday, 18 March 2016** at the **YPO HQ, 41 Industrial Park, Wakefield** to consider the items set out in the agenda detailed overleaf.

Yours sincerely



Joanne Roney OBE
Secretary to the Joint Committee

PLEASE NOTE: A hot buffet lunch is to be provided at the conclusion of the meeting.

As a courtesy to colleagues will you please turn all electrical devices to silent prior to the start of the meeting.

AGENDA

1. Apologies for Absence.
2. Members' Declaration of Interest.
3. To note any items which the Chairman has agreed to add to the agenda on the grounds of urgency.
4. Minutes of the Management Committee held on 27 November 2015. (Pages 1 - 4)
5. Minutes of the Executive Sub-Committee held on 4 March 2016. (Pages 5 - 6)
6. Minutes of the Audit Sub-Committee held on 26 February 2016. (Pages 7 - 10)
7. Minutes of the Scrutiny Sub-Committee held on 5 February 2016. (Pages 11 - 12)
8. Pre Audit Statement of Accounts. (Pages 13 - 50)
9. Internal Audit Annual Report. (Pages 51 - 57)
10. Associate Member Proposals. (Pages 59 - 74)
11. Internal Audit Plan. (Pages 75 - 84)
12. Standing Orders and Financial Procedure Rules. (Pages 85 - 116)
13. Lead Authority Issues.
14. Local Audit and Accountability Act 2014 Joint Committee. (Pages 117 - 119)
15. In relation to reports containing exempt information to consider, and if approved, pass the following resolution:-
"That the public and press be excluded from the meeting for consideration of agenda items 16 to 19 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended."

IN PRIVATE

16. Dividend Distribution. (Pages 121 - 124)
17. Business Update. (Pages 125 - 131)
18. Senior Remuneration Update.
Report to be tabled at the meeting.
19. Report of Independent Director. (Pages 133 - 135)
20. Date and Time of Next Meeting.

The next meeting of the Management Committee will be held on Friday 24 June 2016 at 10.30am.

YORKSHIRE PURCHASING ORGANISATION MANAGEMENT COMMITTEE**Friday 27th November 2015**

Present:

Barnsley MBC
Councillor Barnard

City of Bradford
Councillor Warburton
Councillor Sykes (Vice Chair)

Calderdale MBC
Councillor Pillai
Councillor Smith

Knowsley MBC
Councillor Byron

North Yorkshire CC
County Councillor Mackenzie
County Councillor Trotter

Rotherham MBC
Councillor Atkin

Wakefield MDC
Councillor Shaw (Chair)
Councillor Johnson

Wigan MBC
Councillor Walker

City of York
Councillor Mercer

20:	Members Declaration of Interest
	No declarations of interest were made by members.
21:	Apologies for Absence
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillors Gardiner (Barnsley MBC), Morris (Bolton MBC), Corden (Doncaster MBC), O'Neill (Kirklees MC), Richards (Kirklees MC), Fletcher (St Helens MBC) Johnson (St Helens MBC) and Simon Hill (YPO).
22:	Minutes of the Management Committee – 26 June 2015
	Resolved – That the Minutes of the meeting of the YPO Management Committee held on 26 June 2015 be accepted as a correct record.

23:	Minutes of the Executive Sub-Committee – 13 November 2015
	Resolved – That the Minutes of the meeting of the Executive Sub Committee held on 13 November 2015 be accepted as a correct record.
24:	Minutes of the Audit Sub-Committee – 6 November 2015
	<p>The Monitoring Officer asked members to note that the Management Committee delegated powers to the Audit Sub-Committee to elect a Chair. The election is reflected in the minutes from 6 November 2015.</p> <p>Resolved – That the Minutes of the meeting of the Audit Sub-Committees held on 6 November 2015 be accepted as a correct record.</p>
25:	Minutes of the Scrutiny Sub-Committee – 16 October 2015
	<p>The Monitoring Officer asked members to note that the Management Committee delegated powers to the Scrutiny Sub-Committee to elect a Chair. The election is reflected in the minutes from 16 October 2015.</p> <p>Resolved – That the Minutes of the meeting of the Scrutiny Sub Committees held on 6 March and 15 May be accepted as a correct record.</p>
26:	Associate Member Proposals
	<p>Consideration was given to the report of the Strategic Relationship Manager which provided Members with a summary of the applications for Associate Membership status from Halton Borough Council, Liverpool City Council, Fylde Council, Lancaster City Council, Wyre District Council, Merseyside Fire & Rescue and Lancashire Police.</p> <p>Resolved – (1) That Halton Borough Council, Liverpool City Council, Fylde Council, Lancaster City Council, Wyre District Council, Merseyside Fire & Rescue and Lancashire Police be accepted as an Associate Members.</p> <p>(2) That Associate Membership approval for Fylde Council, Lancaster City Council and Wyre come with a collective growth criteria of £500,000 (frameworks or supplies) for these authorities.</p>
27:	YPO Pay Policy
	<p>Consideration was given to a report of the Assistant Director Julie Wray which asked Members to agree a pay policy for YPO in line with statutory requirements to comply with the 2011 Localism Act.</p> <p>The report detailed that the pay multiples for 2015 have reduced slightly.</p> <p>Resolved – (1) That the Pay Policy for 2015 be agreed.</p> <p>(2) That the information be published in line with the revised transparency requirements.</p>

28:	Risk Management Process
	<p>Consideration was given to a report of the Executive Director which details options to develop Risk Management by building on its existing strengths and maximising the opportunities.</p> <p>Resolved – (1) That the Developing Risk Management report be agreed.</p> <p>(2) That the Senior Information Risk Owner (SIRO) be Paul Smith, Executive Director.</p>
29:	Lead Authority Issues
	There were no Lead Authority Issues to discuss.
30:	Exclusion of the Public and Press
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 13 to 17 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended</p> <p>IN PRIVATE</p>
31:	Budget and Business Plan 2016 (Exempt - Paragraph 3)
	<p>Executive Director Paul Smith presented to members the Budget and Business Plan for 2016.</p> <p>The presentation supported the report and detailed the business planning process, 2016 priorities, 2016 pricing strategy and budget headlines.</p> <p>Resolved – (1) That the 2016 budget, as detailed in Appendix 1 to the report, be approved in line with the Executive Sub-Committee's recommendation.</p> <p>(2) That that budgeted profit and loss account, as detailed in Appendix 2 for 2016, be approved.</p> <p>(3) That the investment requests, as detailed in Appendix 3 to the report, be approved.</p>
32:	Business Update (Exempt - Paragraph 3)
	<p>Consideration was given the report of the Managing Director which provided an update of the activities of the Organisation since the last meeting and gave an overview on forthcoming activities and challenges.</p> <p>The report included an update on performance, procurement, commercial issues, operational issues, and financial issues.</p> <p>Resolved – That the report be noted.</p>

33:	Senior Remuneration Update
	<p>The Monitoring Officer updated the Committee about the Risk Issue discussed at the previous Management Committee meeting (Minute 18 refers).</p> <p>Resolved - It was resolved to consider this as an agenda item at the next Management Committee in March 2016.</p>
34:	DATE AND TIME OF NEXT MEETING Resolved – That the next meeting of the YPO Management Committee will be held on 18 March 2016 at 10.30am.

YORKSHIRE PURCHASING ORGANISATION EXECUTIVE SUB-COMMITTEE

4TH MARCH 2016

Present: The Chair: Councillor Shaw (Wakefield MDC)
 Councillors: Councillor Sykes (City of Bradford), Councillor Mercer
 (City of York)

107:	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Shaw, welcomed Members to the meeting.
108:	APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Morris (Bolton), Councillor Mackenzie (North Yorkshire CC), Councillor Atkin (Rotherham MBC) and Councillor Byron (Knowsley MBC).
109:	MINUTES – 13th November 2015
	Resolved – That the Minutes of the meeting of the YPO Executive Sub-Committee held on 13 th November 2015 be approved as a true and accurate record.
110:	MEMBERS DECLARATION OF INTEREST
	Councillor Sykes (City of Bradford) declared that he is a Governor at Bradford Academy.
111:	URGENT ITEMS
	No items were discussed.
112:	LEAD AUTHORITY ISSUES
	A verbal update was provided by Julie Copley (Wakefield MDC s151 rep) to inform Members that Judith Badger (Wakefield MDC Assistant Chief Executive – Resources and Governance) has secured another role and will shortly be leaving the authority. Julie Copley will remain the s151 rep and the authority is looking to recruit a replacement Assistant Chief Executive – Resources and Governance.
113:	STANDING ORDERS AND FINANCIAL PROCEDURE RULES
	A report of the Head of Finance was reviewed which informed Members of changes to the Standing Orders and Financial Procedure Rules. Resolved - That the Executive Sub Committee recommends the changes detailed in the report to be accepted by the Management Committee.
114:	EXCLUSION OF THE PUBLIC AND PRESS
	Resolved – That the public and press be excluded from the meeting during consideration of Agenda Items 9 to 11 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of

	Schedule 12A to the Local Government Act 1972 as amended.
115:	PERFORMANCE REPORT (EXEMPT)
	<p>The Executive Director presented the report detailing the latest performance results for the Organisation.</p> <p>Councillors asked for more detail and clarification around a number of points and were satisfied with the responses provided by Officers.</p> <p>Resolved – That the Performance Report be acknowledged and welcomed.</p>
116:	BUSINESS UPDATE (EXEMPT)
	<p>The Managing Director presented the Business Update which provided Members with an update on activities of the organisation since the last sub-committee and provided an overview on forthcoming activities and challenges, including the latest status of actual and planned expenditure from reserves.</p> <p>Resolved - That the report be noted.</p>
117:	PROJECT SEED (EXEMPT)
	<p>The Executive Director presented the Project SEED report which provided Members with an update on progress of implementing social value measures into YPO's procurement.</p> <p>A presentation of the proposed direction of the project was shared with Members. The direction of the project was welcomed by Members.</p> <p>Resolved - That the report be noted.</p>
118:	DATE AND TIME OF NEXT MEETING
	<p>Resolved – That the next meeting of the YPO Executive Sub Committee will be held on Friday 10th June at 10.30am</p>

YORKSHIRE PURCHASING ORGANISATION AUDIT SUB-COMMITTEE

Friday 26th February 2016

Present: The Chair: Councillor Johnson (Wakefield MDC), Councillor Pillai (Calderdale), Councillor O'Neill (Kirklees), County Councillor Trotter (North Yorkshire CC), Councillor Walker (Wigan MBC)

16.	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Johnson, welcomed all parties to the meeting.
17.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	Apologies for absence submitted prior to the meeting were accepted on behalf of Councillor Corden (Doncaster) and Councillor Waller (York).
18.	MINUTES – 6TH NOVEMBER 2015
	The minutes of the YPO Audit Sub-Committee held on 6 th November 2015 were approved as a correct record.
19.	URGENT ITEMS
	No urgent items were discussed.
20.	ANNUAL GOVERNANCE STATEMENT
	<p>Consideration was given to a report of the Executive Director which provided Members with the details of the Annual Governance Statement.</p> <p>The Managing Director provided Members with further detail in relation to the assessment scoring for the Board Assurance Statement 2015.</p> <p>Resolved - (1) That the Annual Governance Statement be noted and approved.</p>
21.	PRE – AUDIT STATEMENT OF ACCOUNTS
	<p>Consideration was given to the report of the Head of Finance which provided Members with the details of the Pre-Audit Statement of Accounts 2015, attached as Appendix 1 and to inform Members of the public notice of the commencement of the audit and public inspection period.</p> <p>Members were informed that during 2015 a VAT refund of £0.912m was received against the over declaration of sales on VAT on Phonics matched funding initiative.</p> <p>The report will be submitted to the next meeting of the YPO Management</p>

	<p>Committee for the information to be noted by members.</p> <p>Resolved – (1) That the Pre Audit Statement of Accounts 2015 are agreed to be submitted to External Audit and the public inspection notice to be issued.</p>
22.	IT PROGRAMME UPDATE
	<p>Consideration was given to the report of the Head of Business Change & IT which provided Members with an update on the current project dossier as of February 2016.</p> <p>Members were informed that the Board review the activity and progress on the IT Programme on a monthly basis at the Programme Board Meeting.</p> <p>Resolved – (1) That the report be noted.</p> <p>(2) That a budget position and milestone timetable would be included in all future reports on the IT Programme.</p>
23.	INTERNAL AUDIT ANNUAL REPORT 2015
	<p>Consideration was given to the report of the Section 151 Officer which presented the draft Annual Audit Report (see attached Appendix A) for 2015, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards (PSIAS).</p> <p>An Internal Audit Progress report covering work undertaken between November 2015 and January 2016 (see attached Appendix B).</p> <p>To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2015):</p> <p>“From the work undertaken by Internal Audit during 2015, key controls were found to be adequate to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior Management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2015 AGS.”</p> <p>Resolved – (1) That the Annual Audit report, as detailed in Appendix A, be recommended to the Management Committee for formal acceptance.</p> <p>(2) That the Internal Audit Progress report, as detailed in Appendix B, be endorsed.</p>
24.	INTERNAL AUDIT PLAN 2016
	<p>Consideration was given to the report of the S151 Officer which provided</p>

	<p>Members with the Draft Internal Audit Plan 2016.</p> <p>The Plan will be submitted to the next meeting of the YPO Management Committee for formal approval in line with agreed protocols.</p> <p>Resolved – (1) That the draft Annual Audit Plan 2016 be noted.</p> <p>(2) That the draft Annual Audit Plan 2016 be submitted to YPO Management Committee for formal approval.</p>
25.	LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 JOINT COMMITTEE
	<p>Consideration was given to the report of the Section 151 Officer which provided members with information relating to the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.</p> <p>The Section 151 Officer of the Lead Authority Wakefield Council also has the Section 151 responsibilities for YPO. The Section 151 Officer strongly recommends that the YPO financial statements continue to be prepared in accordance with the CIPFA Code of Practice. This will provide stakeholders with the confidence that public money has been properly accounted for and that the organisation's financial standing is on a secure footing.</p> <p>The report detailed two options for Members:</p> <p>Option 1 - Members agree that YPO continues to prepare, each year, a statement of accounts in accordance with the CIPFA Code of Practice that is subject to external audit.</p> <p>Option 2 – Members put forward alternative proposals that would provide appropriate assurances acceptable to the Section 151 Officer and which would enable the Section 151 Officer to carry out their statutory responsibilities.</p> <p>The report will be submitted to the next meeting of the YPO Management Committee for formal agreement in line with agreed protocols.</p> <p>Resolved – (1) That Members note the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.</p> <p>(2) That the report and the recommendation of option 1 be recommended to Management Committee for formal acceptance.</p>
26.	EXCLUSION OF THE PUBLIC & PRESS
	<p>Resolved – That the public and press be excluded from the meeting during consideration of agenda items 13 and 14 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.</p>

27.	INTERNAL AUDIT ACTION UPDATE
	<p>Consideration was given to a report which provided an update as to the progress made towards actions resulting from internal audits completed at YPO as part of the Annual Audit Plan by Wakefield Council's Internal Audit.</p> <p>Resolved – (1) That the progress made in implementing internal audit actions, be noted.</p>
28.	RISK REGISTER
	<p>A report of the Executive Director provided details of the Strategic Risk Register, Business Planning Risk Register 2016, Business Continuity Planning Risk Assessment, Anti-Fraud Risk Assessment and Bribery Risk Assessment for YPO.</p> <p>Resolved – (1) That the risk registers for the Organisation be noted.</p>
29.	DATE AND TIME OF NEXT MEETING
	<p>Resolved – (1) That the next meeting of the YPO Audit Sub-Committee will be held on 22nd April 2016 at 10.30am, at YPO Headquarters.</p>


YORKSHIRE PURCHASING ORGANISATION SCRUTINY SUB-COMMITTEE

Friday 5th February 2016

Present: The Chair: Councillor Warburton
Councillors –Barnard (Barnsley MBC), Smith (Calderdale MBC),
Fletcher (St Helens MBC)

1.	CHAIR'S INTRODUCTION & WELCOME
	The Chair, Councillor Warburton, welcomed all parties to the meeting.
2.	ACCEPTANCE OF APOLOGIES FOR ABSENCE
	No apologies were received.
3.	MEMBERS' DECLARATIONS OF INTEREST
	No declarations were made.
4.	MINUTES – 16th OCTOBER 2015
	The minutes of the YPO Scrutiny Sub-Committee held on 16 th October 2015 were approved as a correct record.
5.	URGENT ITEMS
	None were raised.
6.	GIFT AND HOSPITALITY POLICY AND REGISTER
	SH presented the report and discussed some items on the register. Scrutiny members were happy with the policy and the content of the register. Resolved – That the report be noted.
7.	EXCLUSION OF THE PUBLIC & PRESS
	Resolved – That the public and press be excluded from the meeting during consideration of agenda items 8, 9, 10 and 11 on the grounds that they are likely to involve the disclosure of exempt information as described in Part 1 of Schedule 12A to the Local Government Act 1972, as amended.
8.	ENTERPRISE RESOURCE PLANNING REPORT
	Consideration was given to a report and presentation provided by the Head of Business Change and IT summarising this Programme Plan. Cllr Warburton asked how long it would take until this would be fully implemented. It was discussed that although a full plan had not been agreed yet the estimated timeframe was 18-24 months. Members raised a number of questions and detailed responses from YPO Officers were accepted.

	Resolved – That the report be noted.
9.	PROCUREMENT SERVICES STRATEGY
	<p>Consideration was given to a report and presentation given by the Executive Director regarding the strategic plan for Procurement Services. This report provided an update on progress made over the last few years and detailed the plans for new framework areas to be launched over the current strategy period.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – That the report be noted.</p>
10.	COMMERCIAL STRATEGY
	<p>Consideration was given to a report and presentation given by the Commercial Director regarding the Commercial Strategy in terms of an update on progress over the last year and the focussed plans for the next year of the 3 year strategy.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – That the report be noted.</p>
11.	STOCK LOSSES
	<p>SH noted that the Audit Sub-Committee had requested that this report be reviewed by the Scrutiny Sub-Committee. It was explained that although the levels of stock losses were not concerning to the external auditors the Directors felt that considerable savings could be made and actions had been agreed to decrease stock losses.</p> <p>Cllr Warburton asked what happens to returned goods that are not suitable for re-sale. It was explained that these are used in-house or donated to local charities. Cllr Warburton suggested that this should be reported and captured as CSR.</p> <p>Members raised a number of questions and detailed responses from YPO Officers were accepted.</p> <p>Resolved – That the report be noted.</p>
	DATE AND TIME OF NEXT MEETING
	Resolved – That the next meeting of the YPO Scrutiny Sub Committee will be held on 20 th May 2016 at 10.30am, at YPO Headquarters

	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">18TH MARCH 2016</p>
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SUBJECT: PRE-AUDIT STATEMENT OF ACCOUNTS 2015

REPORT OF: HEAD OF FINANCE

1 PURPOSE OF REPORT

- 1.1 To present the Pre-Audit Statement of Accounts for 2015 for information purposes only.

2 SUMMARY

- 2.1 The Pre-Audit Statement of Accounts has been prepared and approved by the Audit Sub Committee for External Audit.

3 RECOMMENDATIONS

- 3.1 That the Management Committee notes the Pre-Audit Statement of Accounts.

4 BACKGROUND

- 4.1 In accordance with the Accounts and Audit Regulations, 2011 and taking into account relevant accounting codes of practice and applicable accounting standards, a Statement of Accounts has been prepared.
- 4.2 Public advertisements have been placed and the accounts will be available for public inspection between 29th February and 29th March. The website will also contain the same information as the public advertisement.
- 4.3 The audit is expected to commence on 7th March and will conclude on or around 24th March.
- 4.4 The pre-audit statement has been examined by officers from the Lead Authority.

- 4.5 Property valuations were obtained from Norfolk Property Services as at 31st December 2015 and adjustments to the accounts have been made in accordance with UK Generally Accepted Accounting Principles.

- 4.6 The pensions account has been adjusted in accordance with the recent actuarial valuation provided.

5 OPTIONS APPRAISAL

- 5.1 It is proposed that the Pre-Audit Statement of Accounts be agreed and that it is provided to the External Auditor.

- 5.2 To not agree the Pre-Audit Statement of Accounts will be in breach of the Accounts and Audit Regulations 2011 and is not recommended.

6 WHAT DOES THIS MEAN FOR YPO STAKEHOLDERS

- 6.1 An unqualified audit opinion will give stakeholders some assurance that the organisation is acting within the protocols of good financial management.

7. OUTCOME AND SUSTAINABILITY

- 7.1 An unqualified audit opinion will be a good outcome and will acknowledge that the organisation has effective financial controls and corporate governance. The financial position suggests a solid financial base and that YPO is a going concern.

8. RISK ASSESSMENT

- 8.1 There is a risk that the accounts will be qualified, which will have political and reputational risks for YPO. Working closely with the external auditors and acting on findings should mitigate that risk.

9. CONSULTATIONS AND ENGAGEMENT

- 9.1 Consultations have taken place with the Lead Authority about the contents of the Statement of Accounts. Further consultations will take place as and when required.

10. BACKGROUND PAPERS

- 10.1 Draft Pre-Audit Statement of Accounts for 2015.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

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CONTACT OFFICER: STEVEN HALL, HEAD OF FINANCE

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APPENDICES:

Appendix 1: Draft Pre-Audit Statement of Account 2015

YORKSHIRE PURCHASING ORGANISATION



PRE- AUDIT STATEMENT OF ACCOUNTS 2015

41 Industrial Park•Wakefield•WF2 OXE

Foreword and Financial Summary by the Managing Director

1. INTRODUCTION

This document is the Statement of Accounts for the Yorkshire Purchasing Organisation. The Statement of Accounts shows the Organisation's financial performance for the year ended 31st December 2015. The foreword and financial summary provides a guide to the most significant matters in the financial statements.

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. The enabling act for the organisation is the Local Authorities (Goods and Services) Act 1970 and its objectives are for the supply of goods and procurement of services to the public sector.

There are currently 13 founder member authorities and thirty one associate member authorities of YPO, although the Organisation trades extensively outside the membership area. Management of the organisation reports periodically to a Management Committee of two elected members from each founder member authority.

The membership consists of:

Founder Member Authorities

Barnsley MBC	North Yorkshire CC
Bolton MBC	Rotherham MBC
City of Bradford MC	St Helens MBC
MB of Calderdale	City of Wakefield MDC
Doncaster MBC	Wigan MBC
Kirklees MC	City of York Council
Knowsley MBC	

Associate Member Authorities

first year of membership

Bury Metropolitan Borough Council	2011
Cumbria City Council	2011
Durham City Council	2011
Leeds City Council	2011
North East Lincolnshire Council	2011
North Lincolnshire Council	2011
Sheffield City Council	2011
Cheshire East Council	2012
East Riding of Yorkshire Council	2012
Hull City Council	2012
Rochdale Metropolitan Borough Council	2012
South Yorkshire Fire and Civil Defence Authority	2012
South Yorkshire Police Authority	2012
Stockport Metropolitan Borough Council	2012
Trafford Council	2012
Warrington Borough Council	2012
West Yorkshire Fire and Civil Defence Authority	2012
West Yorkshire Police Authority	2012
Blackpool Borough Council	2013
Lancashire Fire & Rescue Service	2013
London Borough of Hillingdon	2013
Malvern Hills District Council	2013
Manchester City Council	2013
Northumberland County Council	2013
Staffordshire City Council	2013
West Midlands Fire & Rescue Authority	2013
Wiltshire Fire and Rescue Service	2013
Wyre Forest District Council	2013
Birmingham City Council	2014
Kettering Borough Council	2014
London Borough of Harrow	2014
London Borough of Brent	2015
Walsall Council	2015
Tameside Council	2015
Lancaster City Council	2015

Foreword and Financial Summary by the Managing Director

Certain services, including legal, treasury and internal audit, are provided by City of Wakefield MDC in accordance with arrangements agreed by the Management Committee.

Associate membership allows for attendance at the public section of all committee meetings but does not carry voting rights.

2. ACCOUNTABILITY AND FINANCIAL REPORTING

Local Authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Organisation is required to produce a set of accounts in order to inform stakeholders that it has properly accounted for all public money it has received and spent and that its financial standing is on a secure footing.

3. THE STATEMENTS

The financial activity of the Organisation in relation to the service it provides is shown through a number of key financial statements and notes:

Core Statements

The Movement In Reserves Statement shows the movement in year on the different reserves held by the Organisation.

The Comprehensive Income and Expenditure Account summarises the income and expenditure of the Organisation during the year.

The Balance Sheet shows the value as at the 31st of December 2015 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisations future operations.

The Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the organisation and the Assistant Chief Executive, Resources & Governance for the Statement of Accounts.

The Annual Governance Statement sets out the framework designed to ensure that the organisation operates a sound system of internal control which facilitates the effective exercise of its operation's, and which includes arrangements for the management of risk. Whilst it is not a requirement to be part of this Statement of Accounts it is attached as appendix A to this statement to aid the user to better understand the governance arrangements in force within the Organisation.

Foreword and Financial Summary by the Managing Director

4. FINANCIAL SUMMARY

The 2015 budget approved in November 2014 was for a turnover of £121.8m and a surplus of £8.8m, excluding any income for pensions interest or expenditure financed from earmarked reserves.

Invoiced sales for the year are £117.4m and the reported surplus on trading of £9.4m compares favourably with the target of £8.8m excluding any income for pensions interest or expenditure financed from earmarked reserves.

Income from stock and framework contracts at £4.9m were over the budget of £4.8m, mainly due to professional services contributions being higher than expected.

Trade debtors are at £7.8m are £2.8m lower than in 2014, as invoiced sales have remained in line with last year the decrease is due to tighter credit control processes.

During 2015 a VAT refund of £0.912m was received against the overdeclaration of sales VAT on Phonics matched funding initiative.

During the year there was capital expenditure of £0.79m, all funded by in year profits.

Operating costs for 2015 were £28.7m, £0.1m over budget. The main variances were people spend coming in £0.4m over budget offset against financing costs under budget by (£0.2m) - as a result of the before mentioned VAT refund.

An agreed dividend distribution of £9.139m for the trading year 2014 was distributed in September 2015. This distribution, as last year, included all customers.

No acquisitions or discontinuation of operations were made during 2015.

5. RETIREMENT BENEFITS

The value of the organisation's retirement benefits liability as at 31 December 2015 was £15.9 million (31 December 2014 £17.7 million) this decrease in liability is attributable to the change in the discounting rate in Financial assumptions as detailed in note 7. The change in assumptions has led to actuarial gains which exceeds the increase in the liability. The employer's contribution rate was 12.1% in 2015. (see note 7 to Core Financial Statements - Retirement Benefits)

International Accounting Standard (IAS) 19 - Employee Benefits which covers pension accounting was revised in 2011 and applies to the Organisation's statements from 2014 onwards.

The actuaries (Aon Hewitt) issued the results of the March 2013 triennial valuation for the pension scheme in January 2014 which sets out the employers contribution from April 2014 to April 2017 at the following contribution rates 2014/15 - 12.3%, 2015/16 - 12.1% and 2016/17 11.9%.

6. SIGNIFICANT MATTERS

The budget submission for the 2015 financial year was given approval by the Management Committee at the meeting in November 2014. The budget was built on assumptions of growth in core business keeping the Operating Costs to Sales ratio at 22.6% which has gone up by 1% in 2015 performance.

A dividend distribution of £9.139m declared in respect of the 2014 trading year, was distributed in September 2015 which reflected the increased performance during 2014. This included a non cash loyalty bonus of £2.3m payable to individual customers by way of a voucher to be used against future purchases of product.

2015 marked the first year of the current Three Year Strategy approved by the Management Committee. The profit target of £8.8m approved for the first year has been exceeded by £0.6m, whilst making significant investments in the business infrastructure, providing a stable platform for continual delivery of the new Three Year Strategy which started in January 2015.

YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee in 2014. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions in 2015 between the above companies are classed as related party transactions.

Foreword and Financial Summary by the Managing Director

7. MEDIUM TERM FINANCIAL STRATEGIES

The 2016 budget was approved by the Committee in November 2015 as the second year of a new three year strategy. This strategy is again based on continuous turnover growth through developing new markets and new offerings. The financial plan will support this investment in new business, whilst controlling costs to ensure that profitability and return to members is maintained and further enhanced.

Simon Hill
Managing Director
dd/mm/yyyy

Statement of Responsibilities

THE ORGANISATION'S RESPONSIBILITIES

The Organisation is required to:

- 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 Organisation that officer is the Assistant Chief Executive, Resources & Governance of the Serving Authority, Wakefield MDC. Day to day financial management is the responsibility of the Managing Director YPO.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE

The Assistant Chief Executive, Resources & Governance is responsible for the preparation of the Organisation's Statement of Accounts in accordance with proper practices as 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 Assistant Chief Executive, Resources & Governance has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Assistant Chief Executive, Resources & Governance has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

THE ASSISTANT CHIEF EXECUTIVE, RESOURCES & GOVERNANCE

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Yorkshire Purchasing Organisation at 31st December 2015 and its Income and Expenditure for the year then ended.

.....

JUDITH BADGER CPFA

Assistant Chief Executive, Resources & Governance, City of Wakefield MDC

APPROVAL OF THE ACCOUNTS

As the Chair of the body considering the Yorkshire Purchasing Organisation's Statement of Accounts for 2015, I certify that the Accounts have been approved by the Management Committee and are authorised for issue.

.....

MARTYN JOHNSON

Chairman YPO Audit Sub-Committee

MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in year on the different reserves held by the Organisation. The surplus (deficit) on Operations line shows the true economic cost of operational activity in the year more details of which, are shown in the Comprehensive Income and Expenditure Statement. The Net increase/(decrease) before transfer to Earmarked Reserves line shows the General Fund Balance prior to any discretionary transfers to or from earmarked reserves applied by the Organisation.

2014 Re-Styled	£'000										
	Usable Reserves			Unusable Reserves							
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluati on Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves	Note
Balance as at 31 December 2013	25,328	85	3,431	11,853	(17,861)	(42)	240	28,844	(5,811)	23,034	
Movement in Reserves during 2014											
Surplus or (Deficit) on Operations	406						-	406	0	406	
Other Comprehensive Income					763		(172)	0	591	591	
Total Comprehensive Expenditure and Income	406	0	0	0	763	0	(172)	406	591	996	
Adjustments between accounting basis and funding basis under regulation	-						-	-	-	-	
Net Increase / (Decrease) before transfer to Earmarked Reserves	406	0	0	0	763	0	(172)	406	591	996	
Transfer (to) / from Earmarked Reserves	3,774		(1,601)	(590)	(1,554)	(27)	(5)	2,176	(2,176)	(0)	
Increase / (Decrease) in Movement in Year	4,179	0	(1,601)	(590)	(791)	(27)	(177)	2,578	(1,586)	992	
Balance as at 31 December 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,026	

2015	£000's										
	Usable Reserves			Unusable Reserves							
	General Fund Balance	Capital Receipt Reserve	Internal Investment Reserve	Joint Committee Capital Adjustment Account	Earmarked Pension Reserve	Earmarked Accumulated absences account	Revaluati on Reserve	Total Usable reserves	Total Unusable reserves	Total Reserves	Note
Balance as at 31 December 2014	29,507	85	1,830	11,263	(18,652)	(69)	62	31,422	(7,396)	24,025	
Movement in Reserves during 2015											
Surplus or (Deficit) on Operations	(701)							(701)	0	(701)	
Other Comprehensive Income					3,500		(60)	0	3,440	3,440	
Total Comprehensive Expenditure and Income	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739	
Adjustments between accounting basis and funding basis under regulation											
Net Increase / (Decrease) before transfer to Earmarked Reserves	(701)	0	0	0	3,500	0	(60)	(701)	3,440	2,739	
Transfer (to) / from Earmarked Reserves	1,496		473	(249)	(1,675)	(44)	(1)	1,969	(1,969)	0	
Increase / (Decrease) in Movement in Year	795	0	473	(249)	1,825	(44)	(62)	1,268	1,471	2,739	
Balance as at 31 December 2015	30,301	85	2,303	11,014	(16,827)	(112)	0	32,689	(5,926)	26,765	

* 2014 movement in reserves statement re-stated due to unfunded pension scheme obligations overstated by Actuary.

Comprehensive Income and Expenditure Account

2014 Re-stated £'000		2015 £'000	Note
120,985	<i>Invoiced Turnover</i>	117,404	1(b),6
<u>(90,510)</u>	<i>Cost of Sales</i>	<u>(86,673)</u>	
30,475	<i>Gross Margin</i>	30,731	
226	Discounts	199	
5,365	Rebates	4,902	1(b),6
2,195	Other Income	2,310	1(b),6
<u>38,261</u>	<i>Gross Surplus</i>	<u>38,142</u>	
	<i>Operating Expenses</i>		
(15,658)	Employees	(16,766)	
(1,027)	Premises	(1,078)	
(4,787)	Supplies and Services	(6,037)	
(4,891)	Transport	(4,725)	
(164)	S.L.A. Costs	(179)	
(1,064)	Financial and Miscellaneous	1,057	
(835)	Depreciation and revaluation increase/(decrease)	(1,048)	1(e),8
(801)	Pension service gain(cost) net of charges made to the general fund	(1,051)	1(h),7
<u>(29,227)</u>	<i>Net Operating Expenditure</i>	<u>(29,827)</u>	
<u>9,034</u>	<i>Surplus/(deficit) on trading operations</i>	<u>8,316</u>	
	<i>Other Operating expenditure</i>		
0	Gain/(Loss) on Disposal of Property, Plant and Equipment	0	
<u>0</u>		<u>0</u>	
	<i>Financing and investment income and expenditure</i>		
(753)	Pensions Interest Cost and Expected Return on Pension Assets	(624)	1(h),7
88	Interest Receivable	80	
(7,879)	Dividend paid	(8,472)	
(85)	Set-up and running costs transferred to Limited Company		
<u>(8,629)</u>		<u>(9,016)</u>	
<u>406</u>	<i>Surplus/(Deficit) on provision of service</i>	<u>(701)</u>	
	<i>Other Comprehensive income and expenditure</i>		
763	Actuarial gains / (losses) on pension assets / liabilities	3,500	
<u>(172)</u>	Gains / (losses) on revaluations of PPE and depreciation	<u>(60)</u>	
<u>591</u>		<u>3,440</u>	
<u>996</u>	<i>Total comprehensive Income and Expenditure</i>	<u>2,739</u>	

BALANCE SHEET

The Balance Sheet shows the value as at 31st December 2015 of the assets and liabilities recognised by the Organisation. The net assets of the Organisation (assets less liabilities) are matched by the reserves held by the Organisation.

Restated

Restated

31st Dec 2014 £'000		31st Dec 2015 £'000	<u>Note</u>
ASSETS AND LIABILITIES			
Long term Assets			
Property, Plant and Equipment			
9,877	Land and Buildings	9,240	1(e),8
666	Vehicles, Furniture & Equipment	1,032	1(e),8
108	Intangible Assets	69	1(e),8
10,651	Total Long Term Assets	10,341	
Current Assets			
10,631	Inventories	12,544	1(m),9
14,301	Short term debtors	11,392	1(u),10
15,379	Cash and cash equivalents	17,237	
40,312	Total Current Assets	41,172	
Current Liabilities			
(8,285)	Short term creditors	(7,921)	1(v),11
(8,285)	Total Current Liabilities	(7,921)	
32,027	Net Current Assets	33,251	
Long term Liabilities			
(18,652)	Liability relating to Defined Benefit Pension Scheme	(16,827)	1(h),7
24,026	Net Assets	26,765	
Financed by:			
Usable Reserves			
29,507	General Fund	30,302	
85	Usable Capital Receipts Reserve	85	1(g),13
1,830	Internal Investment reserve	2,303	1(g),13
Unusable Reserves			
11,263	Joint Committee Capital Adjustment Account	11,014	1(g),13
(18,652)	Pension Reserve	(16,827)	1(h),7,13
(69)	Earmarked Accumulated Absences Account	(112)	1(g),13
62	Revaluation Reserve	0	1(g),13
24,026	Total Reserves	26,765	

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash, and cash equivalents, of the Organisation during the reporting period. The statement shows how the Organisation generates and uses cash, and cash equivalents, by classifying cash flows between operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Organisation are performing. Investing activities represent the extent to which cash inflows have been made for resources which are intended to contribute to the Organisation's future operations.

2014 £'000		2015 £'000
406	Net surplus/(deficit) on the provision of service	(701)
	Adjustment to the net surplus/(deficit) for non cash movements	
835	Depreciation and revaluation increase/(decrease)	1,048
(818)	(Increase)/Decrease in Inventories	(1,912)
(1,101)	(Increase)/Decrease in Debtors	2,910
1,554	(Increase)/Decrease in Pension Liability	1,675
128	Increase/(Decrease) in Creditors	(364)
(1,339)	Redemption of loyalty vouchers	(1,272)
(742)		2,084
	Adjustments for items included in the net surplus/(deficit) that are financing/investing activities	
8,190	Proceeds from sale of PPE	8,339
8,190	Dividend payment	8,339
7,854	Net cash flows from operating activities	9,722
	Investing Activities	
(242)	Purchase of PPE	(798)
0	Proceeds from Sale of PPE	0
(242)		(798)
	Financing Activities	
(6,851)	Dividends paid to Members	(7,067)
(6,851)		(7,067)
761	Net Increase/(Decrease) in Cash and Cash Equivalents	1,857
14,618	Cash and Cash Equivalents at the beginning of the reporting period	15,379
15,379	Cash and Cash Equivalents at the end of the reporting period	17,237

Note on operating activities		
	The cash flows from operating activities include the following items	
88	Interest Receivable	80
88		80

Notes to the Core Financial Statements

The following notes provide more detailed information in order to assist understanding of the main financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Organisation is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The Organisation recognises that the Comprehensive Income and Expenditure Statement does not fully comply with the Code of Practice by not including a service analysis. This is due to the Organisation being a single service business operation with no reliance on external funding, or having any direct impact on the finances of any member authority. Additionally the Organisation's status as a joint committee prevent it from taking advantages of certain statutory overrides contained within the code.

In this respect, certain aspects of the code are redundant. In each of these cases the Organisation has adopted policies which it believes present fairly the financial position of the Organisation.

The following policies have been adopted in compiling the accounts:

Fundamental Accounting Concepts:

- The accounts have been prepared on a historical cost basis, except that certain categories of assets are re-valued at regular intervals.
- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- Income has only been recognised within the accounts where there is a reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
- The accounts have been prepared on a going concern basis.
- The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
- As allowed under the Code the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
- Where estimating techniques are required to enable the accounting practices adopted to be applied, the techniques which have been used are, in YPOs view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, where practical, the effect on the results for the current period are separately disclosed, Note 4 to the core financial statements provides further details.
- In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts.

a. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular debtors and creditors for revenue and capital transactions are accrued, except for certain cases which are not considered material. For items of this nature, a consistent approach is adopted.

b. TURNOVER

Turnover is the value of invoiced sales during the year, adjusted for the value of deliveries prepared to 31st December for which invoices were not raised until January. Rebates refer to the value of commission earned on contractual activity in the year. Other income includes marketing support for catalogue production and promotion.

c. OVERHEADS

The Organisation is a single service entity and as such all overhead costs are included in the revenue account inclusive of accruals prepayments for the period to which they relate.

d. COMPONENTISATION OF NON CURRENT ASSETS

Non Current assets valued through the Organisation's five year programme of valuations are assessed for any significant components, where the value of the asset is greater than £1 million on revaluation. If an individual component's value is deemed by the business to be significant in relation to the total value of the asset then that component will be depreciated separately.

Capital expenditure is monitored throughout the year and included in the budget and business planning process to identify replacement or changes of a significant component on non current assets.

The carrying value of any component being replaced will be charged to the revenue account as a disposal. This balance is then reversed out of the General Fund in the Movement in Reserves Statement and posted to the Joint Committee Capital Adjustment Account.

Notes to the Core Financial Statements

e. NON CURRENT ASSETS

- i) Expenditure on the acquisition, creation or enhancement of non current assets , with a value in excess of £5,000, is capitalised on an accruals basis, provided they have an estimated life in excess of one year. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits is charged as an expense when it is incurred. All expenditure on non current assets that is capitalised is recognised in the Organisation's Asset Register and Balance Sheet and depreciated over the useful life of the asset.
- ii) Non current assets are valued at purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- iii) Non-current Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from the fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified the accounting treatment is that the carrying amount of the asset is written down against any revaluation gain in the Revaluation Reserve or where there is no, or insufficient balance in the Revaluation Reserve the asset is written down against the Comprehensive Income and Expenditure Account

The latest valuation date of land and buildings was 17th December 2015, and was carried out by J Duck FRICS of NPS Humber Ltd.

- iv) Non-current 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 an impairment of a non current asset has been recognised it is accounted for as a charge in the Comprehensive Income and Expenditure Statement where there is no or insufficient accumulated gains in the Revaluation Reserve against which all losses can be written off.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- v) Where a revaluation loss on a non current asset is recognised as part of a review or a valuation exercise it is accounted for as a charge against the Comprehensive Income and Expenditure Account where there is no or insufficient accumulated gains in the Revaluation Reserve which all losses can be written off.
- vi) When a non-current asset is disposed of, or decommissioned, any gain or loss on the disposal is credited or charged to the Comprehensive Income and Expenditure Statement. The gain or loss is calculated by reference to the difference between the sale proceeds of the asset and the value of the asset in the balance sheet plus any material costs of disposal. Any revaluation gains in the Revaluation Reserve, relating to the asset disposed of, are transferred to the Joint Committee Capital Adjustment Account.

Receipts from disposals are credited to the Usable Capital Receipts Reserve and can be used for new capital investment. Receipts are appropriated to the Usable Capital Receipts Reserve from the Movement in Reserves Statement.

- vii) Depreciation has been provided for using the straight-line method on Buildings (excluding land), Vehicles and Equipment and is charged from the time the asset becomes operational. The useful lives of the various assets held on the Asset Register are as follows:

Freehold Buildings	2015
41 Industrial Park	47 years
Flanshaw Way	44 years
Motor Vehicles	up to 5 years
Warehouse and Office Equipment	up to 15 years
Computers	up to 5 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Joint Committee Capital Adjustment Account.

f. INTANGIBLE FIXED ASSETS

Intangible fixed assets are assets that do not have any physical substance but which the Organisation controls access to the future economic benefits derived from them, either through custody or legal protection.

Expenditure on intangible assets is subject to the same recognition criteria as tangible fixed assets as stated in note d. Intangible assets will be brought on to the Balance Sheet at cost and amortised on a straight line basis over the period for which benefit is received. It is assumed there will be nil residual value. Annual reviews of the value of intangible fixed assets will be undertaken.

Amortisation has been provided for using the straight line method on Intangible fixed assets and is charged from the time the asset becomes operational. The useful life of the Intangible fixed assets held on the Register are as follows:

Internally generated intangible assets - IT Development/Testing & Project management - 3 years

g. RESERVES

The Organisation sets aside specific amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure financed from a reserve is incurred, it is charged to the Consolidated Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The Organisation differentiates between usable and unusable reserves on the basis contained within the Code however certain statutory overrides allowable by statute to Local Authorities and contained within the Code are not available to a joint committee. Where this is the case the Organisation has voluntarily adopted the principles of the Code.

Notes to the Core Financial Statements

h. EMPLOYEE BENEFITS

The Organisation accounts for employee benefits in accordance with the requirements of IAS 19.

Benefits payable during employment

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 (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial Year. The accrual is made at average salary rate. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Organisation to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accrual basis to the relevant line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Organisation are members of the Local Government Pensions Scheme known as the West Yorkshire Pension Fund and administered by Bradford Council. The scheme is a defined benefit scheme providing employees with a retirement lump sum and pension.

The Local Government Pension Scheme

The liabilities of the West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% on funded liabilities and 3.4% on unfunded liabilities (based on a weighted average of "spot yields" on AA rated corporate bonds).

The assets of West Yorkshire Pension Fund attributable to the Organisation are included in the Balance Sheet at their fair value:

- . quoted securities - current bid price
- . unquoted securities - professional estimate
- . unitised securities - current bid price
- . property - market value

The change in the net pensions liability is analysed into seven components:

Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement.

Past service cost - the increase / decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Comprehensive Income and Expenditure Statement.

Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the Comprehensive Income and Expenditure Statement

Expected return on Assets - the annual investment return on the fund assets attributable to the Organisation, based on the average of the expected long term return credited to the Comprehensive Income and Expenditure Statement.

Gains or losses on settlements and curtailments - the result of actions to relieve the Organisation of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Comprehensive Income and Expenditure Statement.

Actuarial Gains and Losses - Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.

Contributions paid to the West Yorkshire Pension Fund - cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Organisation to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Organisation has limited powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Scheme.

Notes to the Core Financial Statements

i. TAXATION

Local authorities are exempt from Income, Corporation and Capital Gains Taxes. Income and expenditure normally excludes amounts relating to Value Added Tax (VAT), as VAT collected is payable to HM Revenue and Customs and VAT paid is normally recoverable from them. Exceptionally, if VAT is irrecoverable it is charged to revenue expenditure or capital expenditure as appropriate.

j. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

Any material exceptional or extraordinary items are separately disclosed in the accounts.

Material prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors have been accounted for by restating the comparative figures in the financial statements and notes, together with the cumulative effect on reserves. The effect of material prior period adjustments is disclosed separately as a note to the Core Financial Statements.

k. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are reflected in the accounts up to the date when the Statement of Accounts was authorised for issue and are accounted for in accordance with IAS10.

Where an event arises which provides additional evidence relating to conditions existing at the Balance Sheet date, or which indicates that application of the going concern concept to the Organisation is not appropriate (an adjusting event), then adjustments have been made to the accounts, where the amounts are material .

Any material event, which concerns conditions that did not exist at the Balance Sheet date (a non-adjusting event), has been disclosed as a note to the Core Financial Statements. The note states the nature of the event and, where possible, an estimate of its financial effect.

l. INTEREST RECEIVABLE/PAYABLE

Bank interest is recognised in the Financial Statements during the period in which it became due for payment to or by the Organisation.

m. INVENTORIES

Inventories are valued at average cost, and shown in the accounts at the lower of cost or net realisable value.

n. LEASES

The Organisation accounts for leases in accordance with the requirements of IAS17.

YPO accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to YPO. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding lease obligation (deferred liability). Fixed Assets held under finance leases are accounted for as part of Property, Plant and Equipment. No assets were held on finance leases as at 31st December 2015.

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease even if this does not match the pattern of payments (e.g. quarterly billing straddling an accounting period).

o. CONTINGENT LIABILITIES & ASSETS

Contingent liabilities are not accrued in the accounting statements. Material contingent liabilities are identified in a note to the core financial statements if there is a possible obligation, which may require a payment or transfer of economic benefits.

p. PROVISIONS

Provisions are recognised in the accounts in accordance with IAS 37, where:

- i) The Organisation has a present obligation (legal or constructive) as a result of a past event,
- ii) It is probable that a transfer of economic benefits will be required to settle the obligation, but the timing of the transfer is uncertain; and
- iii) A reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the appropriate revenue account and any subsequent expenditure arising, to which the provision relates, is charged to the provision. The level of each provision is reviewed at the year end and, if appropriate, adjusted by reversing the contribution to the provision and crediting the relevant revenue account.

Provisions are classified as long term (in excess of twelve months) and short term (less than twelve months).

q. FINANCIAL INSTRUMENTS

The Organisation's financial instruments are represented by bank balances, inventories, trade creditors and trade debtors.

Bank balances are represented by cash balances held in UK bank accounts and are shown on the face of the Balance Sheet. Interest earned on balances are credited to the Comprehensive Income and Expenditure Statement.

Inventories are valued at average cost, and shown in the Balance Sheet at the lower of cost or net realisable value. Adequate measures are taken by the Organisation to minimise losses to inventory items through delivery processing, damage, obsolescence and security issues.

Trade debtors are stated in the Balance Sheet at historical cost. Irrecoverable debt is written off in the Comprehensive Income and Expenditure Statement. The Organisation is restricted to dealing with customers in the Public Sector and therefore its exposure to bad debt is minimised.

Notes to the Core Financial Statements

Trade Creditors are carried at historical cost and represent amounts owing to third party suppliers. Creditor accounts are settled on a cash basis when:-

- . satisfactory provision of the goods or service has been performed
- . there is reasonable evidence that the goods or service is imminent or substantially complete
- . an agreed contractual obligation exists to remit payment.

The Organisation has developed a global sourcing programme leading to increased trade with non euro zone suppliers. Every reasonable action to minimise the risk associated with sourcing product from non UK based suppliers has been taken.

r. ESTIMATION TECHNIQUES

This statement of accounts includes estimated figures for income due from suppliers in respect of marketing contributions and rebates earned on contractual business. The estimations are based on a prudent approach utilising prevailing market conditions, historical knowledge and contracted agreements.

Additionally estimates are included on valuations of certain elements of property, plant and equipment, stock and the pension fund. These estimates are provided by third parties holding relevant professional qualifications and are disclosed in the relevant notes to these accounts.

s. CASH & CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are deposits that are readily convertible to known amounts of cash with insignificant risk of change in value.

t. FOREIGN CURRENCY TRANSLATION

Where business transactions are processed in a currency other than Sterling the Sterling value at the point of the currency translation has been used. Where the amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate as at the 31 December. Resulting gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

u. DEBTORS

Debtors are represented by balances due to the Organisation on trading activities net of a provision for bad or doubtful debt. They are stated at historical cost

v. CREDITORS

Creditors are represented by balances owed by the Organisation on trading activities they are stated at historical cost. Creditor amounts due in foreign currencies at the end of the accounting period are re-stated on the prevalent conversion rate as at 31st December.

w. IMPACT OF ACCOUNTING STANDARDS ADOPTED SINCE THE LAST ACCOUNTING PERIOD

During 2014 the revised IAS 19 Defined Benefits Plan came into force which has a material impact on the reported pensions figures. The change affects the expected return on assets and resulted in a change to the charge to the profit and loss account. The changes have been applied when calculating 2015 pension costs and 2014 service and interest costs.

Changes to IAS1 presentation of financial statements and IFRS7 financial instruments disclosures have not affected this statement of accounts.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting 2014/15 requires the Organisation to disclose information relating to the impact on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Organisation. There are no new accounting standards due to come into force in the next year.

The Organisation does not expect any significant changes however all the standards will be fully assessed and adopted where necessary in the 2016 Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying these accounting policies the Organisation has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are :

Leasing

The Organisation has reviewed all classes of leases held by the Organisation and concluded that all of these leases constitute operating leases and therefore have no impact on the re-statement to and IFRS basis of accounting.

Related Party Transactions

The Organisation trades extensively with its owning authorities however, as no one particular authority can exert any controlling influence over the Organisation and all transactions are on an arms length basis they are not classified as related parties in this statement of accounts. For clarity trading with member authorities is included under note 17 of this statement.

Asset ownership

Under s102 of the Local Government Act 1972, a Joint Committee does not have the corporate status to acquire assets. However, given that YPO both enjoys the economic benefits from and assumes liabilities for its land and building assets, the "substance over form" policy justifies the inclusion of the assets in the Organisation's accounts.

Invoicing of direct supply goods

The Organisation recognises that due to the method employed to charge customers for direct supply deliveries, that goods delivered and in transit which have been invoiced by the supplier but not yet processed by the Organisation, are accounted for in the period in which the transaction is processed rather than delivered. This figure is not material for this statement of accounts and is reviewed annually.

Notes to the Core Financial Statements

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on either assumptions made by the Organisation about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Items included in this Statement of Accounts for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, expected returns on pension assets and the discount rates used bring future assumptions to present values. A firm of consulting actuaries is engaged to provide the Organisation with expert advice about the assumptions to be applied.

These assumptions interact in complex ways and could produce a range of different results depending on the mix of changes in assumptions. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of around £1.62m.

Framework Contract Income

This statement of accounts includes an estimate of income due to the Organisation from suppliers operating on the Organisation's framework contracts as at 31st December. This estimate is on the basis described in note 1 (point r).

Whilst every effort is made by the Organisation to accurately forecast balances due to the Organisation as at the year end, there is a risk that returns on these contracts may either exceed or be less than the estimate made at the date of the closure of the accounts. The impact on the statements in the following year will be dependent on the mix of positive and negative variances against estimates. If the estimate of income due was to be different by 5% this would represent a movement of around £50K.

Property, Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

The Organisation takes independent advice on the valuation of buildings and believes the depreciation policies adopted accurately reflect the current market value of assets held, however there is a risk that any sale value will be very much dependent on the economic climate at the point of sale. At the year end the Organisation was not intending disposing of any major assets.

Foreign currency transactions

Transactions in foreign currencies are recorded in the statement of accounts in sterling using the spot exchange rate on recognition of the liability.

Goods in transit from an overseas source are included in this statement of accounts valued at the spot rate as at the 31st December and any exchange rate difference arising on the actual payment will be accounted for in the income and expenditure account. The difference relates to the movement in spot rates between the two events and is assumed to be negligible due to the relative stability in exchange rates between the US dollar and sterling.

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2015 there have been several items of material income and expenditure that have been reflected in this statement of accounts. The main ones are;

Invoiced turnover in 2015 was £117.4m, £4.4m below the budget for the year and down on last year by £3.5m. A main contributor to this is Directs Furniture and catering sales and all the stock categories.

A VAT refund of £0.912m was received in the year, this related to an over declaration sales VAT for the Phonics matched funding initiative.

An agreed dividend distribution of £9.139m for the trading year 2014 was distributed in September 2015. This distribution included all customers. As at the 31st December 2015 there was a balance of £387K of loyalty vouchers unredeemed.

6. TURNOVER

Turnover is the VAT exclusive value of invoiced sales for goods supplied from stock and by 'direct supply' arrangements. See also Statement of Accounting Policies note 1(b). Commission income from framework contracts arranged by the Organisation for customers is shown as Rebates. Supplier contributions for marketing support, canteen sales and other non-trading income are shown in Other Income.

7. RETIREMENT BENEFITS

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, YPO offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Organisation has a commitment to disclose the payments as at the time that officers and employees earn their future entitlement.

The organisation participates in the Local Government Pension Scheme (LGPS), administered by the West Yorkshire Pension Fund (WYPF). This is a funded defined benefit final salary scheme, meaning that the organisation pays contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The employers' rate of contribution for 2015 was 12.1%. Employees contributions January to December were between 5.5% and 12.5% depending on salary.

In addition the Organisation has awarded discretionary post-retirement benefits upon early retirement - this is an unfunded element of the defined benefit final salary scheme, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Notes to the Core Financial Statements

Transactions relating to post - employment benefits
 The Organisation is required to recognise the cost of retirement benefits when employees earn them, rather than when they are actually paid to pensioners. However the charge made against the general fund balance is limited to the employer's contributions payable to the Pensions Fund in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.
 The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves Statement during the year.

	Funded 2014 £'000	Unfunded Restated 2014 £'000	Total Restated 2014 £'000	Funded 2015 £'000	Unfunded 2015 £'000	Total 2015 £'000
Comprehensive Income and Expenditure Account						
Cost of Service						
Current Service Cost	2,226	-	2,226	2,567	0	2,567
Past Service (Gain)/Cost	57	-	57	80	0	80
Curtailment (Gain)/Loss	-	-	0		0	0
Financing and investment income and Expenditure						
Net interest Expense	713	40	753	592	32	624
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	2,996	40	3,036	3,239	32	3,271
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability						
Return on plan assets (gains)/losses	(2,007)		(2,007)	232	0	232
Actuarial (Gains) and losses-demographic assumptions	(1,858)	31	(1,827)	0	0	0
Actuarial (Gains) and losses-experience	(629)	8	(621)	(274)	(6)	(280)
Actuarial (Gains) and losses-financial assumptions	3,686	6	3,692	(3,436)	(16)	(3,452)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,188	85	2,273	(239)	10	(229)
Movement in Reserves Statement						
Reversal of net charges made to the comprehensive Income and Expenditure account for post employment benefits in accordance with the Code	(2,996)	(40)	(3,036)	(3,239)	(32)	(3,271)
Actual amount charged against the General Fund balance for pensions in the year:						
- employer's contributions to the pension scheme	1,361		1,361	1,532		1,532
-retirement benefits payable to pensioners		121	121		64	64
Total Charge against the General fund	(1,635)	81	(1,554)	(1,707)	32	(1,675)

* 2014 restated due to a change in the Unfunded Pensions Liability due to Acturial valuation error.

Post retirement mortality assumptions as at 31st December applicable to funded and unfunded pensions

	Males		Females	
	2014	2015	2014	2015
Rating to base table	0	0	0	0
Scaling to base table rates	105%	105%	105%	100%
Cohort improvement factors	CMI 2012	CMI2012	CMI 2012	CMI2012
Minimum underpin to improvement factors	1.25%	1.50%	1.25%	1.50%
Future lifetime from age 65 (currently aged 65)	22.5	22.6	25.4	25.5
Future lifetime from age 65 (currently aged 45)	24.7	24.8	27.7	27.8

Pension assets and liabilities recognised in the Balance Sheet
 The amount included in the Balance Sheet arising from the organisations obligation in respect of its defined benefit schemes is as follows

	Funded		Unfunded	
	2014 £000s	2015 £000s	2014 (Restated) £000s	2015 £000s
Pension Assets and Liabilities Recognised in the Balance Sheet				
Fair value of assets	70,337	71,953	0	0
Present value of the defined benefit obligation	(88,018)	(87,863)	(971)	(917)
Net liability arising from defined benefit obligation	(17,681)	(15,910)	(971)	(917)

Notes to the Core Financial Statements

Reconciliation of Fair Value of the Scheme Assets

The unfunded liabilities do not have assets in the scheme to support them. Below is a breakdown of scheme assets in relation to the funded liabilities.

	2014	2015
	£'000	£'000
Balance at 1st January	65,773	70,337
Interest income	2,888	2,452
Remeasurement gains/ (losses) on assets	2,007	(232)
Employer contributions	1,417	1,532
Contributions by scheme participants	739	790
Benefits paid	(2,487)	(2,926)
Balance at 31st December	70,337	71,953

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

	Funded Liabilities		Unfunded Liabilities	
	2014	2015	2014 Re-stated	2015
	£'000	£'000	£'000	£'000
Balance at 1st January	(82,683)	(88,018)	(951)	(971)
Current Service Cost	(2,226)	(2,567)		
Interest Cost	(3,601)	(3,044)	(40)	(32)
Contributions by scheme participants	(739)	(790)		
Remeasurement gains and (losses)				
<i>Actuarial gains and (losses) - demographic assumptions</i>	1,858	0	(31)	
<i>Actuarial gains and (losses) - financial assumptions</i>	(3,686)	3,436	(6)	16
<i>Actuarial gains and (losses) - experience</i>	629	274	(8)	6
Benefits paid	2,487	2,926	65	64
Past service costs and curtailments	(57)	(80)		
Balance at 31st December	(88,018)	(87,863)	(971)	(917)

Local Government Pension Scheme Assets

The discretionary benefits arrangements have no assets to cover liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	Assets held	
	2014	2015
Equity investments	75.20%	75.00%
Property	3.60%	4.60%
Bonds	15.30%	15.20%
Other assets *	5.90%	5.20%
TOTAL	100.0%	100.0%

* Other holdings may include hedge funds, currency, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels. The scheme has been assessed by Hewitt Associates Limited, an independent firm of actuaries. Estimates for the fund have been based on the latest full valuation of the funded scheme as at the 31st December 2013 and the unfunded scheme as at 31st December 2014.

The principal assumptions used by the actuary have been:

	Funded element		Unfunded element	
	2014	2015	2014	2015
Mortality assumptions				
Longevity at 65 for future pensioners				
Men	24.7 years	24.8 years		
Women	27.7 years	27.8 years		
Longevity at 65 for current pensioners				
Men	22.5 years	22.6 years	22.5 years	22.6 years
Women	25.4 years	25.5 years	25.4 years	25.5 years
Rate of Inflation (RPI)	3.00%	3.00%	2.90%	2.90%
Rate of Inflation (CPI)	1.90%	1.90%	1.80%	1.80%
Rate of Increase in Salaries	3.40%	3.40%	-	-
Rate of Increase in Deferred Pensions	1.90%	1.90%	-	-
Rate of Increase in Pensions	1.90%	1.90%	1.80%	1.80%
Rate for discounting scheme liabilities	3.50%	3.70%	3.40%	3.60%
Take-up of option to convert annual pension into retirement lump sum	75%	75%		

Notes to the Core Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

Impact on the Defined benefit Obligation in the Scheme

Member Life expectancy (+ or - 1 year)
 Rate of increase in salaries (+ or - 0.1%)
 Rate of increase in pensions (+ or - 0.1%)
 Rate for discounting scheme liabilities (+ or - 0.1%)

Increase in Assumption £000	Decrease in Assumption £000
2,204	(2,206)
488	(482)
1,314	(1,293)
(1,839)	1,878

Impact on the Organisation's Cash Flows

The liabilities show the underlying commitment that the Organisation has in the long run to pay post employment / retirement benefits. The total liability of £16,827k has an impact on the net worth of the organisation as recorded in the balance sheet, resulting in the overall balance decreasing by £1825k. Arrangements for funding the deficit mean that the financial position of the organisation remains healthy.

- The deficit on the scheme will be made good by contributions over the remaining working life of employees(i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions expected to be made by the Organisation to the Local Government Pension Scheme in the year to 31st December 2016 are £1.53m. In addition, contributions towards the unfunded obligations will be required. Expected contributions for the discretionary benefits in the year to 31st December 2016 are £0.64m.

The weighted average duration of the defined benefit obligation for scheme members is 18.8 years.

The scheme will need to take account of the national charges to the scheme under the Public Pensions Services act 2013 Under the act, the Local Government pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2015 The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

Notes to the Core Financial Statements

8. Property Plant and Equipment

As at 31 December 2015, the Organisation held the following assets

Property plant and equipment were predominantly represented by 48 Delivery vehicles (2014 = 47), 93 Container units (2014 = 98) and Land and Buildings comprising of one general supplies warehouse and office complex located at 41 Industrial Park, Wakefield and one located at Flanshaw Way, Wakefield (no change from 2014).

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2015
 Acc depreciation write out to gross carrying amount
 Revaluation increase / (decrease) recognised in the Revaluation Reserve
 Revaluation increase / (decrease) recognised in the I&E
 Additions
 Impairment
 Disposals

At 31 December 2015

Depreciation and impairments

Opening balance 1 January 2015
 Charge for depreciation 2015
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Revaluation

At 31 December 2015

Net Book Value at 31 December 2015

Net Book Value at 1 January 2015

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2015	9,877	684	860	2,774	14,194
Acc depreciation write out to gross carrying amount	(168)	-	-	-	(168)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(61)	-	-	-	(61)
Revaluation increase / (decrease) recognised in the I&E	(530)	-	-	-	(530)
Additions	122	49	65	562	798
Impairment					
Disposals					
At 31 December 2015	9,240	732	925	3,336	14,233
Opening balance 1 January 2015	0	317	813	2,521	3,651
Charge for depreciation 2015	168	71	34	206	478
Disposals		-	-	-	0
Impairment		-	-	-	0
Acc depreciation write out to gross carrying amount				-	0
Revaluation	(168)	-	-	-	(168)
At 31 December 2015	0	387	847	2,727	3,961
Net Book Value at 31 December 2015	9,240	345	78	609	10,272
Net Book Value at 1 January 2015	9,877	367	47	252	10,544

2014 Comparative

Property Plant and Equipment

Cost or valuation

Opening balance 1 January 2014
 Acc depreciation write out to gross carrying amount
 Revaluation increase / (decrease) recognised in the Revaluation Reserve
 Revaluation increase / (decrease) recognised in the I&E
 Additions
 Impairment
 Disposals

At 31 December 2014

Depreciation and impairments

Opening balance 1 January 2014
 Charge for depreciation 2014
 Disposals
 Impairment
 Acc depreciation write out to gross carrying amount
 Revaluation

At 31 December 2014

Net Book Value at 31 December 2014

Net Book Value at 1 January 2014

	Land & Buildings £'000	Furniture & Equipment £'000	Computers £'000	Vehicles £'000	TOTAL £'000
Opening balance 1 January 2014	10,325	627	839	3,038	14,829
Acc depreciation write out to gross carrying amount	(172)	-	-	(264)	(436)
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(172)	-	-	-	(172)
Revaluation increase / (decrease) recognised in the I&E	(151)	-	-	-	(151)
Additions	47	57	21	-	124
Impairment					-
Disposals	-	-	-		-
At 31 December 2014	9,877	684	860	2,774	14,194
Opening balance 1 January 2014	0	252	763	2,397	3,412
Charge for depreciation 2014	172	64	50	388	674
Disposals	-	-	-	-	0
Impairment	-	-	-	-	0
Acc depreciation write out to gross carrying amount				(264)	(264)
Revaluation	(172)	-	-	-	(172)
At 31 December 2014	0	316	813	2,521	3,650
Net Book Value at 31 December 2014	9,877	367	47	252	10,544
Net Book Value at 1 January 2014	10,325	375	76	641	11,417

Notes to the Core Financial Statements

8a. Intangible Assets

During 2014 the Organisation spent £118K on developing the company's website, on which customers can place orders and make payments. The costs incurred included IT Development and testing time. All costs have been capitalised as Intangible Assets and amortised over 3 years from the time the assets became operational.

31st Dec 2015

Cost or valuation

Opening balance 1 January 2015
Additions
Impairment
Disposals

At 31 December 2015

Amortisation and impairments

Opening balance 1 January 2015
Amortisation charge for 2015
Impairment
Disposals

At 31 December 2015

Net Book Value at 31 December 2015

Net Book Value at 1 January 2015

Intangible Assets £'000
118
118
10
39
49
69
108

2014 Comparative

Cost or valuation

Opening balance 1 January 2014
Additions
Impairment
Disposals

At 31 December 2014

Amortisation and impairments

Opening balance 1 January 2014
Amortisation charge for 2014
Impairment
Disposals

At 31 December 2014

Net Book Value at 31 December 2014

Net Book Value at 1 January 2014

Intangible Assets £'000
0
118
118
0
10
10
108
0

9. Inventories

31st Dec 2015	Warehouse Stock	£000's	Packing and Materials £000's	Total £000's
Opening inventory balance	10,556	75	10,631	
Purchases	64,387	356	64,743	
Recognised as an expense in year	(62,536)	(376)	(62,912)	
Increase in Stock in Transit accrual	170	-	-	
Reversals of write offs in previous years	-	-	-	
Provision for stock write off	(88)	-	(88)	
Closing Inventory balance	12,489	55	12,544	

31st Dec 2014	Warehouse Stock	£000's	Packing and Materials £000's	Total £000's
Opening inventory balance	9,768	45	9,813	
Purchases	63,164	382	63,546	
Recognised as an expense in year	(62,165)	(352)	(62,517)	
Reduction of Stock in Transit accrual	(7)	-	-	
Reversals of write offs in previous years	-	-	-	
Provision for stock write off	(204)	-	(204)	
Closing Inventory balance	10,556	75	10,631	

Notes to the Core Financial Statements

10. DEBTORS AND PAYMENTS IN ADVANCE

Debtors represent monies owed to the Organisation at the Balance Sheet date, which are yet to be received as cash. The Organisation also makes provision for outstanding monies that it is anticipated will not be recovered.

	31st Dec 2014 £'000	31st Dec 2015 £'000
Trade Debtors	10,643	7,835
Accumulated Absences	5	4
Less - Provision for Bad Debts	(80)	(57)
	10,568	7,783
Payments in Advance and accrued income	3,733	3,609
Total	14,301	11,392

Debtors are analysed by the following categories

Trade debtors

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2014 £'000	31st Dec 2015 £'000
central government bodies	48	1
other local authorities	8,282	5,229
NHS bodies	37	24
public corporations and trading funds	2	0
bodies external to general government (i.e. all other bodies).	2,274	2,582
	10,643	7,835

Payments in advance and accrued income

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

central government bodies	-	-
other local authorities	-	-
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	3,733	3,609
	3,733	3,609

11. CREDITORS AND RECEIPTS IN ADVANCE

Creditors represent monies owed by the Organisation at the Balance Sheet date, which have not yet been paid.

	31st Dec 2014 £'000	31st Dec 2015 £'000
Creditors and Receipts in Advance		
Trade Creditors	5,707	4,774
Accruals	2,320	2,871
VAT	189	159
Accumulated absences	69	116
Total	8,285	7,921

Creditors are analysed by the following categories

Trade creditors

central government bodies
other local authorities
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

	31st Dec 2014 £'000	31st Dec 2015 £'000
central government bodies	-	-
other local authorities	55	47
NHS bodies		
public corporations and trading funds		
bodies external to general government (i.e. all other bodies).	5,652	4,728
	5,707	4,774

Accruals/VAT

central government bodies
other local authorities
NHS bodies
NHS bodies
public corporations and trading funds
bodies external to general government (i.e. all other bodies).

central government bodies	189	159
other local authorities	1,108	770
NHS bodies		
NHS bodies	-	-
public corporations and trading funds	-	-
bodies external to general government (i.e. all other bodies).	1,212	2,217
	2,509	3,147

Long Term Liabilities

Liability relating to Defined Benefit Pension Scheme

	31st Dec 2014 £'000	31st Dec 2015 £'000
Liability relating to Defined Benefit Pension Scheme	18,652	16,827
Total	18,652	16,827

Notes to the Core Financial Statements

12. RISK TO FINANCIAL INSTRUMENTS

The organisation's financial instruments are represented by bank balances, trade creditors and trade debtors. Certain risks are associated with these classes of cash and cash equivalents as follows.

Bank balances are held in UK bank accounts and earn interest based on aggregated overnight investments rates managed by the treasury function of Wakefield Metropolitan District Council (WMDC). Risks to cash arise in the form of banking failures either within the UK or on overseas overnight investments.

Creditors are suppliers of goods and services to the organisation. Risk is minimised from a robust set of procedures to ensure that all goods and services supplied to the organisation are properly ordered and received prior to the payment of any sums due.

Debtors are comprised of customers and some trade suppliers owing funds to the organisation. The inherent risk is one of failure to settle outstanding debts due to bankruptcy or other financial problems. Most customers are within the public sector which mitigates this risk to a large extent.

At the end of the financial year the Organisation was at increased risk over debtors due to changes in the economic climate chiefly brought about by the impact of the Government's comprehensive spending review on the organisations customer base and the change in education from state to academy status schools. Debtors past due are as follows :-

	2014 £'000	2015 £'000
Two to six months	2,499	2,148
Six months to one year	259	248
More than one year	84	143
Total	2,842	2,539

A general provision of £57k (2014 £80k) has been included against all debtors. Bad debt calculations are based on the debtor type and agreed upon with the sales ledger manager.

13. MOVEMENTS IN RESERVES

The General Fund Reserve represents the cumulative retained surplus built up over the life of the business. The General Fund Reserve is used to finance growth in working capital and supports the medium term plans of the business.

The table below shows the balances held in other reserves at the start and end of the year and the net movement in the year. The balances represent undistributed reserves payable to the member authorities.

Reserve	31st Dec 2014 £'000	31st Dec 2015 £'000	Net Movement in the Year £'000	Note
<u>Usable reserves</u>				
General Fund Balance	29,507	30,301	794	i
Capital Receipts Reserve	85	85	0	ii
Internal Investment Reserve	1,830	2,303	473	iii
<u>Unusable reserves</u>				
Joint Committee Capital Adjustment Account	11,263	11,014	(248)	iv
Earmarked Pension reserve	(18,652)	(16,827)	1,825	v
Earmarked Accumulated Absences Account	(69)	(112)	(44)	vi
Revaluation reserve	62	0	(62)	vii
Total reserves	24,027	26,765	2,738	

Notes to the Core Financial Statements

- (i) The General Fund Balance represents the accumulated operating surplus of the Organisation and is maintained at a prudent level, to protect the Organisation against unforeseen events and the realisation of contingent liabilities. Included within the overall General Fund balance is the Financial Stability Fund which as at 31st December 2015 had a balance of £2m.

	2014 £'000	2015 £'000
General fund balance		
Balance brought Forward 1st of January	25,328	29,507
Surplus or deficit on operations	406	(701)
Total comprehensive income and expenditure	406	(701)
Depreciation and impairment	839	1,048
Revaluation losses (gains)		
Capital expenditure charged to the GF	(242)	(798)
Transfer of cash sale proceeds		
Use of UCRR to fund capital expenditure		
Reversal of IAS 19 charges to I&E	3,036	3,271
Employer's pension contributions	(1,482)	(1,596)
Movement in employee absence accrual	22	44
Total voluntary adjustments	2,173	1,969
Pension Contribution Reserve	-	-
Internal Investment Reserve	1,601	(473)
Total transfers to/from cash reserves	1,601	(473)
Total transfers to/from earmarked reserves	3,774	1,496
Balance Carried Forward 31st December	29,507	30,301
Movement in year represented in the Movement in Reserves Statement	4,179	794

- (ii) The Usable Capital Receipts reserve records the receipts from sales of fixed assets less amounts used to finance capital expenditure.

	2014 £'000	2015 £'000
Usable Capital Receipts Reserve		
Balance brought Forward 1st of January	85	85
Amounts Received		
General receipts	-	-
Amounts Applied		
New Capital Investment	-	-
Balance Carried Forward 31st December	85	85
Movement in year represented in the Movement in Reserves Statement	-	-

- (iii) The Internal Investment Reserve holds funds earmarked to support specific initiatives or activities.

	2014 £'000	2015 £'000
Internal Investment Reserve		
Balance brought Forward 1st of January	3,431	1,830
Transferred to Reserves		
Reserves for specific projects created in year	559	1,161
Amounts Applied		
Reserve balances utilised in year	(601)	(688)
Amounts released back to the General Fund		
Reserve balances no longer required and released back to the General Fund	(1,558)	
Balance Carried Forward 31st December	1,830	2,303
Movement in year represented in the Movement in Reserves Statement	(1,601)	473

Notes to the Core Financial Statements

(iv) The Joint Committee Capital Adjustment Account is an earmarked reserve representing the accumulation of the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, offset by the resources that have been set aside to finance capital expenditure.

The Joint Committee Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure and to repay debt.

	2014 £000	2015 £000
Joint Committee Capital Adjustment Account		
Balance bought Forward 1st of January	11,854	11,263
Brought Forward adjustment		
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(688)	(1,048)
Revaluation (losses) gains on property plant and equipment	(151)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-
Adjusting amounts written out of Revaluation Reserve	5	1
	11,021	10,217
Net Written out amount of the cost of non-current assets consumed in the year		
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Capital expenditure charged against the General Fund	242	798
	11,263	11,014
Balance Carried Forward 31st December	11,263	11,014
Movement in year represented in the Movement in Reserves Statement	(591)	(590)

(v) The Earmarked Pension Reserve is an earmarked reserve representing the difference between the actuarially calculated value of the pension fund assets and the present value of scheme liabilities.

	2014 £000	2015 £000
Earmarked Pension Reserve		
Balance bought forward 1st January	(17,861)	(18,652)
Actuarial Gains or (losses) on pension assets and Liabilities	763	3,500
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,036)	(3,271)
Employers pensions contributions and direct payments to pensioners payable in year	1,482	1,596
Movement on Assets and Liabilities in year	(18,652)	(16,827)
Movement in year represented in the Movement in Reserves Statement	(791)	1,825

(vi) The Earmarked Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year. Proper accounting arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014 £000	2015 £000
Earmarked Accumulated Absences Account		
Balance bought forward 1st January	(42)	(69)
Settlement or cancellation of accrual made in preceding year	42	69
Amount to be accrued for current year	(69)	(112)
Amount to be charged to the Comprehensive Income and Expenditure Statement	(27)	(44)
Balance as at 31st December	(69)	(112)
Movement in year represented in the Movement in Reserves Statement	(27)	(44)

Notes to the Core Financial Statements

(vii) The Revaluation reserve represents unrealised gains on the revaluation of property plant and equipment. The balance is reduced when assets with accumulated gains are:

- a) revalued downwards or impaired and the gains are removed
- b) used in provision of services and the gains are consumed through depreciation, or
- c) disposed of and the gains realised

	2014 £000	2015 £000
Revaluation Reserve		
Balance brought Forward 1st of January	239	62
Upward revaluation of assets	-	-
Difference between fair value depreciation and historical cost depreciation	(5)	(1)
Revaluation written out to the General Fund	(172)	(60)
Adjusting amounts written out of the Joint Committee Capital Adjustment Account		
Balance Carried Forward 31st December	62	0
Movement in year represented in the Movement in Reserves Statement	(177)	(62)

14. EMPLOYEE EMOLUMENTS

The table below indicates the numbers of employees whose remuneration was greater than £50,000. Remuneration is defined as amounts paid to or receivable by an employee, including payments in kind, expenses allowances that would be chargeable to UK Income Tax . Termination payments are also included, which can lead to year on year comparisons being distorted.

REMUNERATION BAND £	No of Employees	
	2014	2015
50,000 - 54,999	1	2
55,000 - 59,999	3	5
60,000 - 64,999	1	1
65,000 - 69,999	2	0
70,000 - 74,999	1	2
75,000 - 79,999	-	0
TOTAL	8	10

The table below sets out the remuneration disclosure (Board of Directors) whose salary is £50,000 per year or more by job title. Comparative figures for 2013 are also shown and these officers are excluded from the above table.

2015						
Post	Salary incl. Benefits in Kind	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	126,993	-	-	-	14,726	141,719
Commercial Director	94,131	-	-	-	10,639	104,771
Executive Director	92,620	-	-	-	10,639	103,260
Assistant Director	81,667	-	-	-	9,313	90,980
	395,412	0	0	0	0	45,318
						0
						440,729

2014						
Post	Salary incl. Benefits in Kind	Expenses	Pay in Lieu of Notice	Redundancy Pay	Pension Contributions	Total Remuneration
Managing Director	127,215	-	-	-	14,908	142,123
Corporate Director	91,259	-	-	-	10,560	101,819
Commercial Director	90,409	-	-	-	10,560	100,969
Supply Chain Director	72,862	-	-	-	8,374	81,236
	381,745	0	0	0	44,401	426,146

Notes to the Core Financial Statements

The number of exit packages with the total cost per band of compulsory and other redundancies are set out below.

EXIT PACKAGE £	No. of compulsory redundancies		No. of other departures		Total no. of exit packages		Total cost of exit packages	
	2014 No.	2015 No.	2014 No.	2015 No.	2014 No.	2015 No.	2014 £,000's	2015 £,000's
0 - 20,000	4			7	4	7	30	69
20,001 - 40,000								27
40,001 - 60,000								
60,001 - 80,000								
Total	4	0	0	7	4	7	30	96

Exit packages include redundancy costs, the cost of additional payments to the pension scheme and other departure costs.

15. OPERATING LEASES

An operating lease means that the risks and rewards of ownership remain with the lessor.

The Organisation has entered into operating leases with various lives. The future minimum lease payments due under non-cancellable leases in future years are:

	2014 £000	2015 £000
Not later than one year	176	209
Later than one year and not later than five years	230	387
Later than five years	830	2,262
	1,236	2,858

Amounts charged, in respect of these leases, to the Comprehensive Income and Expenditure Statement during 2015 were £490k (2014 £536k) of which £24K was rent of Flanshaw Way. The later than five years figure is comprised entirely of a long term lease agreement on the land element of a warehouse property held at Flanshaw Way in Wakefield.

16. AMOUNTS REPORTED FOR DECISION MAKING AND PLANNING

The analysis of Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Code. This is different to the basis on which the Organisation carries out its budgeting decision making and planning process.

The following shows how the Organisations financial reporting output can be reconciled to the Comprehensive Income and Expenditure Statement.

2014 £'000	YPO Profit & Loss	2015 £'000
71,827	Trading	72,448
16,322	Stores	16,445
32,835	Food	28,510
	Directs	
120,984	Total Invoiced Sales	117,404
(90,510)	Cost of Sales	(86,673)
30,474	Gross Margin	30,731
226	Discounts	199
5,365	Rebates	4,902
2,196	Other Income	2,310
38,261	Total Income	38,142
(14,279)	Operating Costs	(16,766)
(1,027)	Employment costs	(1,078)
(4,788)	Premises	(6,037)
(6,270)	Supplies and Services	(4,725)
(164)	Transport	(179)
(1,064)	SLA costs	1,057
(834)	Financial & Misc	(1,048)
	Depreciation	
(28,426)	Total Operating Costs	(28,776)
88	Interest (payable)/receivable	80
-	Profit/(loss) on disposal of assets	-
-	Dividend paid	-
-	Pension costs	-
9,923	Surplus or (deficit)	9,446

Notes to the Core Financial Statements

2014 £'000	Reconciliation of P&L Account to I&E Account	2015 £'000
9,923	Net Profit in P&L Account	9,446
(9,518)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(10,147)
-	Amounts included in the P&L not included in the Comprehensive Income and Expenditure Statement	-
406	Surplus/(Deficit) on provision of service	- 701

Reconciliation of Profit and Loss Account to Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the profit and loss account relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

YPO Profit & Loss 2015	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses £'000	I&E Statement £'000
Total Invoiced Sales	117,404	-	117,404
Cost of Sales	(86,673)	-	(86,673)
Gross Margin			
Discounts	199	-	199
Rebates	4,902	-	4,902
Other Income	2,310	-	2,310
Total Income	38,142	0	38,142
Operating Costs			
Employment costs	(16,766)	-	(16,766)
Premises	(1,078)	-	(1,078)
Supplies and Services	(6,037)	-	(6,037)
Transport	(4,725)	-	(4,725)
SLA costs	(179)	-	(179)
Financial & Misc	1,057	-	1,057
Depreciation	(1,048)	-	(1,048)
Total Operating Costs	(28,776)	0	(28,776)
Interest (payable)/receivable	80	-	80
Profit/(loss) on disposals		-	0
Dividend paid		(8,472)	(8,472)
Transfer to Limited Co		0	0
Pension costs		(1,675)	(1,675)
Surplus or (deficit) on provision of service	9,446	(10,147)	- (700)

YPO Profit & Loss 2014	P&L Acct £'000	Amts not Alloc'n of rptd for mgt reporting dec making expenses £'000	I&E Statement £'000
Total Invoiced Sales	120,984	-	120,984
Cost of Sales	(90,510)	-	(90,510)
Gross Margin			
Discounts	226	-	226
Rebates	5,365	-	5,365
Other Income	2,196	-	2,196
Total Income	38,261	0	38,261
Operating Costs			
Employment costs	(14,279)	-	(14,279)
Premises	(1,027)	-	(1,027)
Supplies and Services	(4,788)	-	(4,788)
Transport	(6,270)	-	(6,270)
SLA costs	(164)	-	(164)
Financial & Misc	(1,064)	-	(1,064)
Depreciation	(834)	-	(834)
Total Operating Costs	(28,426)	0	(28,426)
Interest (payable)/receivable	88	-	88
Profit/(loss) on disposals		-	0
Dividend paid		(7,879)	(7,879)
Transfer to Limited Co		(85)	(85)
Pension costs		(1,554)	(1,554)
Surplus or (deficit) on provision of service	9,923	(9,433)	406

Notes to the Core Financial Statements

17. RELATED PARTY TRANSACTIONS

The Organisation is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Organisation or to be controlled or influenced by the Organisation.

Transactions with Founder Member Authorities are shown here for clarity. Founder member authorities are not classified as related parties under the Code of Practice or for the purpose of group accounting but have joint control over the Organisation's decision making and business planning. In addition to the founder members the Organisation has 35 associate members who have no influence over Organisational decision making.

Business transactions with the 13 founder members' accounts for a significant proportion of the Organisation's turnover. Membership entitles these authorities to a share of any annual profits and equal powers over key business decisions.

The value of business transacted with each founder member was:

	2014 £'000	2015 £'000
Barnsley	16,867	14,850
Bolton	13,433	13,688
Bradford	24,217	24,049
Calderdale	11,764	10,355
Doncaster	16,328	18,279
Kirklees	26,809	20,705
Knowsley	8,227	7,287
North Yorkshire	18,092	21,941
Rotherham	12,636	13,257
St Helens	9,890	9,741
Wakefield	19,680	21,157
Wigan	13,840	15,353
York	6,284	7,798
	198,066	198,461

The above table includes trade direct with the Organisation which is included in invoiced turnover and business transacted through framework contracts arranged by the Organisation. which are not accounted for as turnover in the comprehensive income and expenditure account.

The YPO Management Committee is made up of elected representatives from each Member Authority. No personal interest in material transactions have been disclosed by any of the elected representatives or senior officers of the Organisation.

One of the Member Authorities, City of Wakefield MDC, acts as servicing authority for YPO and as such, WMDC officers are the Organisation's statutory officers. YPO has commercial support agreements with Wakefield MDC covering certain accounting, treasury, human resource, legal services and vehicle maintenance arrangements.

In 2014 YPO Procurement Holdings and its subsidiary YPO Supplies Ltd began trading with YPO Joint Committee. Board members for YPO Procurement Holdings and YPO Supplies are also members of the Joint Committee board and therefore all transactions between the above companies are classed as related party transactions in accordance with the Code of practice for Local Authority Accounting

The transactions involve a payment from YPO Supplies Ltd to YPO Joint Committee for picking items in the warehouse and the cost of telephone call handing. Those charges are at a standard cost. The cost of goods sold is paid by the Limited Company to the Joint Committee at an agreed transfer price. This includes an element of sales, procurement and marketing costs incurred by the Joint Committee. Other charges include a fee for Directors and accounting services. The rationale is to recover the costs of operating on behalf of the new company.

Below is a summary of the amount of transactions that have occurred between the related parties and the amount of Balances outstanding. All transactions are sales from YPO Joint Committee.

	Transactions Value (Ex VAT) for the year £	Outstanding Balance as at 31st Dec 2015 £
YPO Procurement Holdings	-	-
YPO Supplies Ltd	562,264	232,601

18. AUDIT COSTS

The following fees were paid to the external auditors for services carried out:

Audit Costs	2014 £000	2015 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	20	29

Notes to the Core Financial Statements

19. EVENTS AFTER THE BALANCE SHEET DATE

The xxx 2016 Management Committee Meeting approved the pre audit statement of Accounts and agreed a profit distribution in respect of the 2015 trading year of £xxxm covering members dividend and the YPO loyalty scheme.

When calculating the pension scheme liability at the end of the reporting period, reference is made by the actuary to the market yield of high quality corporate bonds to help determine the fair value of the schemes assets.

This Statement incorporates changes identified during the course of the audit process and no other events have given rise to changes in this statement between the balance sheet date and the authorisation for issue date of the xxxxxxxx when the accounts were authorised for issue by the Audit Sub Committee.

Glossary of Terms

This glossary is provided to assist the reader. It gives explanations of common terms used in relation to local authority finance (which are not explained elsewhere in the Statement), many of which are used within this document.

Accounting Period

The period covered by the accounts, normally a period of twelve months commencing on 1 January. The end of the accounting period is the balance sheet date, 31 December.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Accumulated Absences

Accumulated absences are sums owing to or from employees at the end of the accounting period not yet claimed back or paid over for hours owed to / from under the flexible working scheme and holiday days over or under used at the period end.

Annual Governance Statement

A non-statutory document which provides an overview of the governance arrangements within the Organisation, aids the effective exercise of Organisation functions, and includes arrangements for the management of risk.

Asset

An item having value in monetary terms. Assets are defined as current or long term. A current asset will be consumed or cease to have material value within the next financial year. A long term asset provides benefits to the Organisation and its services for more than one year.

Audit of Accounts

An independent examination conducted on a test basis, of the Organisation's financial statements.

Budget

A statement of spending plans and anticipated income for a financial year.

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalent vouchers

These are vouchers issued to customers as loyalty bonus which are redeemable against future purchases.

Current Assets

Is an amount which will become receivable or could be called in within the next accounting period.

Defined Benefit Plans

Are post employment benefit plans other than a defined contribution plan. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Direct Supply

Direct supply refers to the trading method employed by the Organisation where goods ordered by the customer are delivered direct from the supplier rather than the Organisation.

Exceptional Items

Where items of income or expense 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 accounts, depending on how significant the items are to an understanding of the Organisation's financial performance.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a long term asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments including any initial payments amount to substantially all of the fair value of the leased asset.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes trade receivables, trade payables and derivatives.

Financial Procedure Rules

Written rules of the Organisation relating to all matters with financial implications. All Organisation officers must comply with these rules.

Impairment

A reduction in the value of a long term asset below its carrying amount on the balance sheet.

International Accounting Standards (IAS)

Standards developed by the International Accounting Standards Board (IASB) that are required to be followed.

International Financial Reporting Standards (IFRS)

The Standards (including International Accounting Standards (IAS)) developed by the International Accounting Standards Board (IASB) and supported by interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) on which the accounts of this Organisation are based.

Inventories

Inventories include stocks held for resale and all other assets held for use within the Organisation.

Liability

A liability is where the Organisation owes payment to an individual or organisation. A current liability is an amount which will become payable or could be called in within the next accounting period. A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period.

Net Book Value

The amount at which long term assets are included in the Balance Sheet i.e. their historical value or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less specific income.

Outturn

Actual income receivable and expenditure due in a financial year.

Payments in Advance

These are payments made in advance of goods or services being provided to the Organisation.

Prior year adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserve

A reserve is an amount set aside in one financial year and carried forward to meet liabilities in a subsequent financial year, both general and specific liabilities.

Turnover

Turnover is the value of invoices issued to customers for the supply of goods and services.

Useful life

The period over which the Organisation will derive benefits from the use of a long term asset.

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YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
18 MARCH 2016

TITLE: INTERNAL AUDIT – ANNUAL REPORT – JANUARY TO DECEMBER 2015

REPORT OF: s151 OFFICER

1 PURPOSE OF REPORT

- 1.1 To present the Annual Audit Report (see attached Appendix A) for 2015, in line with the requirements of the Internal Audit Protocol and the Public Sector Internal Audit Standards (PSIAS).
- 1.2 To receive the following Internal Audit Opinion (extract from YPO Annual Governance Statement [AGS] 2015):

“From the work undertaken by Internal Audit during 2015, key controls were found to be adequate to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior Management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2015 AGS.”

2 BACKGROUND INFORMATION

- 2.1 The Annual Audit Report, which has been produced in line with the PSIAS, is attached at Appendix A. It presents the Service Manager Internal Audit & Risk’s opinion on the overall adequacy and effectiveness of YPO’s internal control environment, based on the outcomes of audit work undertaken.
- 2.2 The Annual Audit Report was presented to the YPO Audit Sub-Committee on the 26th February 2016 for consideration and comment. They resolved that the Annual Audit Report be recommended to the Management Committee for formal acceptance.

3 STRATEGIC IMPLICATIONS

- 3.1 Internal Audit’s work includes involvement at a strategic level. A number of audits in the 2015 Internal Audit Plan are linked to various YPO strategic risks.

4 FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications associated with this report. The programme of audit work during 2015 was completed at a cost to YPO of £62,145, which was in line with the original Annual Audit Plan agreed by Members.

5 LEGAL IMPLICATIONS

- 5.1 There is a statutory requirement for an Internal Audit function within YPO, as set out in the Accounts and Audit Regulations and implied within the Local Government Act 1972, relating to the responsibility of a designated statutory s151 Finance Officer to gain assurance on the proper administration of the Organisation's financial affairs.

6 EQUALITY IMPLICATIONS

- 6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

- 7.1 Internal Audit is a statutory function which makes a significant contribution to providing management and Members with assurances on the Organisation's system of internal control. Its contribution assists in identifying areas of improvement in control in the management of key risks.
- 7.2 In line with the terms of reference for the Audit Sub-Committee, consideration of this report contributes to fulfilling its assurance role, in the ongoing review of internal controls and overall risk management arrangements.

8 RECOMMENDATIONS

- 8.1 That Members approve the Annual Audit Report attached at Appendix A.

Contact Officers:

Judith Badger, Assistant Chief Executive – Resources & Governance (Wakefield Council)
Telephone No: 01924 305388
E-mail address: jbadger@wakefield.gov.uk

Mark St Romaine, Service Manager – Internal Audit & Risk (Wakefield Council)
Telephone No: 01924 302364
E-mail address: mstromaine@wakefield.gov.uk

Carl Tweed, Audit Manager (Wakefield Council)
Telephone No: 01924 306054
E-mail address: ctweed@wakefield.gov.uk

Internal Audit Annual Report

YPO

January to December 2015

INTRODUCTION

1. This annual report is produced in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and covers the period January to December 2015. The report feeds back progress and outcomes against the Annual Audit Plan for the period.
2. Members should note that the programme of internal audit work was completed in line with the allocation of days recorded in the original Annual Audit Plan. Any ongoing audit work as at the 31st December 2015 has been included within the Plan for January to December 2016, in line with arrangements agreed with YPO management.

SUMMARY AUDIT OPINION

3. Wakefield Council Internal Audit's overall opinion on the systems of internal control at YPO during 2015, which will be included in YPO's 2015 Annual Governance Statement (AGS), is as follows:

"From the work undertaken by Internal Audit during 2015, key controls were found to be adequate to manage associated risks to the required level, with no significant errors, losses or omissions identified. Senior Management has continued to strengthen overall governance arrangements throughout the year, including implementing audit recommendations to improve any areas of control weakness identified from individual Internal Audit reviews. Consequently there are no new key control improvements arising from Internal Audit work that require inclusion in Section 5 of the 2015 AGS."

INTERNAL AUDIT PERFORMANCE

4. In respect of the performance of the Internal Audit Service, most of the planned work for the period January to December 2015 was substantially completed by the end of December 2015 in line with the days originally agreed. The exceptions were the proposed audits on:
 - Security Arrangements. (At the request of YPO management, the start of the audit has been delayed until the second quarter of 2016.)
 - IT Arrangements. (The audit will take place in the first quarter of 2016.)
5. No concerns have been raised regarding the nature and conduct of Internal Audit work by the External Auditor.
6. All Internal Audit work is subject to a quality control process, including formal review of work by the appropriate level of audit management.
7. Seven client surveys were issued following completion of the audit assignments referred to in Table 1 below. Six were completed and returned, four with an overall opinion of 'Very Good' and two with an overall opinion of 'Good', thus achieving the current target of 95% Good / Very Good.

SUMMARY OF AUDIT WORK COMPLETED AND RELATED OPINIONS

8. This section of the report provides details of how Internal Audit has assisted management in fulfilling their responsibilities for operating effective systems of internal control through the provision of audit reviews and agreed action plans. The Audit Sub-Committee receives detailed information and provides challenge to management relating to audit reviews resulting in Partially Effective / Ineffective opinions, or where opinions decrease from one audit to another relating to the same system.
9. Table 1 attached provides details of audit work reported relating to the 2015 Internal Audit Plan. Seven reports were issued.
10. In addition to these audit reports, Internal Audit resources were utilised within the following areas of activity:
 - 10.1 Ongoing support to the Business Change Modernisation Programme. This included submitting comments to YPO on the business case for the 'Purchase Ledger – Process Improvements' project.
 - 10.2 During the 2015 audit of main financial systems, using data analytics software to analyse payroll variations. The output data was provided to YPO. Some of the findings may be considered for future performance management within YPO.
 - 10.3 Various instances of consultancy / advice-type support throughout the year, including commenting on the Draft YPO AGS and advice on various fraud-related matters.
 - 10.4 Producing reports for, and attending, YPO Committee meetings. In addition, together with an officer from KPMG, a training session took place for Audit Sub-Committee Members on the External and Internal Audit relationship.
11. Based on audit work undertaken in 2015, the following points are worthy of note:
 - 11.1 Overall, the main financial systems were found to be operating to the required level of control. For the third year running, all of the systems were assessed as being "fully effective".
 - 11.2 A review of Anti-Fraud & Bribery Arrangements found that, in the main, risks were being managed to an adequate level, with procedures in place to ensure that risks are controlled. However, some work was required with regards to the training of staff. Pre-qualifying questionnaires and credit checks were not undertaken when new suppliers were used through a non-tendered process (although work was ongoing at the time of the audit to introduce new procedures in this area). In addition, records were not kept of the research undertaken.
 - 11.3 Two IT-related audits were undertaken, on:
 - Navision (an off-the-shelf Windows-based financial package that is used for YPO's Purchase, Sales and General Ledger functions), and

- STEP (a software program that is used to hold product details, all of which can be ordered via YPO's website; it also includes a module to create the catalogues each year).

The controls relating to the accuracy of the data imported into both Navision and STEP were robust, with a full audit trail in place. Additionally, the back-up arrangements were working well.

11.4 A review of a new programme management toolkit for delivering the Business Change Programme found that it is fit for purpose to ensure the effective delivery of projects. To further develop the toolkit, and prior to it being rolled out for all projects, some suggestions were put forward on areas for improvement. It was also suggested that the toolkit be tailored to meet the requirements of high, medium and low risk projects. (A summary of the review was included in Internal Audit's Annual Report for 2014. It is included again here, as it was reported in January 2015.)

12. Progress in implementing audit recommendations arising from the audit work referred to in paragraph 11 is monitored by the Audit Sub-Committee. They receive regular progress reports from Internal Audit. In addition, the Audit Sub-Committee also receives occasional reports from YPO management providing an update on progress made in implementing all audit recommendations.

AUDIT WORK REPORTED RELATING TO THE 2015 INTERNAL AUDIT PLAN

Review Area / Report Date	Audit Opinion
<p>Main Financial Systems 2014 – 09/01/15</p> <ul style="list-style-type: none"> - Asset Management - Budgetary Control - Business Debtors - Main Accounting - Non-Business Debtors - Ordering and Creditors (Business Creditors) - Ordering and Creditors (Working Expenses and Hired Carriers) - Payroll - Stock Control 	Fully Effective
Project Management Toolkit – 19/01/15	N/A
Main Financial Systems 2014 & Extended Testing Follow Up – 18/06/15	Mostly Implemented
Anti-fraud & bribery arrangements – 01/07/15	Mostly Effective
IT Application Controls – Navision – 04/09/15	Fully Effective
IT Application Controls – STEP – 24/09/15	Fully Effective
<p>Main Financial Systems 2015 – 28/01/16</p> <ul style="list-style-type: none"> - Asset Management - Budgetary Control - Business Debtors - Main Accounting - Non-Business Debtors - Ordering and Creditors (Business Creditors) - Ordering and Creditors (Working Expenses and Hired Carriers) - Payroll - Stock Control 	Fully Effective

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	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">18TH MARCH 2016</p>
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TITLE: ASSOCIATE MEMBERSHIP APPLICATIONS 2016

REPORT OF: STRATEGIC RELATIONSHIP MANAGER

1 PURPOSE OF REPORT

- 1.1 Provide details of formal applications for YPO Associate Membership received from a number of strategic target customers across the North West region.

2 BACKGROUND INFORMATION

- 2.1 Greater Manchester Fire and Rescue Service is one of the largest Fire and Rescue Services outside London with over 2,100 members of staff and 41 fire stations, covering an area of approximately 500 square miles and a culturally diverse population of 2.5 million people. GM Fire is also represented on the AGMA Executive Board and the Greater Manchester Combined Authority.
- 2.2 Salford is a city and metropolitan borough of Greater Manchester. It is named after its largest settlement, Salford, but covers a far larger area which includes the towns of Eccles, Swinton and Pendlebury, Walkden, and Irlam which apart from Irlam each have a population of over 35,000. The city has a population of 218,000, and is administered from the Salford Civic Centre in Swinton. Salford City Council is also represented on the AGMA Executive Board and the Greater Manchester Combined Authority.
- 2.3 Sefton Borough Council was created by the local government reorganisation of 1974 having previously been a metropolitan district of the county of Merseyside. The borough is effectively a unitary authority within the ceremonial county of Merseyside however has no direct responsibility for transport, waste-disposal and emergency services, these are all administered by joint-boards of the five boroughs of Merseyside. Sefton is also represented on the Liverpool City Region Combined Authority and is currently working with a number of other Merseyside authorities to create a formal shared service arrangement for the Mersey region.

3 SUMMARY

- 3.1 Applications from the North West region:
Greater Manchester Fire & Rescue Services
Salford City Council
Sefton Borough Council

- 3.2 Greater Manchester Fire currently use YPO for Emergency Services category spend therefore we have an excellent opportunity to embed our service in this fire authority and maximise the further potential category opportunities that exist here as well as securing further YPO's presence in the blue light sector.
- 3.3 Salford City Council currently access YPO frameworks for both Electricity supply and Liquid Fuels and are an existing member of AGMA although are keen to explore any potential collaborative opportunities. Potential spend areas for exploring include Specialist Vehicles, Corporate Software, Office Supplies, Crematoria and Insurance Services estimated at over £3m per annum. Salford's procurement team also have good relationships with authority maintained schools in the area and will use internal communications to promote YPO.
- 3.4 Sefton Borough Council has limited current usage of YPO contractual services although enjoy a reasonable level of spend through authority maintained schools through the YPO catalogue therefore provide an excellent growth opportunity in a number of key category areas such as Electricity , Gas Supply , Stationery , Cleaning Materials, Sports Equipment, Furniture, Liquid Fuel and Agency Labour.
- 3.5 Further applications are expected shortly from the following customers with who discussions are currently ongoing:
- Cheshire Fire & Rescue Service – to support the continuing development of YPO presence within the blue light sector.
 - Oldham Council – will complete the introduction of all AGMA members as YPO members or associate members hopefully enabling better collaborative opportunities across the North.
 - Solihull Council – will support the targeted focus on the Midlands region building on the recent introductions of Birmingham City Council, West Midlands Fire Service and Walsall Council.
 - London Borough of Lambeth – will add to the existing 3 London Boroughs we have as members and support the wider YPO strategic goal of further business growth in London for 2016 and beyond. We are currently negotiating a £20 million per annum spend under Lot 1 of the new YPO HR Services & Solutions framework which will be a significant step forward in London.
 - London Boroughs of Enfield and Waltham Forest – discussions are currently underway in relation to growing the schools business in these areas and the wider London economy supported by existing members in Brent, Harrow and Hillingdon.

Estimated Baseline Figures 2015

Customer	Stock & Direct	Contractual	Total
GM Fire	£0k	£1.4m	£1.4m
Salford City Council	£940k	£2.0m	£2.94m
Sefton Borough Council	£955k	£0k	£955k

4 FINANCIAL IMPLICATIONS

4.1 Additional associate membership may lead to additional dividends being available for founder members in the following scenario:-

- The distributable fund is £9,139,000 (as per the 2014 dividend distribution).
- The risk proportion of the fund is 25%.
- The usage proportion of the fund is 50%.
- The Loyalty proportion of the fund is 25%

The opening position would be as follows, as per the 2014 dividend distribution:-

	£ 000's
Members total	6,495
Associates and non-members	2,644
Total	9,139

If the additional income from the new membership was **£1,500,000** as mentioned in section 8.2, then this might translate into an additional profit of around **£75,000**, taking into account the current margins on stock, directs and food, together with the expected income from framework contract rebates. The revised distribution would therefore be as follows:-

	New £ 000's	Original £ 000's	Additional £ 000's
Members total	6,518	6,495	23
Associates and non-members.	2,696	2,644	52
Total	9,214	9,139	75

5 LEGAL IMPLICATIONS

5.1 There are no legal implications arising from this report.

6 EQUALITY IMPLICATIONS

6.1 This report does not have a direct impact on the Equality and Diversity agenda.

7 RISK IMPLICATIONS

7.1 There are no risk implications arising from this report.

8 RECOMMENDATIONS

8.1 The applications submitted are recommended for approval as they all fall within the criteria established in 2014 for Associate Membership and support continued growth for YPO across the wider North West region including further development in the blue light sector.

8.2 Growth criteria for each of the customers requesting consideration for membership should be set at £500,000 in line with the agreed criteria established in 2014.

- 8.3 The attached customer applications all meet the strategic criteria as laid down in the paper previously approved in August 2014 and are therefore recommended for approval.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834969
E-mail address: paul.smith@ypo.co.uk

CONTACT OFFICER: DAVID BEMROSE, STRATEGIC RELATIONSHIP MANAGER

YPO
41 Industrial Park
Wakefield
WF2 0XE

Telephone No: 01924 834812
E-mail address: david.bemrose@ypo.co.uk

APPENDICES:

Appendix 1- Letter of application from Sefton City Council
Appendix 2- Application form from Sefton City Council
Appendix 3- Letter of application from Greater Manchester Fire and Rescue Service
Appendix 4- Application form from Greater Manchester Fire and Rescue Service
Appendix 5- Letter of application from Salford Council
Appendix 6- Application form from Salford Council



David Bemrose
Strategic Relationship Manager
YPO,
41 Industrial Park,
Wakefield,
WF2 0XE

Peter Moore
Head of Commissioning Support &
Business intelligence
8th Floor, Merton House
Stanley Road, Bootle
Liverpool L20 3JA
Tel: 0151 934 3730
e-mail: peter.moore@sefton.gov.uk

Date: 3rd February 2016
Ref: PJM/YPO/160203

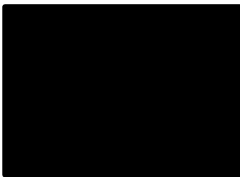
Dear David

Application for Associate Membership

Please find attached an application from Sefton Metropolitan Borough Council for Associate Membership of YPO.

Please advise me if you require any further information.

Yours sincerely



Peter Moore
Head of Commissioning Support & Business Intelligence

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Better value, delivered.



Application for Associate Membership

Name of Authority:

Sefton Council

Address:

Merton House
Stanley Road
Bootle

Postcode:

L 2 0 3 U U

Contact Name:

Peter Moore

Position:

Head of Commissioning Support & Business Intelligence

Contact Telephone Number:

0151 934 3730

Contact Email:

peter.moore@sefton.gov.uk

Please provide details of your current usage of YPO Catalogue Supplies and YPO contracts:

Washroom Services
Wheelie Bins
Schools have use of full YPO catalogue

Please outline how you will promote YPO Catalogue Supplies and YPO contracts to schools and other Budget Holding Departments/Service Areas within your Authority:

The Council will explore the use of any suitable Framework within its procurement process.

Schools have access to the full YPO catalogue and procurement services delivered by the Corporate Procurement Team.

Continued overleaf...

Application for Associate Membership



Please indicate any potential growth opportunities (please include the category area and indicative spend value):

Vehicle Purchase
Gym Equipment
Energy

Please provide details of any potential collaborative opportunities:

Sefton Council are members of the Merseyside Procurement Partnership who, collaboratively explore the use of suitable frameworks for categories such as:

Stationery
Cleaning Materials
PPE/ Workwear
Sports Equipment
Furniture
Agency Staff
Fuel

Signed:



Position:

Head of Commissioning Support & Business Intelligence

Date:

3rd February 2016

Please send this completed Application Form, together with a letter, signed by a Senior Officer of the Authority to:

David Bemrose
Strategic Relationship Manager

YPO,
41 Industrial Park,
Wakefield,
WF2 0XE

Please tick areas of interest:

- | | |
|--|---|
| <input type="checkbox"/> Catalogue products | <input type="checkbox"/> Insurance Services |
| <input type="checkbox"/> Highways | <input type="checkbox"/> Financial Services |
| <input type="checkbox"/> Fleet | <input type="checkbox"/> HR Services |
| <input type="checkbox"/> Building Maintenance | <input type="checkbox"/> Social Care |
| <input type="checkbox"/> Business, Administrative & Travel | <input type="checkbox"/> Energy |
| <input type="checkbox"/> Enforcement Agency | <input type="checkbox"/> ICT |

GREATER MANCHESTER FIRE AND RESCUE SERVICE



Yorkshire Purchasing Organisation
41 Industrial Park
Wakefield
WF2 0XE

County Fire Officer & Chief Executive
Peter O'Reilly

Greater Manchester Fire and Rescue Service
Procurement Department
146 Bolton Road
Swinton
Manchester M27 8US
Telephone 0161 608 3567
www.manchesterfire.gov.uk

FAO Mr David Bemrose

January 28th 2016

Dear Mr Bemrose,

Greater Manchester Fire & Rescue Service – Associate Member application

On behalf of Greater Manchester Fire & Rescue Service and following on from the Associate Member form submitted on the 25th September 2015, I write to confirm our support for the application to become an Associate Member of YPO.

We have worked with yourselves over a number of years and utilised a number of your framework agreements and we look forward to working closely with you as an Associate Member over the months and years ahead, assuming our application is successful.

Please continue to liaise with our Procurement Manager, Anthony Hilton, in relation to the approval process and we look forward to continuing and developing our relationship in the future.

Yours sincerely,

[Redacted signature]

Andrea Heffernan
Director of Corporate Support
Corporate Leadership Team

Direct Line: 0161 608 4122
Mobile: 07769931951

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Better value, delivered.



Application for Associate Membership

Name of Authority:

Greater Manchester Fire + Rescue Service

Address:

146 Bolton Road
Swinton
Manchester

Postcode:

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Contact Name:

Anthony Hilton

Position:

Procurement Manager

Contact Telephone Number:

0161 608 3580

Contact Email:

hiltona@manchesterfire.gov.uk

Please provide details of your current usage of YPO Catalogue Supplies and YPO contracts:

Currently utilising YPO framework no's :,

- 250 - Microgeneration Technologies
- 295 - Emergency Services Uniform and Associated Products
- 296 - Supply of Electricity
- 317 - Main Gas
- 447 - Smoke Alarms and Related Products
- 299 - Fire Fighter Tunics and Overtrousers

Please outline how you will promote YPO Catalogue Supplies and YPO contracts to schools and other Budget Holding Departments/Service Areas within your Authority:

We will promote the use of YPO contracts/frameworks where relevant to stakeholders, along with making contract information available via internal intranet.

Continued overleaf...

Application for Associate Membership



Please indicate any potential growth opportunities (please include the category area and indicative spend value):

Potential opportunities on uniform spend.
Other areas subject to discussion and agreement.

Please provide details of any potential collaborative opportunities:

Collaborative opportunities with other regional + national FRS's, other Emergency Services and AGMA Authorities.



Position:

Procurement Manager

Date:

25/9/15

Please send this completed Application Form, together with a letter, signed by a Senior Officer of the Authority to:

David Bemrose
Strategic Relationship Manager

YPO,
41 Industrial Park,
Wakefield,
WF2 0XE

Please tick areas of interest:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Catalogue products | <input checked="" type="checkbox"/> Insurance Services |
| <input type="checkbox"/> Highways | <input checked="" type="checkbox"/> Financial Services |
| <input checked="" type="checkbox"/> Fleet | <input type="checkbox"/> HR Services |
| <input checked="" type="checkbox"/> Building Maintenance | <input type="checkbox"/> Social Care |
| <input checked="" type="checkbox"/> Business, Administrative & Travel | <input checked="" type="checkbox"/> Energy |
| <input type="checkbox"/> Enforcement Agency | <input checked="" type="checkbox"/> ICT |

Salford City Council

YPO, 41 Industrial Park
Wakefield
WF2 OXE



**Procurement
Public Health, Reform and
Commissioning**
Salford City Council, Unity House
Chorley Road, Swinton, M27 5AW



Phone 0161 686 6295



email andrew.white@salford.gov.uk



Web www.salford.gov.uk

Date 24 September 2015

Dear Dave,

Please find enclosed our application for associate membership to YPO. We hope to continue our working partnership with you in the future and to share our knowledge and best practice in the public sector.

Yours Sincerely



Jennifer McGovern

Assistant Director Integrated Commissioning

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Better value, delivered.



Application for Associate Membership

Name of Authority:

SALFORD CITY COUNCIL

Address:

UNITY HOUSE
CHORLEY ROAD
SWINTON, SALFORD
MANCHESTER

Postcode:

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Contact Name:

ANDREW WHITE

Position:

PROCUREMENT MANAGER

Contact Telephone Number:

0161 686 6295

Contact Email:

andrew.white@salford.gov.uk

Please provide details of your current usage of YPO Catalogue Supplies and YPO contracts:

- Electricity - Non Half Hourly & Half Hourly
- Supply of Specialist Vehicles
- Cash Collections & Cash in Transit
- Liquid Fuel

Please outline how you will promote YPO Catalogue Supplies and YPO contracts to schools and other Budget Holding Departments/Service Areas within your Authority:

The Procurement Team have very close relationships with internal budget holders, schools & external partners which are managed through SLA's. As part of this service, the procurement team's role is to promote collaboration, existing contractual relationships & available framework agreements as part of the options appraisal.

Continued overleaf...

Application for Associate Membership



Please indicate any potential growth opportunities (please include the category area and indicative spend value):

- Specialist Vehicle Hire - £N/A at present
- Grounds Maintenance - £50K p.a.
- Social Care E-Marketplace Solution - £N/A at present
- Corporate Software Solutions - £1.5m p.a.
- ~~Electronic~~ Office Supplies - £100K p.a.
- Crematoria Solutions - £70K p.a.
- Insurance Services - £1.3m p.a.

Please provide details of any potential collaborative opportunities:

- Refuse Collection Vehicles
- Liquid Fuel
- Software licencing (Microsoft).
- Electricity
- Poling Enforcement
- Finance Software System Licencing.

Signed:



Position:

PROCUREMENT MANAGER

Date:

24/9/15

Please send this completed Application Form, together with a letter, signed by a Senior Officer of the Authority to:

David Bemrose

Strategic Relationship Manager

YPO,
41 Industrial Park,
Wakefield,
WF2 0XE

Please tick areas of interest:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Catalogue products | <input checked="" type="checkbox"/> Insurance Services |
| <input checked="" type="checkbox"/> Highways | <input checked="" type="checkbox"/> Financial Services |
| <input checked="" type="checkbox"/> Fleet | <input checked="" type="checkbox"/> HR Services |
| <input checked="" type="checkbox"/> Building Maintenance | <input checked="" type="checkbox"/> Social Care |
| <input type="checkbox"/> Business, Administrative & Travel | <input checked="" type="checkbox"/> Energy |
| <input checked="" type="checkbox"/> Enforcement Agency | <input checked="" type="checkbox"/> ICT |



YPO
MANAGEMENT COMMITTEE
TO BE HELD ON
18TH MARCH 2016

TITLE: DRAFT 2016 YPO INTERNAL AUDIT PLAN

REPORT OF: s151 OFFICER

1 PURPOSE OF REPORT

- 1.1 This report is produced by the s151 Officer to provide Members with details of the 2016 YPO Internal Audit Plan, which was considered by the YPO Audit Sub-Committee on the 26th February 2015.

2 BACKGROUND INFORMATION

- 2.1 The Audit Sub-Committee received a report at the meeting held on the 6th November 2015, outlining the proposed process for formulating the 2016 YPO Internal Audit Plan, including a template of potential areas of audit activity. Members accepted the proposed process and requested that a detailed draft Audit Plan be presented to a future meeting of the Sub-Committee.
- 2.2 The attached detailed draft 2016 YPO Internal Audit Plan was presented to the Audit Sub-Committee at its meeting on the 26th February 2016, having previously been discussed and agreed with the YPO Board of Directors. The Plan is based on 130 days of Internal Audit work, at a cost to YPO of £45,890. This is a reduction of 50 days from 2015.
- 2.3 The Audit Sub-Committee resolved that the draft Annual Audit Plan 2016 be submitted to the Management Committee for formal acceptance.
- 2.4 Progress against the approved Internal Audit Plan will continue to be reported to, and monitored by, the Audit Sub-Committee throughout 2016 and an Annual Audit report will be produced and presented to Management Committee in early 2017.

3 STRATEGIC IMPLICATIONS

- 3.1 Internal Audit's work includes involvement at a strategic level. A number of audits in the draft 2016 Internal Audit Plan are linked to various strategic risks.

4 FINANCIAL IMPLICATIONS

- 4.1 The cost of provision of the Internal Audit function, as referred to in paragraph 2.2 above, has been included within the YPO 2016 Budget. Any proposal to revise these costs during the year will need to be considered against the budget implications.

5 LEGAL IMPLICATIONS

- 5.1 There is a statutory requirement for an Internal Audit function within YPO, as set out in the Accounts and Audit Regulations and implied within the Local Government Act 1972, relating to the responsibility of a designated statutory s151 Finance Officer to gain assurance on the proper administration of the Organisation's financial affairs.

6 EQUALITY IMPLICATIONS

- 6.1 There are no direct implications relating to equality.

7 RISK IMPLICATIONS

- 7.1 Reports issued by Internal Audit, following completion of individual assignments as detailed in an Annual Audit Plan, provide assurances to those charged with governance as to the adequacy or otherwise of the Organisation's Risk Management arrangements relevant to the achievement of the Organisation's objectives.

8 RECOMMENDATION

- 8.1 That Members approve the Internal Audit Plan for 2016 attached as Appendix A.

Contact Officers:

Judith Badger, Assistant Chief Executive – Resources & Governance (Wakefield Council)
Telephone No: 01924 305388
E-mail address: jbadger@wakefield.gov.uk

Mark St Romaine, Service Manager – Internal Audit & Risk (Wakefield Council)
Telephone No: 01924 302364
E-mail address: mstromaine@wakefield.gov.uk

Carl Tweed, Audit Manager (Wakefield Council)
Telephone No: 01924 306054
E-mail address: ctweed@wakefield.gov.uk

APPENDIX A

YPO

Draft Internal Audit

Annual Plan

2016

INTRODUCTION

1. The definition of Internal Audit included within the Public Sector Internal Audit Standards (PSIAS) is:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
2. In view of the PSIAS definition, the key aim of Internal Audit at YPO is to help management fulfil their responsibilities for ensuring that there are proper systems of internal control in place in order to mitigate risks associated with the provision of all YPO services and achievement of YPO’s objectives.
3. Fundamental to achieving the above aim is a structured approach to producing risk based Internal Audit Plans, covering all areas of activity agreed to be appropriate.
4. As key business risks are subject to change annually, an Annual Audit Plan is produced, as opposed to formal medium to long-term Plans.
5. In line with the PSIAS, the Plan is kept under review for emerging risks and is formally reviewed throughout the year, with any proposed / necessary changes discussed with the YPO Board and reported to Audit Sub-Committee. Should any revisions to the Plan be deemed to be significant, they would be reported to Management Committee for formal approval.

AUDIT STRATEGY

6. A team of professionally qualified and appropriately experienced staff from the Lead Authority (Wakefield Council) will provide the YPO Internal Audit service.
7. A formal Protocol exists which sets out the detailed procedures for delivering the Internal Audit service within the above arrangements.
8. Internal Audit’s key objectives within YPO are to:
 - (a) Continue to provide a “value added service”, with an appropriate mix of traditional assurance work, consultancy type work and support on fraud-related issues, utilising risk based audit initiatives and techniques wherever appropriate;
 - (b) Ensure the effective Internal Audit review of YPO activity, as identified in the attached detailed Annual Audit Plan at Attachment 1.
9. Internal Audit achieves its objectives by cyclically undertaking reviews of financial and non-financial risks and reporting to appropriate levels of management on assurances gained and areas for improvement. Additionally, in line with the scope of audit activity supported by PSIAS, Internal Audit resources are allocated to providing consultancy and fraud-related work as part of the planning process.
10. The outcomes of Internal Audit reviews, reported through periodic progress reports, are utilised in informing the annual Internal Audit opinion, forming part of the statutory Annual Governance Statement which supports YPO’s annual accounts.

APPROACH TO SETTING THE 2016 PLAN

11. Having taken into account all relevant factors, the areas to be considered for inclusion within the 2016 Plan were identified, recorded and discussed with the YPO Board of Directors. The agreed Plan is included as Attachment 1 to this report.
12. The resource envisaged to complete the 2016 Internal Audit Plan is based on 130 days of Internal Audit work, at a cost to YPO of £45,890.

YPO DRAFT INTERNAL AUDIT PLAN FOR 2016

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
Main Financial Systems (40 days)			
<p>Main Financial Systems - annual review and testing.</p> <p>Linked to various finance-related strategic risks.</p> <p>Also linked to YPO operational risk register for Finance.</p>	<p>High volume and value of transactions.</p> <p>Assurance provided to s151 officer and External Auditor.</p>	2015	<p>The systems subject to annual review and testing are:</p> <ul style="list-style-type: none"> • Ordering & Creditors – split between: (i) Working Expenses including Hired Carriers, and (ii) Business Creditors • Main Accounting System • Payroll • Debtors – split between: (i) Business Income, and (ii) Non-Business Income • Budgetary Control • Asset Management • Stock control <p>Ordering & Creditors and Asset Management will be subject to a detailed review.</p> <p>(To be audited between July and December 2016)</p>
Other Risk Based Audit Work (70 days)			
<p>Business Planning</p> <p>Linked to various YPO strategic risks including:</p> <p>SR-0001 Lack of availability (or unacceptable cost) of adequate funds to fulfil the strategic plan.</p> <p>SR-0003 Programmes and projects are not aligned to YPO's strategic objectives.</p>	<p>Business planning is key to the achievement of the organisation's objectives.</p>	<p>2014</p> <p>(Business Planning)</p>	<p>The 2014 audit focused on the business planning process.</p> <p>The intention is that the 2016 audit will focus on a sample of the services included within the Business Planning risk register. Testing will be undertaken in order to provide assurance to the Board and the Senior Leadership Team that sufficient action has either already been taken, or is in the process of being taken, to successfully deliver business planning objectives.</p> <p>(To be audited between July and September 2016)</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>SR-0008 Inadequate workforce skills to support organisational strategy.</p> <p>In addition, the Business Planning risk register detailing the risks which emerged from the 2016 business planning process.</p>			
<p>Business Performance Management</p> <p>Linked to various YPO strategic risks including:</p> <p>SR-001 Lack of availability (or unacceptable cost) of adequate funds to fulfil the strategic plan.</p> <p>SR-005 Under-achievement of sales forecast.</p> <p>SR-0012 Poor customer service.</p>	<p>Good business performance management is a prerequisite for a successful organisation.</p>	<p>2013 (Data Quality)</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks associated with business performance management and are working in practice.</p>
<p>Fleet Replacement / Third Party Logistics</p> <p>Linked to YPO strategic risk:</p> <p>SR-0015 Inability to fulfil customer orders.</p>	<p>Assurance required that the processes followed are in compliance with YPO's standing orders for contracts.</p>	<p>2013 (Framework Contracts)</p>	<p>Undertake testing to confirm that controls exist to mitigate the risks associated with Fleet Replacement / Third Party Logistics and are working in practice.</p>
<p>Electronic payments /</p>	<p>YPO's three-year strategy 2015 –</p>	<p>No previous audit</p>	<p>The audit will confirm that sound arrangements have been put in place.</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
credit cards etc.	2017 refers to investing in new ways of doing business with customers, and includes reference to electronic payments / credit cards etc.		
<p>New systems / initiatives being developed.</p> <p>Linked to YPO strategic risk:</p> <p>SR-0003 Programmes and projects are not aligned to YPO's strategic objectives.</p>	<p>To ensure projects are properly established, best practice is adhered to regarding procurement routines and project management, and best value is obtained.</p> <p>Internal Audit involvement helps ensure that adequate controls are built into all new systems.</p>	2015	<p>In addition to involvement in new systems and initiatives that are already ongoing, to confirm with YPO senior management the new systems and initiatives which are due to be developed in 2016 and beyond.</p> <p>Consultancy role, involving ongoing support to the Business Change Programme as necessary. The role may include such matters as:</p> <ul style="list-style-type: none"> • Business case stage – Input to consideration of options. Are benefits, dis-benefits and risks adequately recorded? Is the costing methodology used consistent across the options? Does the costing of the options take everything into account? Are the costs calculated correctly? Are the objectives of the proposed project measurable? • Risk register – Input to compilation of the project risk register as a 'critical friend'. Are all of the key risks included? • Project stage – Comment on the adequacy of the controls that are being built into the new system and whether these will be sufficient to mitigate key risks. Comment on the adequacy of the governance arrangements (for example, the approval process at the start of the project, arrangements for

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
			<p>reporting on progress with regards to time being taken and cost, stakeholder involvement and delegation of decisions during the course of the project). May involve periodic attendance at Project Board meetings.</p> <ul style="list-style-type: none"> • Post 'Go Live' – Review and comment upon the project closure report and the benefits realisation, including lessons learned.
<p>Ongoing audit work at year-end.</p> <p>Linked to various YPO risks.</p>	<p>Annual allocation for plan achievement. First priority in new audit year.</p>	<p>Annually</p>	<p>To complete all audits either not started or ongoing at the end of December 2015 year-end, as detailed within Internal Audit's 2015 Annual Report.</p>
Follow Up Audits (5 days)			
<p>Follow up on work undertaken and reported previously.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>To ensure control issues identified from previous audit reports have been adequately addressed.</p>	<p>2015 (Main Financial Systems Follow Up)</p> <p>2013 (Marketing Follow Up)</p>	<p>Confirming implementation of agreed actions arising from recent Internal Audit reports, with emphasis placed on reports issued with high priority actions.</p>
Liaison, Consultancy and Advice (15 days)			
<p>Input to YPO Committee function.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>It is essential that Members of the YPO Committees are kept sufficiently informed of Management and Internal Audit activities at YPO.</p>	<p>2015</p>	<p>Preparation of Internal Audit reports to YPO Committees. Attendance at YPO Committee meetings to present Internal Audit reports. Support as necessary to management attending YPO Committee meetings. Input to Member development / training regarding audit-related issues.</p>

Plan / Risk Area	Rationale For Undertaking Audit	Previous Audit	Comments
<p>Liaison, consultancy and advice.</p> <p>Linked to various YPO strategic and operational risks dependent on full nature of work.</p>	<p>It is essential to respond to Management when advice is requested / required and to ensure adequate liaison takes place with a view to maintaining good working relationships.</p>	<p>2015</p>	<p>Audit resources utilised throughout the year as required.</p>
<p>Additional Chargeable Activities</p>			
<p>Investigate any areas of suspected fraud / irregularity.</p>	<p>Input by Internal Audit is essential to the proper independent investigation of some alleged irregularities. Poor investigations by others may lead to unacceptable outcomes and a continuance of the irregularity.</p>	<p>Annually</p>	<p>Any work required in this area to be agreed with YPO's senior management and / or Lead Authority Statutory Officers and the Plan adjusted accordingly.</p>



MANAGEMENT COMMITTEE

TO BE HELD ON

18TH MARCH 2016

TITLE: STANDING ORDERS AND FINANCIAL PROCEDURE RULES

REPORT OF: HEAD OF FINANCE

1. PURPOSE OF REPORT

- 1.1 To review the Standing Orders for Contracts and Financial Procedure Rules and consider changes recommended by the Board. This complies with section 4 (6) of the Management Agreement dated 8th September 2011.

2. BACKGROUND INFORMATION

- 2.2 Contract Standing Orders and Financial Procedure Rules should be updated and revised on a regular basis to ensure compliance with current law, best practice and to consult founder members as described in the Management Agreement.

- 2.3 The attached document shows tracked changes. The rationale for those changes is as follows:

Contract Standing Orders

- 2.4 The title of Procurement Operations team has been replaced with Contracts Team to reflect the structural changes in the last 12 months.

- 2.5 A note in section 13.1 provides an update following Government guidance about the minimum threshold. The minimum threshold was £5,000 as stipulated in the Transparency Code, however, Government guidance later amended the position to say that organisations could increase the threshold to the amount stated in their internal governance procedures. Consequently the aim is to increase the threshold back to the previous level of £25,000.

- 2.6 The result of 2.5 above is that sections 14 and 15 have been amended to reflect the changes in the threshold (increased from £5,000 to £25,000) below which reasonable means has to be used to obtain quotes, rather than the official three quote procedure.

- 2.7 Section 20.3 has been updated to reflect the new requirement under regulation 84 of the Contract Procurement Regulations. The regulation 84 report can be requested at any time by any person or organisation and it is a statutory requirement that YPO make the information contained in that report available. The key contents include the number of organisations that expressed an interest, the number that bid, the number that were successful / unsuccessful, the names and addresses of the winning bidders and the contract value.

Financial Procedure Rules

2.8 Section 3.4 provides a link to the anti-fraud and bribery policy.

2.9 The section on Treasury Management in paragraph 13.3 has been updated to reflect current practice. Since Barclays became the banking contractor, the Lead Authority has not undertaken any investments on behalf of YPO. The cash balances are invested with Barclays only at the moment, but work will commence in due course to examine other options.

2.10 Section 16 has been included for the first time and gives guidance in terms of the management of Unofficial Funds. This is consistent with best practice in other organisations.

3 STRATEGIC IMPLICATIONS

3.1 This update reflects changes in guidance and the application of best practice.

4 FINANCIAL IMPLICATIONS

4.1 There are no additional costs arising from this report.

5 LEGAL IMPLICATIONS

5.1 There are no legal implications arising from this report.

6 EQUALITY IMPLICATIONS

6.1 There are no direct or indirect impacts on Equality and Diversity.

7 RISK IMPLICATIONS

7.1 There is a risk that the organisation will not adhere to the revised orders / rules. That will be mitigated by ensuring that relevant training takes place.

8 RECOMMENDATIONS

8.1 It is recommended that the revised Contract Standing Orders and Financial Procedure Rules are approved and used by YPO.

8.2 That mandatory training is imparted to the organisation through a suitable delivery vehicle such as OLAS.

SERVICE DIRECTOR: PAUL SMITH, EXECUTIVE DIRECTOR

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APPENDIX:

Appendix 1 - Draft Standing Orders for Contracts and Financial Procedure Rules

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Standing Orders for Contracts and Financial Procedure Rules

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Document Control Page

Document Type	Standing Orders
Document Ownership	Corporate Governance
Title of Document	Standing Orders for Contracts and Financial Procedure Rules
Reference Number	
Controlled By	Head of Finance
Created By	Head of Finance / Contracting Manager
Approved By	Board of Directors
Submitted for approval to	Management Committee
Approved	20th March 2015 <u>2016</u>
Maintained By	Head of Finance/Contracting Manager
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Distribution	Directors, Managers, Intranet
Replaces Document	Standing Orders for Contracts and Financial Procedure Rules 201 <u>4</u> <u>5</u>

YORKSHIRE PURCHASING ORGANISATION

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1. DEFINITIONS

- 1.1 **“Organisation”** means the consortium of local authorities known as the Yorkshire Purchasing Organisation.
- 1.2 **“Managing Director”** means the current Managing Director of the Yorkshire Purchasing Organisation or an officer designated by him/her.
- 1.3 **“Monitoring Officer ”** means an officer designated by Lead Authority responsible to the Management Committee of the Organisation who will secure legal and administrative services for the Organisation (other than the administrative services performed by the Managing Director or other officer designated by him/her)
- 1.5 **“Chief Financial Officer”** means the current Director of Finance of the Lead Authority responsible to the Management Committee of the Organisation for providing financial advice to the Organisation (other than the financial services performed by the Managing Director or other officers designated by him/her). In fulfilling this role the Chief Financial Officer will be able to rely on the Managing Director of the Organisation to keep him/her informed on all aspects of his/her role relating to the Organisation under Section 151 of the Local Government Act 1972, including compliance with the rules forming the Financial Procedure Rules and Standing Orders relating to Contracts of the Organisation.
- 1.6 **“Management Committee”** means the elected members of the Organisation constituting its Management Committee and any of its Sub Committees.
- 1.7 **“Lead Authority”** is the member authority chosen by the Management Committee to provide support services to the Organisation.
- 1.8 **“Chairperson”** means the current Chairperson of the Management Committee.
- 1.9 **“Framework”** means an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price, quality and where appropriate the quantity envisaged.
- 1.10 **“Contract”** means an agreement made by the Organisation with another party creating a legal relationship enforceable by law.
- 1.11 **“Goods”** includes all supplies and materials that the Organisation purchases or obtains.
- 1.12 **“Services”** includes all services, which the Organisation purchases or obtains including but not limited to advice, consultancy, agency staff, third party logistics etc.
- 1.13 **“Works”** includes the construction of new buildings and works, restoring and common repairs.

1.14 “**Whole Life Costs**” means the whole costs of the provision of the works, goods and/or services **from inception to disposal** including any annual maintenance costs or annual fees (i.e. software licences)

1.15 “**OJEU**” means the Official Journal of the European Union.

2. INTRODUCTION

2.1 YPO's Standing Orders for Contracts aim to promote the highest standards in procurement activity ensuring probity, integrity, accountability and impartiality in making a clear, understandable, transparent and fair selection of suppliers by the Organisation, and form a part of the governance arrangements of the Organisation.

2.2 YPO's Standing Orders for Contracts also promote the delivery of value for money and the required levels of quality and performance in all contracts that are let. The Organisation is committed to the overall principles that:

- a) All purchases will be based on the most economically advantageous tender. Unless agreed by the Managing Director.
- b) Goods and services will be acquired by fair, objective and transparent competition.

2.3 YPO's Standing Orders for Contracts also aim to deliver competitive procedures and the avoidance of practices which may restrict, prevent or distort competition.

2.4 Procurement will be carried out in compliance with the legal and ethical requirements referred to in these Standing Orders for Contracts, and taking into account the Organisation's commitment to continuous improvement, quality and environmental issues.

2.5 These Standing Orders for Contracts apply to all contracts for Goods, Services and Works.

2.6 All values referred to in these Standing Orders for Contracts are exclusive of VAT.

2.7 Any dispute regarding interpretation of these Standing Orders for Contracts shall be referred to the Managing Director or his/her nominated officer.

2.8 The Managing Director or his/her nominated officer shall undertake a formal review of these Standing Orders for Contracts on an annual basis.

3. Responsibility for Observance

3.1 The Management Committee is responsible for regulating and controlling the contractual arrangements of the Organisation.

3.2 The Managing Director shall operate in accordance with these Standing Orders for Contracts, the Organisation's Financial Procedure Rules and the Managing Director's Scheme of Delegation and the law of the land with respect to all

matters relating to contracts.

4. Conduct of Members and Employees

- 4.1 In dealing with matters referred to in these Standing Orders for Contracts employees shall abide by the provisions of the Organisation's Code of Conduct Policy (particularly Sections: (7) Outside Commitments; (8) Personal Interests; (10) Separation of Roles During Tendering and (11) Corruption, Fraud, Bribery and Theft) and the rules contained in these Standing Orders for Contracts and the Organisation's Financial Procedure Rules.
- 4.2 So far as possible, the election to the Management Committee of anyone with a significant involvement in any way with any firm likely to be employed by the Organisation, or the employment of any officer with a similar involvement, should be avoided.
- 4.3 Members and employees of the Organisation shall not sell any goods or services to the Organisation.
- 4.4 No contractor, supplier or service provider in which a member or officer has a pecuniary interest may be chosen or appointed, other than by following the procedures laid down in these Standing Orders for Contracts, the Organisation's Code of Conduct Policy and without having disclosed his/her interest by completing a Declaration of Interest Form in accordance with statutory requirements and the Organisations Register of Employee Interests Policy.

5. Propriety

- 5.1 The Organisation shall conduct all its operations with the utmost propriety. With this in mind the Managing Director shall have direct access to the Secretary, the Chief Financial Officer or the Chairman of the Organisation, in matters touching on the propriety of purchasing arrangements. The Managing Director shall provide information and advice as necessary, but where circumstances clearly require a completely impartial approach, initial decisions shall be taken by the Secretary, the Chief Financial Officer or the Chairman, as appropriate. All such matters must be referred to the Management Committee either for decision or, where action has already been taken, for confirmation.

6. Compliance

- 6.1 Contracts entered into on behalf of the Organisation shall be made in accordance with these Standing Orders for Contracts, all relevant EU and UK legislation requirements and timescales, including case law.
- 6.2 Where an appropriate standard or code of practice issued by the European Union is current at the date of the tender, every contract subject to these Standing Orders for Contracts shall require that all goods and materials, used or supplied, and all workmanship provided shall be in accordance with that standard.
- 6.3 The [Procurement Operations Contracts](#) Team and all other officers with budget responsibilities within the Yorkshire Purchasing Organisation are responsible for

ensuring that processes adopted are compliant with these Standing Orders for Contracts.

- 6.4 The Procurement route should take into account instances where Goods, Services and Works can be obtained via appropriate, existing, approved and enabled arrangements.

These include:

- 6.4.1 The use of a Member Authority's in-house services such as payroll, legal, vehicle maintenance etc.
- 6.4.2 Nationally negotiated contracts such as those arranged by any Public Sector Body or Public Buying Organisations such as Eastern Shires Purchasing Organisation and the Crown Commercial Service.

7. **Exceptions**

- 7.1 Exceptions from any of the provisions of these Standing Orders for Contracts shall only be made by decision of the Management Committee or in compliance with the terms of the Managing Director's Scheme of Delegation and a written record signed by the Managing Director in the form of an Exception Report will be kept centrally in an electronic file held by the [Procurement Operations Contracts Team](#)

- 7.2 Subject to statutory requirements tenders need not be invited in accordance with these Standing Orders for Contracts in the following cases:

- a) Goods and Services which are obtainable from one contractor only and for which there is clear recorded evidence that no satisfactory alternative is available.
- b) The execution of Works of a specialised nature where there is clear recorded evidence that they may only be carried out by one contractor.
- c) Goods of a nature entrusted to a particular public utility, local authority (or similar) or other statutory undertaker.
- d) The purchase of Goods and Services from a central or local government purchasing organisation where YPO is satisfied that the procurement has been undertaken in accordance with legislation and any specific Call Off procedure is followed.
- e) The purchase of Goods and Services where prices of the goods are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available.
- f) The purchase of Goods and Services in response to emergency.

8. **Freedom of Information**

8.1 The Freedom of Information Act 2000 (FOIA) & Environmental Information Regulations 2004 provide the right of public access to information held by public authorities such as YPO.

8.2 All requests received by the Organisation under FOIA in respect of tenders and contracts should be channelled through YPO's Risk, Audit and Assurance Officer immediately upon receipt to enable the Organisation to comply with its Access to Information Policy.

8.3 The FOIA includes potential exemptions on the basis of commercially confidential information. However, tenderers will be made aware of the implications of the Act at the tender stage.

9. **Equality and Diversity**

9.1 Contractors, suppliers and service providers will not unlawfully discriminate within the meaning and scope of any law, enactment, order or regulation relating to discrimination (whether in race, gender, religion, disability, sexual orientation, age or otherwise) in employment.

9.2 Contractors, suppliers and service provider's will be required to take all reasonable steps to secure the observance of YPO's framework agreement / Contract by all servants, employees or agents of their organisations or those of their suppliers and sub-contractors employed in the execution of the Framework Agreement / Contract.

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10. **Terms and Conditions**

10.1 Contracts and Framework Agreements will use YPO's standard terms and conditions. Variations from the standard format must be approved by YPO's Contracting Manager and if necessary legal advice sought. Terms and conditions will be included with tender documents and issued to suppliers as part of the invitation to tender.

10.2 Tenderers are expected to accept YPO's Terms and Conditions held within the Framework Agreement or Contract without qualification. Acceptance of qualified terms and conditions will only be made at the Contracting Manager's discretion and written assessment should be made of its implications and held on a central file within the [Procurement Operations Contracts](#) Team. YPO is not obliged to accept any variation to terms and conditions and in general, any such relaxation will only be granted if it is considered reasonable under the circumstances, provides a commercial advantage to YPO, the level of risk is assessed as acceptable and it does not distort competition between the tenderers

10.3 The tender documents should give tenderers the opportunity to raise any queries in relation to the terms and conditions during the "Clarification Question" stage of the process to allow for all queries to be addressed and a response (if required) can be circulated to all tenderers. Any legal queries raised during the tender process should be referred to the Contracting Manager.

10.4 The tender documents should also state that any legal queries raised after the

deadline for submission of tenders or any included in a tenderers bid submission will not be considered.

- 10.5 Contracts for the execution of Works or the purchase of Goods or Services where urgency is too great to permit the making of a contract in writing will be confirmed in writing at the earliest opportunity.

11. Tendering Process

- 11.1 Yorkshire Purchasing Organisation's preferred route is to utilise an electronic tendering system (ETS) for all tendering activity. Any exception to this process must be agreed on a case by case basis with the [Procurement OperationsContracts](#) Team with full details of the reason for change retained in writing on file.
- 11.2 The ETS provider is sourced, administered and managed by the [Procurement OperationContracts](#) Team.
- 11.3 User training is provided by the [Procurement OperationsContracts](#) Team
- 11.4 Cost may be evaluated through an e-auction where appropriate.
- 11.5 When commencing the procurement of Goods, Services or Works for contracts within each band the procurer must complete and return to the [Procurement OperationContracts](#) Team the New Business Detail Requirement Form which will form the basis of the initial ETS set up for the procurement.
- 11.6 Gateway sign off stages for contracts within each band will be dependent on the monetary, complexity and risk value of the contract and will be confirmed by the [Procurement OperationContracts](#) Team at the time of tendering.
- 11.7 Any exception to the procurement processes detailed in this document will be at the Managing Director's discretion as detailed above at point 7. A written record documenting the reasons for the exception authorised and signed by the Managing Director, will be retained on an electronic central file held by the [Procurement OperationContracts](#) Team.

12 Sample Process

- 12.1 Where samples are requested they must be provided in accordance with the instructions in the tender document by the set deadline.
- 12.2 They should be sent to the front reception of YPO site 41 FAO The [Procurement OperationContracts](#) Team.
- 12.3 Samples are then required to be held in the sample room until the tender deadline has passed when they will then be passed to the relevant buyer in order to be evaluated.
- 12.4 Samples from successful suppliers shall be stored in the warehouse for the life of the contract.

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- 12.5 Samples from unsuccessful suppliers are to be returned to the supplier wherever possible
- 12.6 If the unsuccessful supplier is unable to arrange collection, or does not require the samples to be returned. A list of these products should be submitted to the Asset Management Team who will log this on their "Unsalable Items" Spread Sheet. Items will be used internally, donated to charity or disposed of.
- 12.76 Samples from unsuccessful suppliers should be returned or passed to the Asset Management Team within one (1) month of the award of the contract
- 13 **Tender Information Obligation**
- 13.1 As part of the Local Government Transparency Code the Organisation has~~ve~~ an obligation to publish information on a monthly/quarterly basis in relation to invitations to quote and invitation to tender for all contracts to provide goods and/or services that exceed £5,000. However, Central Government later issued guidance stating that where contracting authorities already had a limit e.g. £25,000 in their internal governance procedures this would be sufficient for the purposes of the Code.
- 13.2 The information to be published is reference number; title; description of goods/services; start, end and review dates; title of agreement; supplier name and details; sum to be paid over the length of the contract; the process used; whether or not the supplier is a small/medium enterprise and/or a voluntary or community sector organisation and the department responsible for the procurement.
14. **Contracts / Frameworks under £25,000**
- 14.1 This includes any procurement activity (internal or trading spend) involving an estimated aggregate Whole Life Costs value up to £25,000
- 14.2 The procurer may use any reasonable means to source supplier options but the tendering procedure and outcome must be managed by the ETS and a written record must be retained. If requested to do so a copy must be provided to the Contracts Team on conclusion.
15. **Contracts / Frameworks between £25,000 and £75,000**
- 15.1 This includes any procurement activity (internal or trading spend) involving an estimated aggregate Whole Life Costs value between £25,000 and £75,000
- ~~15.2 The procurement must be advertised.~~
- 15.32 There must be a minimum of three written quotes from selected suppliers unless agreed otherwise by the Procurement Operation Contracts Team in exceptional circumstances.
- 15.34 The procedure must be carried out electronically via the ETS with a written record of the specification, the quotations, the evaluation process and notification of award and rejection. This written record must be retained.

16. Contracts / Frameworks between £75,000 and EU Thresholds for Goods, Services & Works

- 16.1 This includes any procurement activity (internal or trading spend) involving an estimated aggregate Whole Life Costs value between £75,000 –and the EU Threshold for Goods, Services and Works.
- 16.2 The procurement activity must be advertised [on Contracts Finder](#) and awarded by the [Procurement OperationContracts](#) Team unless agreed otherwise by the Contracting Manager.
- 16.3 The entire process will be overseen and signed off by the [Contracting ManagerContracts Team](#).
- 16.4 The procedure must be carried out electronically via the ETS with a written record of the specification, the quotations, the evaluation process and notification of award and rejection. This written record must be retained.

17. Contracts / Frameworks above EU Thresholds for Goods, Services & Works

- 17.1 Procurement activity with an estimated aggregated Whole Life Costs value above EU Thresholds for Goods, Services and Works will be conducted by the [Procurement OperationContracts](#) Team or Procurement Services Department. To ensure compliance with EU rules and regulations the [Procurement OperationContracts](#) Team will oversee all tendering processes, ensuring a segregation of duties and a consistent approach.
- 17.2 All tenders must be advertised [on Contracts Finder and advertised](#) and Awarded in the OJEU.
- 17.3 Procurements must be processed via the ETS unless otherwise agreed by the [Procurement OperationContracts](#) Team. In the case of tenders for Goods or Services, the relevant officers should consider whether the contract will be of benefit to other public sector bodies.
- 17.4 The selection and award criteria, sub-criteria and weightings to be used in the evaluation process must be clearly communicated to all tenderers in the OJEU entry, in the Invitation to tender and on the ETS. These criteria must be followed during the evaluation process. Under no circumstances may any of the criteria be changed or new criteria introduced from those published.
- 17.5 Before commencing any tendering exercise an assessment of risk pertaining to the specific tender exercise will be undertaken. This will allocate the required sign off levels / stages which must be adhered to.
- 17.6 All legally required time limits must be followed as minimum
- 17.7 Sustainability considerations must be included in the criteria for award in the OJEU notice and tender documentation when pertinent to the contract.
- 17.8 The Social Value Act/added value must be considered within the tender plan and

documentation if found to be pertinent to the services contract/framework.

- 17.9 In every instance detailed records will be held (electronically) of all stages of the process.

18. Receipt and Opening of Tenders

- 18.1 The receipt and opening of tenders will be undertaken using the ETS unless otherwise agreed by the [Procurement Operation Contracts](#) Team.

- 18.2 The [Procurement Operation Contracts](#) Team are responsible for receipting and opening all tenders unless otherwise agreed by the Contracting Manager.

- 18.37 Late tenders may be considered at the discretion of the Contracting Manager, if the Contracting Manager is satisfied that there was reasonable cause for the delay and fair competition has not been compromised. A record of this decision will be held centrally by the [Procurement Operation Contracts](#) Team.

- 18.48 Using the ETS the [Procurement Operation Contracts](#) Team will confirm the submissions received are against the correct tender.

19. Examination of Tenders

- 19.1 Tenders submitted in competition shall not be considered if:
- a) The tender is in some way uncertain in its terms and it is unclear what the submission is offering,
 - b) There is evidence that the tender document has been altered without consent.

- 19.2 If a tender requires clarification on a technical or contractual matter all necessary communication must be properly recorded and remain confidential. Such clarification may only be undertaken when the process remains fair to all Tenderers and does not distort competition in any way.

- 19.3 During the period between the closing for the receipt of a tender and award, Tenderers may not seek to amend prices in any way, other than a genuine and obvious error. Such circumstances must be properly recorded on file and competition must not be distorted in any way. Evidence should always be provided that can be tracked back to the original quote.

- 19.4 If variations to specifications are to be examined and considered, tenderers must have been made aware in the invitation to tender document.

20. Acceptance of Tenders

- 20.1 The designated Procurement Officer(s) shall evaluate the tenders and make a recommended contract award based on the most economically advantageous tender to the sign off panel.

- 20.2 In the case of 2 or more tenders being equal, environmental considerations

(transport, packaging and the company's environmental standing and performance) may be used to determine the successful bid. If all aspects are still equal the Managing Director shall decide and record the decision.

20.3 The proposed award would then be signed off by the tender team and a Tender Recommendation Form and a Regulation 84 Report shall be completed-

20.4 The relevant company credit checks and any other necessary checks will be carried out by an agreed member of the tender team prior to contract award and copies of any searches and documents retained.

20.5 Signed letters of proposed acceptance and rejection shall be sent to Tenderers in the format provided by the Procurement Operation Contracts Team initiating a mandatory standstill period before final contract award.

20.65 In the event of a request for a de-brief by an unsuccessful tenderer during the standstill period, the debrief will be organised by a member of the Procurement Operation Contracts Team in line with YPO's internal best practice. A full record must be kept on file. Meetings will always involve a minimum of two members of YPO's staff including a member of the Procurement Operation Contracts Team. The Procurement Operation Contracts Team will advise on how to debrief organisations for under threshold tenders.

20.76 If the debrief is not carried out to the satisfaction of the unsuccessful tenderer who then initiates a legal challenge, or if a legal challenge is received without debrief and during the standstill period, the Contracts Officer shall meet with the tender team and the Contracting Manager will be informed and legal advice will be sought.

20.87 The acceptance of tenders and related communication will be undertaken using YPO's preferred route of the e-tendering system.

21. Claims from Contractors, Suppliers and/or Service Providers

21.1 Any claim from a contractor, supplier or service provider shall be referred to the Contracting Manager, Managing Director, Secretary and to the Chief Financial Officer for advice before any settlement is made.

22 Purchasing

22.1 After the award of the Contract / Framework to the successful providers the Contract / Framework agreement must be signed and returned to YPO immediately (subject to point 10.1).

22.2 Upon receipt of the above the Managing Director or his/her nominated officer must sign the framework agreement on behalf of YPO in accordance with the levels set out in appendix 1.

22.3 Contained within the framework agreement is the Call off Order Form. Before any procurement of the Goods, Services or Works can commence the call off order form must be filled in and issued to the supplier. This activates the Call off Terms and Conditions

- 22.4 If included within the Invitation to Tender documents the Supply Chain Agreement must be signed and returned to YPO.
- 22.5 Any variations to the framework agreement including any specification amendments must be discussed with the [Procurement Operation Contracts](#) Team to ensure that the variation is not a material change to the contract scope.
- 22.6 Once agreed between the parties the variation form must be completed by either side and signed off by both YPO and the successful supplier. A variation to the framework must be assessed for risk and verified by the [Procurement Operation Contracts](#) Team before YPO enter into negotiation to vary the framework agreement/ contract.
- 22.7 The Management Information must be provided to YPO by all successful suppliers as part of the framework agreement.
- 22.8 Signatures are required on the Retrospective Payment Certificate to be returned to YPO.
- 22.9 Orders, despatched electronically or on official stationery, should state the quantity (where applicable), an adequate description, the price or the basis of the price, an official purchase order number, delivery date and place and all other relevant conditions.
- 22.10 Verbal orders shall be kept to a minimum and shall be confirmed with an official order marked appropriately as soon as practicable, but in a period of no longer than two (2) working days.
- 22.11 Orders shall be individually identified, sequentially numbered, initiated and issued by the Managing Director or a member of staff specifically authorised for that purpose.
- 22.12 The authorisation of an order will indicate the following:-
 - a) That the Goods or Services are necessary for the discharge of the policies and responsibilities of the Organisation.
 - b) That where the Goods or Services are for direct use by the Organisation there is a provision for the cost within the estimates or it is covered by special financial provision.
 - c) Compliance with the Organisation's Financial Procedure Rules and Standing Orders for Contracts.

23 Further Competition

- 23.1 All further competitions should be carried out via the ETS with all Users contacting the [Procurement Operation Contracts](#) Team prior to commencing any further competition.
- 23.2 The [Procurement Operation Contracts](#) Team will advise as to the appropriate

process.

24. Post Contract Award

- 24.1 Following Contract award the Buyer/Category Manager will be responsible for monitoring delivery of the Framework / Contract including any and all reviews to take place between YPO and the contractor, supplier or service provider. All reviews should be carried out on a regular basis, documented and a copy of the Review undertaken retained for YPO's records.
- 24.2 If any problems are experienced and the contractor, supplier or service provider are failing to comply with the Framework / Contract terms and conditions then the following steps should be taken with the assistance of the [Procurement OperationContracts](#) Team:-
- (a) Written records must be kept of all correspondence between both parties, the Buyer/Category Manager shall liaise with the contractor, supplier or service provider to ascertain the root cause of the problem.
 - (b) The contractor, supplier or service provider should be invited to attend a performance review. At the performance review a list of actions should be agreed between the parties to monitor the future provision of the goods/services. A copy of the minutes of this meeting should be agreed by both parties and a date set for a follow up meeting.
 - (c) If contract performance has failed to improve then the Buyer/Category Manager should seek advice from the [Procurement OperationContracts](#) Team who will provide advice as to the best remedy and action to be taken.
- 24.3 **UNDER NO CIRCUMSTANCES** should a Framework Agreement / Contract be terminated without advice from the [Procurement OperationContracts](#) Team and the Contracting Manager.

Section 2 Financial Procedure Rules

1. DEFINITIONS

- 1.1. Many definitions in the Financial Procedure rules are as those of the Standing Order for Contracts, therefore the reader should refer to the definitions in Section 1 Standing Orders for Contracts

2. INTRODUCTION

- 2.1. The Financial Procedure Rules aim to promote the highest standards in the financial management of the organisation and activity ensuring probity, integrity, accountability and impartiality in making a clear, understandable, transparent statement by which the Organisation will manage, and form a part of the governance arrangements of the Organisation

3. RESPONSIBILITY FOR OBSERVANCE

- 3.1. The Management Committee is responsible for regulating and controlling the finances of the Organisation. These Financial Procedure Rules apply to all members of the Management Committee and Officers acting on behalf of the Organisation. The Management Committee is empowered to delegate any of its responsibilities in these procedure rules to a Sub-Committee of not less than one third of its membership, subject to an annual report to the Management Committee on the operation of these rules
- 3.2. The Chief Financial Officer shall for the purpose S.151 of the Local Government Act 1972 and S.114 of the Local Government Finance Act 1988 be responsible for the proper administration of the Organisation's financial affairs. The Chief Financial Officer shall also be responsible for ensuring, where appropriate, that any breaches of these Financial Procedure Rules are reported to the Management Committee.
- 3.3. The Managing Director shall operate in accordance with these Financial Procedure Rules and Contract Standing Orders and the Managing Director's Scheme of Delegation with respect to any matter liable to affect the finances of the Organisation. He/she shall provide the Management Committee and/or Chief Financial Officer with such information as may reasonably be required in connection with the financial and administrative affairs of the Organisation.
- 3.4. The Managing Director shall meet regularly with the Chief Financial Officer or his/her nominee to discuss financial matters relating to YPO and shall provide to her/him any information that (s)he reasonably requires to enable her/him to have oversight of the financial position of YPO. The Managing Director shall inform the Chief Financial Officer of all relevant matters of financial management and stewardship in accordance with professional standards and codes of practice.

The Managing Director will report to the Chief Financial Officer and Internal Audit any actual or suspected financial impropriety and should follow the Organisations Anti-Fraud and Bribery Policy and Fraud Response Plan. The Managing Director must also report to the Chief Financial Officer any occasions where he/she believes that the

actual or predicted annual outturn is not/may not be in line with the budget or there are any significant changes in predicted income or expenditure for the year or any significant risk of such changes. [The policy can be found using this link:-](#)

[Anti-Fraud and Bribery Policy](#)
~~3.5.~~

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~~3.6.~~3.5. The Managing Director shall also be responsible for ensuring that all staff are aware of the existence and content of these Financial Procedure Rules and in particular those which apply to individual members of staff and that they comply with them at all times.

4. BUDGETS

- 4.1. The Managing Director shall prepare and submit budgets, which support the Organisation's operational plans, covering revenue, people costs and investment requests (including capital and revenue type expenditure) for the approval of the Management Committee at intervals of not more than one year, and shall seek the comments of the Chief Finance Officer before presenting the report to Management Committee.
- 4.2. The inclusion of any item in the approved budgets shall, unless specifically indicated otherwise by the Management Committee, give authority for the Managing Director to incur such expenditure. Such authority is subject to compliance with Standing Orders for Contracts.
- 4.3. It shall be the responsibility of the Managing Director to ensure that overspends on approved budgets are reasonable and necessary in the light of business volumes and are matched or exceeded by corresponding increases in income. The Managing Director shall also ensure that adequate controls and budget monitoring procedures are in place to identify, analyse and report any significant overspends.
- 4.4. It shall be the responsibility of the Managing Director to ensure that overspending by budget holders not directly related to business volumes does not occur. In the event of such an occurrence it should be reported to the Chief Financial Officer immediately and a report presented to the next meeting of the Management Committee along with a detailed recovery plan.
- 4.5. Any proposal by the Managing Director, which would materially affect the surplus/deficit of the Organisation or affect an existing business policy, must be approved by the Management Committee prior to any commitment being made. If action needs to be taken urgently the Managing Director will consult with the Chairman and or Vice Chairman of the Management Committee and the Chief Financial Officer and will present a report to the next available meeting of the Management Committee.
- 4.6. The Managing Director shall provide the Management Committee with an annual statement of account detailing actual results against budget for the financial period, along with an explanation of any significant variances. In addition, the Managing Director shall report the financial position of the Organisation, in the context of the budget, to each meeting of the Management Committee. The Managing Director shall

produce monthly a report on income and expenditure. Such to be provided to the Chief Financial Officer and the member authorities on request.

Virements / Transfer of budgets.

- 4.7. Transfers between budgets shall be allowed to a maximum of the amount stated in appendix 1, providing no change of policy or commitment to further or ongoing expenditure is involved. Transfers in excess of thresholds or where a change in policy is involved must be approved by the Management Committee.

5. INCOME

- 5.1. All documents relating to income will be in a format approved by the Managing Director in consultation where necessary with the Chief Financial Officer.
- 5.2. Whenever practical and possible, at least two members of staff will be present when post is opened, so that money received is properly identified and recorded. All funds received on behalf of the Organisation shall be properly safeguarded and paid daily or at such intervals the Managing Director may approve directly into the Organisation's bank account.
- 5.3. Refunds of overpayments must be made through the payments system and not out of income.
- 5.4. All accounts for income due to the Organisation shall be prepared and despatched in a manner approved by the Managing Director. The means of collection of money due to the Organisation will be determined by the Managing Director, in consultation where necessary with the Chief Financial Officer.
- 5.5. All cash surpluses shall be paid in and reported to the Managing Director who will maintain a written register of all cash surpluses and shortages. The Managing Director shall have the discretion as to the making good or otherwise of cash shortages. (S)he shall ensure that the written register is available for inspection by the Chief Financial Officer or his/her representative.
- 5.6. Every transfer of official money, from one member of staff to another, shall be subject to adequate controls and safeguards as prescribed by the Managing Director in consultation where necessary with the Chief Financial Officer.
- 5.7. The Managing Director may approve the write off of irrecoverable invoice debts, and the annual provision for these write-offs will be identifiable in the financial accounts. Any individual write-off exceeding the amount stated in appendix 1 will be reported to the Management Committee.

6. STOCKS AND INVENTORIES

- 6.1. The Managing Director shall be responsible for the care and custody of all stocks under his control.
- 6.2. All goods ordered will be received into the warehouse, recorded adequately and subject to adequate controls as agreed by the Managing Director, in consultation where necessary with the Chief Financial Officer.

- 6.3. All stores accounts and records should be subject to adequate controls as agreed by the Managing Director, in consultation where necessary with the Chief Financial Officer. The Managing Director shall arrange for continuous independent checking of all stores items at least once each year.
- 6.4. The Managing Director shall maintain a record of all stores deficiencies/surpluses and arrange for the stores records to be adjusted accordingly in the prescribed manner. The record of stock adjustments made in each section of supply will be made available to the Chief Financial Officer on request and reported to the Management Committee annually
- 6.5. Surplus and obsolete stock shall be disposed of in accordance with the policies of the Organisation as agreed by the Management Committee.
- 6.6. Sales of Assets (excluding land and Buildings) not bought for resale, in excess of the agreed threshold (as stated in appendix 1), shall not be made unless at least three tenders are first obtained, except where the Management Committee has approved other arrangements for a particular sale or type of sale. The sale of assets should not be made to members or officers of the Organisation without prior consultation with the Management Committee and a written record of the transaction.
- 6.7. The Managing Director shall be responsible for ensuring that secure arrangements are made for the safe custody of the assets of the Organisation. Assets shall not be removed or used other than for the Organisation's purposes except in accordance with specific directions issued by the Managing Director.
- 6.8. For the purposes of the Organisation's Annual Accounts, stores will be valued using a recognised Accounting Standard.
- 6.9. The Managing Director shall arrange that senior members of his staff shall be responsible for the keys of all stores and safes. Such officers shall keep the keys personally and shall not leave them on the premises. The Managing Director shall keep duplicate keys.
- 6.10. The Lead Authority shall maintain a register of all land and properties held on trust for or owned by the Organisation, recording (inter alia) the location, the extent and plan references, the purchase details, particulars of any tenancies granted and the purpose for which the property is held, and shall have the custody of all title deeds under secure arrangements.
- 6.11. The Managing Director will maintain inventories of items of furniture, fittings, equipment plant and machinery with a value greater than £500, in line with the Organisation's agreed procedures. The Managing Director will ensure an annual check takes place of these inventories.
- 6.12. The Managing Director may approve the write off of obsolete stock and the annual provision for these write-offs will be identifiable in the financial accounts. Any individual write-off exceeding the amount stated in appendix 1 will be reported to the Management Committee.

7. DISBURSEMENTS

7.1. Payroll

The Chief Financial Officer shall approve the method of payroll preparation, payment, the documents to be kept and the certificates to be given for payment of wages

7.2. The Managing Director shall notify the lead authority on the date and in the manner agreed, of all appointments, dismissals, resignations, absences from duty, suspension, transfers and changes in remuneration (other than normal increments) of employees.

7.3. The Managing Director shall be responsible for the correct completion and certification of time and incentive bonus payment records. All payroll data shall be forwarded to the lead authority on the date and in the manner agreed.

7.4. Appointments of all employees shall be made in accordance with the regulations of the Organisation and the approved establishment grades and rates of pay.

7.5 No officer of the Organisation shall, under cover of their office, accept any fee or reward other than their proper remuneration.

Imprest Accounts / Petty Cash

7.6 The Chief Financial Officer shall arrange for the Lead Authority's bankers to provide such cash imprest accounts as are deemed necessary. The Managing Director will ensure that these accounts are controlled in line with the Organisation's agreed procedures for imprest accounts and the limits contained in appendix 1. Individuals will be delegated the responsibility to ensure that imprest accounts are not in an overdraft position at any time.

Orders

7.7 All goods and services shall be procured using an official order. Official orders need to be placed at the same time that verbal orders are placed, if applicable.

Creditor Payments

7.8 Directors or a member of their team (not the same officer as the one issuing the order or incurring the expenditure) authorised by him/her shall be responsible for certifying invoices for payment.

7.9 The certification of an invoice shall be deemed to cover: -

- a) That the goods or services have been properly ordered;
- b) That arrangements have been made to ensure that the goods have been received, examined and approved as to quality and quantity;
- c) That arrangements have been made to ensure that the work done or service rendered has been satisfactorily carried out and, where applicable, the materials used were to the requisite standard;
- d) That the prices are in accordance with the contract/quotation or in the absences of either are otherwise reasonable;

- e) That the invoice is arithmetically correct;
- f) That the appropriate deductions for discounts will be made and the appropriate terms applied;
- g) That, where applicable, the goods have or will be recorded on the Organisation's inventory, stores record or any other appropriate record;
- h) That the payment has been processed in the appropriate manner and that no part of the invoice has been previously passed for payment;
- i) That the expenditure has been properly coded;
- j) That where the goods or services are for direct use by the Organisation the expenditure is within the estimates or is covered by special financial provision;
- k) That, where applicable, the order to which the invoice relates has been marked as paid.
- l) That Standing Orders for the Organisation have been complied with

7.10 All copy invoices authorised for payment must be accompanied by a special authority. The authority must be signed by an officer authorised to certify invoices for payment. Any amendment to an account shall be made in ink and initialled by the officer making it, stating briefly the reasons, where they are not self-evident. The officer authorised to certify invoices for payment shall not be the same officer responsible for issuing the order or incurring the expenditure.

7.11 The Managing Director shall authorise and examine, so far as he considers necessary, accounts certified for payment, he shall be entitled to receive such information and explanations as he may require.

7.12 Payment by Procurement Card will be made only by Officers authorised by the Managing Director to do so. In line with the procedures detailed in the Payment Card Manual. The Managing Director will ensure that all expenditure incurred is compliant with all policies and procedures of the Organisation including Contract Standing orders and Financial Procedure rules. V.A.T receipts will be required for taxation purposes.

7.13 Apart from payments from imprest accounts and procurement cards, the normal method of payment of money due from the Organisation shall be by BACS or other instrument drawn by the Chief Financial Officer on the appropriate bank account.

8 CAPITAL AND INVESTMENT REQUIREMENTS

8.1 The Managing Director in consultation with the Chief Financial Officer shall prepare and submit an investment requirement statement for the approval of the Management Committee. The statement must state clearly the purpose of the investment expenditure, how it is to be funded, and any ongoing revenue implications. The Managing Director in accordance with the general directions of the Management Committee shall determine the detailed form of the statement and the preparation timetable. Any borrowing requirement must be prepared in liaison with

the Treasury Management section of the Lead authority and be agreed with the Chief Financial Officer.

8.2 The inclusion of items in the approved statement shall give authority for the Managing Director to incur expenditure without further reference to the Management Committee.

8.3 Expenditure may only be incurred in respect of any material investment project not included in the approved investment requirement statement if the Managing Director, as specified in the Managing Director's Scheme of Delegation, consults with the Chairman and/or the Vice Chairman of the Management Committee and the Chief Financial Officer and subsequently submits a report to the Management Committee at the earliest opportunity.

8.4 Overspends in excess of the threshold (as stated in appendix 1) may only be incurred in respect of any material investment project included in the statement for the current or succeeding financial year subject to the rules stated in paragraph 8.3 of these Financial Procedure Rules.

8.5 Progress reports on individual investment programmes or projects shall be made to the Management Committee at least annually and shall include both physical and financial progress. In any event a full statement of progress and completion will form part of the annual business planning update.

8.6 The financing of investments will need to be considered at the inception of any related business case, as well as a determination of whether it is revenue or capital expenditure.

8.7 Further information about funding investments can be found in the Capital Policy, which includes definitions of capital expenditure.

9 RESERVES

9.1 The Managing Director in consultation with the Chief Financial Officer shall prepare and submit a Reserve creation statement for the approval of the Management Committee. The statement must state clearly the purpose of the reserve. The Managing Director in accordance with the general directions of the Management Committee shall determine the detailed form of the statement and the preparation timetable.

9.2 The inclusion of items in the approved statement will give authority for the Managing Director to incur expenditure without further reference to the Management Committee

9.3 Any changes to the use of reserves will be subject to consultation by the Managing Director, as specified in the Managing Director's Scheme of Delegation, with the Chairman and/or the Vice Chairman of the Management Committee and the Chief Financial Officer. A report will subsequently be submitted to the Management Committee at the earliest opportunity

10 ACCOUNTING/TAXATION AND STATISTICAL RETURNS

10.1 All financial records and systems and any changes thereto shall be subject to the approval of the Managing Director in consultation with the Chief Financial Officer and in

accordance with relevant legislation and best practice. The Managing Director shall be responsible for ensuring that such records and systems are properly maintained.

10.2 The allocation of accounting duties amongst accounting staff shall segregate the processes of checking balances and handling cash receipts/disbursements.

10.3 Financial records shall not be disposed of other than in accordance with arrangements approved by the Managing Director in compliance with legislation).

10.4 All matters relating to the taxation of the Organisation shall be the responsibility of the Managing Director (other than those relating to pay which is the responsibility of the Chief Financial Officer).

10.5 The publication of financial data and statistical information is the responsibility of the Managing Director in consultation with the Chief Financial Officer and the external auditor where necessary. The Chief Financial Officer has the authority to request such statistical and financial information he/she deems necessary to fulfil his/her statutory responsibilities.

10.6 The Managing Director will be responsible for all procedures concerning Value Added Tax and other H.M. Revenue and Customs matters, and for ensuring that appropriate staff are provided with up to date guidance on these matters.

11 INTERNAL AUDIT

11.1 The Chief Financial Officer shall carry out an independent and continuous appraisal of accounting, financial and other processes, with the following objectives:

-

- a) To ensure the installation of soundly based systems of control within each area of responsibility within the Organisation
- b) To review and, where necessary, make recommendations for the improvement of systems, controls and procedures in order to ensure that they are both efficient and effective, that they remain adequate in the light of changing circumstances and are adhered to in practice;
- c) To assist in protecting the assets and interests of the Organisation by carrying out a continuous examination of activities in order to test the arrangements in place to detect fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and maladministration.
- d) To monitor compliance with the Anti-Fraud and Bribery Policy.
- e) To monitor the use of resources in the pursuit of defined objectives of the Organisation;
- f) To ensure the suitability and reliability of financial and other management data used by the Organisation;

- g) To report to and advise the Managing Director of appropriate actions to be taken in relation to Financial Procedure Rules, Standing Orders and Standing Orders for contracts.

11.2 The Chief Financial Officer or his/her authorised representative shall have authority to: -

- a) Enter at all reasonable times on any premises or land held on behalf of the Organisation;
- b) Have access on demand to all records, documents and correspondence relating to any financial and other transactions of the Organisation;
- c) Require and receive such explanations as are necessary concerning any matter under examination,
- d) Require any employee of the Organisation to produce Organisation stocks or assets under his/her control or to provide information/explanation of matters within his/her area of responsibility.

11.3 Whenever any matter arises which involves, or is thought to involve irregularities concerning the finances, stocks or assets of the Organisation or in the exercise of the functions of the authority, the Managing Director shall ensure that this is dealt with in accordance with the Anti-Fraud and Bribery Policy and shall forthwith notify the Chief Financial Officer and Internal Audit of all steps taken and planned and shall take any additional steps required by the Chief Financial Officer.

12 EXTERNAL AUDIT

12.1 The Managing Director shall ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purpose of their work.

12.2 The Managing Director shall ensure that there is effective liaison between External and Internal Audit.

12.3 The Managing Director and Chief Financial Officer shall be the first point of contact with the external auditors and inspectors as they undertake the annual audit and inspection programmes.

13 BANKING ARRANGEMENTS

13.1 The Chief Financial Officer shall make all arrangements regarding the opening and operation of any bank accounts relative to the Organisation and shall be responsible for the negotiation of any banking terms.

13.2 The Managing Director shall control the ordering and issuing of cheques, and on issue, they shall bear the printed facsimile signature of the Chief Financial Officer or be signed by the Managing Director or other officer authorised by him/her.

~~13.3 All treasury management transactions will be undertaken on behalf of the Organisation by the Chief Financial Officer, in line with the Service Level Agreement (Financial Services) between the Organisation and the Lead Authority.~~

13.3 The Managing Director will ensure that all treasury management transactions are undertaken in accordance with best practice and the requirements of the Chief Financial Officer. The Head of Finance will periodically review such transactions.

14 INSURANCE

14.1 The Managing Director shall ensure the Organisation has proper insurance cover to meet its needs.

14.2 The Managing Director shall effect all insurance cover and negotiate settlement of all claims against such insurance in consultation with the Chief Financial Officer.

14.3 Senior Managers shall give prompt notification to the Head of Finance of all new risks, properties or vehicles for which insurance may be appropriate and of any alterations affecting existing insurance arrangements.

14.4 Senior Managers shall notify the Head of Finance in writing of any loss, liability or damage incurred which may lead to a claim against the Organisation and inform the Police in cases of loss or malicious damage to Organisation property.

14.5 The Managing Director will instruct all employees, or anyone covered by the organisations insurance arrangements, that under any circumstances, they do not admit liability or make any offer to pay compensation.

14.6 The Managing Director shall ensure that all appropriate employees of the Council are included in fidelity guarantee insurance.

14.7 The Chief Financial Officer shall annually, or at such other period as he/she may consider necessary, review all insurance arrangements.

14.8 Senior Managers shall consult the Chief Financial Officer respecting the terms of any indemnity, which the Council is requested to provide

15 RISK MANAGEMENT

15.1 The Managing Director is responsible for ensuring strategic and operational risks, including relevant financial risks, are identified, evaluated, monitored and controlled in accordance with the Risk Management Policy and Strategy approved by the Management Committee.

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16 UNOFFICIAL FUNDS

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16.1 This guidance relates to those funds that are held that do not relate to the business activities of the Organisation.

16.2 Any proposed unofficial funds must be agreed by a member of the Board in advance.

16.3 A separate bank account should be held for each fund and should be kept separate from business transactions.

16.4 Each Head of Service will be responsible for ensuring that the fund is subject to a third party audit and that accounts are prepared annually or in accordance with the governing instrument of the fund.

16.5 The Board will have immediate access to all such funds and should be informed immediately when any irregularities arise in connection with them

17 GENERAL

~~16.1~~ **17.1** The Managing Director shall produce a Performance Report, in a format that is satisfactory to the Management Committee and the Chief Financial Officer. This will be provided quarterly to the Management committee and on request to members and the Chief Financial Officer.

~~16.2~~ **17.2** —All reports presented to Management Committee and any sub-committees shall include a paragraph headed 'Financial Implications', which shall provide detailed information on the financial and other resource implications of the course of action proposed. This shall have been provided to the Head of Finance for his/her comments. The paragraph shall be agreed between the Managing Director and the Head of Finance or shall include the views of both

~~16.2~~ **17.3** The Managing Director and such Members of his Board of Directors as he may nominate shall provide annual assurance statements regarding YPO's system of internal control prior to preparation of the Annual Governance Statement.

18 INTERPRETATION

~~17.1~~ **18.1** The Management Committee, in consultation with the Lead Authorities Monitoring Officer and the Chief Financial Officer, shall settle any difference which arises from the interpretation of these Financial Procedure Rules.

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APPENDIX 1

YPO

These appendices set out the limits to be used in conjunction with the *Financial Procedure Rules and Standing Orders for Contracts*.

Standing Orders for Contracts

Section 21.2

Delegated officer	Maximum limit for signing off a contract	Maximum limit for signing off a framework agreement
Assistant Buyer	up to £0.5 million	
Buyer / category manager	up to £1 million	
Contracting Manager/SMT member*	up to £2 million	up to £10 million
Managing Director*	greater than £2 million	greater than £10 million

*The authorities listed in this table should not be delegated below the specified levels.

Financial Procedure Rules

Section 4.7 Limit on transfers between heads of expenditure £50,000

Section 5.7 Limit for the writing off of individual customer debt £5,000
Up to £500 Sales Ledger Manager
£500 - £5000 Head of Finance or Financial Controller

Section 6.12 Limit for writing off stock
Up to £500 Asset Management Supervisor
£500 - £5000 Head of Finance or Financial Controller

Section 6.4 Limit on the sale of Assets not bought for resale £10,000

Section 7.9 Limit on overspends on investment projects 10% or £50,000 whichever is the lesser

Section 7.11 Limit on cash payments from imprest accounts £100

	<p style="text-align: center;">YPO</p> <p style="text-align: center;">MANAGEMENT COMMITTEE</p> <p style="text-align: center;">TO BE HELD ON</p> <p style="text-align: center;">18TH MARCH 2016</p>
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TITLE: LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 AND JOINT COMMITTEES

REPORT OF: SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To inform members of the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.
- 1.2 To advise Members on whether to introduce a voluntary arrangement to prepare a statement of accounts each year to be reviewed by an external auditor.

2. BACKGROUND INFORMATION

- 2.1 The Audit Commission Act 1998, which requires the accounts of joint committees such as YPO to be subject to audit, was repealed with effect from 1 April 2015. From this date, the Local Audit and Accountability Act 2014 introduced new local public audit arrangements. However, these arrangements do not apply to joint committees and, therefore, joint committees are no longer required to have their accounts separately prepared and audited. The final mandatory audit for joint committees covers the period 2014/15. For YPO, this will be the period ending 31 December 2015.
- 2.2 This change has been made by the Department for Communities and Local Government (DCLG) as it is expected that appropriate parts of the financial results of joint committees, such as YPO, are reported in the accounts of their constituent bodies and therefore will be audited by auditors appointed to audit the accounts of those bodies.
- 2.3 The DCLG has asked that authorities consider the effect of ending separate joint committee audits whilst ensuring that an effective financial and governance framework is maintained for those committees and the funds they control.
- 2.4 KPMG is currently contracted to undertake the audit of YPO's statement of accounts. This contract ends when the 2015 audit has been completed. If YPO chooses to continue to prepare annual statements of account, a procurement process would need to commence to appoint an external auditor for the 2016 audit.

3. PROPOSED ACTION

- 3.1 The Section 151 Officer of the Lead Authority Wakefield Council also has the Section 151 responsibilities for YPO. The Section 151 Officer strongly recommends that the YPO financial statements continue to be prepared in accordance with the CIPFA Code of Practice. This will provide stakeholders with the confidence that public money has been properly accounted for and that the organisation's financial standing is on a secure footing.
- 3.2 There is provision within the legislation for joint committees to make their own voluntary arrangements for the preparation and audit of their accounts.
- 3.3 Even though all 13 Member authorities include their own financial transactions with YPO in their own accounts, in the majority of cases this is not explicitly disclosed in the accounts. This is due to the immateriality of the transactions within each member's accounts. Only two of the Member authorities show separately the dividend received.
- 3.4 Bearing this in mind, and in line with the professional judgement of the Section 151 Officer, to ensure that the financial performance of YPO is reported accurately and consistently and can be validated as free from material error or misstatement, it is recommended that YPO continues to prepare a statement of accounts and that these accounts are subject to an external audit.
- 3.5 If YPO decides to continue to prepare annual statements of accounts, it will need to explore the option of extending the current auditor's contract (KPMG) for one year or starting the procurement process to appoint an external auditor going forward.

4. FINANCIAL IMPLICATIONS

- 4.1 In the current financial year, £20k is included in the revenue budget to cover the external audit fee.

5. LEGAL IMPLICATIONS

- 5.1 The implementation of the Local Audit and Accountability Act 2014 means that YPO is no longer required to have its accounts separately prepared and audited.

6. RISK IMPLICATIONS

- 6.1 The voluntary arrangement to continue to prepare a statement of accounts that are subject to external audit will provide assurance that an effective financial and governance framework is maintained for YPO.

7. OPTIONS APPRAISAL

- 7.1 **Option 1** - Members agree that YPO continues to prepare, each year, a statement of accounts in accordance with the CIPFA Code of Practice that is subject to external audit.
- 7.2 **Option 2** – Members put forward alternative proposals that would provide appropriate assurances acceptable to the Section 151 Officer and which would enable the Section 151 Officer to carry out their statutory responsibilities.

- 7.3 In discussion with the Audit Sub Committee on 26th February 2016 Members agreed to recommend to Management Committee option 1.

8. RECOMMENDATION

- 8.1 That Members note the changes to the Local Audit and Accountability Act 2014 and the implications for joint committees.
- 8.2 That Members agree as per option 1 and recommended by Audit Sub Committee, that YPO continues to prepare, each year, a statement of accounts in accordance with the CIPFA Code of Practice that is subject to external audit.

ASSISTANT CHIEF EXECUTIVE – RESOURCES & GOVERNANCE – JUDITH BADGER

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